COUNTY GOVERNMENT OF KIRINYAGA

DEPARTMENT OF FINANCE, ECONOMIC PLANNING, MARKETING ANDINFORMATION COMMUNICATION TECHNOLOGY

COUNTY FISCAL STRATEGY PAPER 2018

February, 2018

Kirinyaga County Fiscal Strategy Paper 2018

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FOREWORD

Under the Leadership of H.E Governor Anne Waiguru, OGW, County Government of Kirinyaga has envisioned to develop a sessional paper dubbed '**Mountain Cities Blueprint, 2032'** which is aligned with the **National Government Blueprint, Vision 2030**. From the County Government's 'Mountain Cities blueprint,2032, the County Government intends to develop cities namely: **Industrial City, Green City, Health and Wellness City** and **Resort City** in line with the four targets of the "**The Big Four Plan**" that the Jubilee government intends to implement in order to strengthen the resilience of Kenya's economy and accelerate industrialization.

The National Government is in the process of finalizing the Third Medium Term plan (MTP III) to be implemented in the Period 2018-2022. It is from this Program and Policy document that County government shall align its five year plan 'County Integrated Development Plan'. For purposes of clarity, the County Government of Kirinyaga is developing the **County Integrated Development Plan 2018-2022** in line with **MTP III(2018-2022)**, **Mountain Cities Blueprint 2032** and **National Government Blueprint 'Vision 2030',** and it is from this County Integrated Development Plan that the County extracts its Annual Development Agenda hence underpinning the **County Fiscal Strategy Paper 2018.**

This **2018 County Fiscal Strategy Paper** is the fifth to prepare since the operationalization of the County Governments and sets out county policy goals and strategic priorities that will form the basis for budgeting for the financial Year 2018/19 and the Medium Term. It has been prepared in accordance with the Public Finance Management Act, 2012 and PFM Regulations, December 2015.

It outlines County priorities and goals based on the County Integrated Development Plan (CIDP) with emphasis on:

a) Trade, industrialization, tourism and Cooperatives
b) Agriculture, Veterinary, Livestock and Fisheries resources,
c) General well- being of Citizenry which includes Universal health care, accessibility of clean and safe water.
d) Transport and Infrastructure Development

These priorities shall form the basis for resource allocation.

The paper therefore links planning and policies to Budget which is the main objective of the Medium Term Expenditure Framework. It also covers the following broad areas in review of the fiscal performance of financial year 2017/18; overview of the recent economic developments and economic outlook; review of fiscal performance and emerging challenges; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework.

The County derives 90% of its revenue from the National Equitable Share, to decrease dependency on equitable share while at the same time ensuring sustainable financing, major emphasis will be given towards growing the local revenues.This can only be achieved through (1) growing the revenue base (2) enforcement of existing regulations including partnering with other Enforcement Agencies like KRA to streamline Revenue Collection and (3)Restructuring Operations within the Revenue Department (e.g. by Operationalizing the Automated Revenue Collection System and Occasionally reshuffling revenue collectors) to optimize revenue collection. The set objectives will only be realized if proper planning is done and fiscal discipline observed which ensures transparency, effectiveness and efficiency in public financial management is maintained.

To steer the county forward through numerous strategies geared toward improved service delivery, the County Executive headed by the Governor shall receive 12.85% of the County recurrent allocation and 6.19% of development allocation. The constitution of Kenya 2010, bestores critical decision making rights regarding development on members of the Public through Public Participation. It is from this Public Participation Forum that the Public "Wanjiku" in line with the County Integrated Development Plan and the ADP prioritized 41.06 percent allocation of estimated development budget to routine improvement of vital link and access roads, plus bridges. The opening up of access roads and construction of Bridges will particularly boost access of markets for Agricultural produce thus curbing post-harvest loses.

The County is cognizant of the fact that it is tasked with ensuring good Health and general wellbeing of its citizens. It is for this reason that the county has allocated 51.66% of recurrent allocation towards cushioning Health Recurrent expenditures and 16.47 percent of development estimates towards improving Health Services and increasing the number of Health Facilities so as to improve access to Health Services by all. Further, the county has set aside 11.16 percent towards ensuring that the Citizens access clean and safety water both for drinking and irrigation.With regard to energy and electricity, the county will continue to supplement effort of the National Government's Rural Electrification Program (Rural Electrification Project) with its own expenditure towards lighting our markets and shopping centers in its bid to improve security and enhance trade beyond the normal trading hours.

Riding on the potential that the county has in Agriculture, animal production and value addition, the County envisions to allocate development resources amounting to about 10.16 percent of the entire development budget towards Provision of Certified seeds to farmers, Provision of subsidized fertilizers and other farm inputs, mechanization of Agriculture, Disease & Pest control and boost Dairy farming through installation of milk coolers and Improve A.I. services.

Hon. Moses Migwi Maina.

County Executive Committee Member & Head of the County Treasury

ACKNOWLEDGEMENT

Preparation of CFSP 2018 borrowed heavily from the vision of the Governor H.E Anne Waiguru as enshrined in the Sessional Paper dubbed Mountain Cities Blueprint 2032. County Treasury recognises the vision as one of the best to be witnessed so far amongst the counties and extends sincere and special gratitude to H.E the Governor for this great Vision that She is tirelessly striving to achieve.

A lot of effort and personal dedication have been spent, beyond office hours to ensure the 2018 County Fiscal Strategy Paper (CFSP) is prepared and submitted on time, as scheduled in the PFM Act. These efforts have been dedicated to the timely preparation of this CFSP, personal effort without which, actualization of this MTEF Policy document 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 to transform raw data gathered from Public Participation Forums to this refined document. These officers include Muikia Naftaly (Director, Budget) Mbugua J. N. (Director Economic Planning) Zephania Kiongo (Head of County Treasury- Accounting), James Gitahi (County Budget Coordinator-Office of Controller of Budget), James Kimaru,Gachomo Paul, Naomi Mumbi, Njau Sylvester, Muriu Joseph, Kiura Wilson and George Macharia (From Economic Planning Department).

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

Patrick Mugo

Chief Officer – Finance and Economic Planning

ABBREVIATIONS

ATC	Agricultural Training College
BPS	Budget Policy Statement
CA	County Assembly
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CRA	Commission on Revenue Allocation
CBEF-	County Budget and Economic Forum
CE	County Executive
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CBR	Central Bank Rate
ECDE	Early Childhood Education
DANIDA	Danish International Development Agency
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
KARI	Kenya Agricultural Research Institute
KRA	Kenya Revenue Authority
MTP	Medium Term Plan

MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
PFM	Public Finance Management
PPP	Public Private Partnership/ projects
SME	Small and Medium Enterprises
SDG	Sustainable Development Goals
PBB	Program Based Budgeting
SBP	Single Business Permit

1.0 INTRODUCTION

1.1 Overview& Legal Basis for County Fiscal Strategy Paper

The 2018 County Fiscal Strategy Paper is the fifth to be prepared by the County Government of Kirinyaga since the onset of devolution. This CFSP is anchored to the National Government Budget Policy Statement under the theme “Enhancing Economic Transformation under Shared Prosperity”. This CFSP will provide basis for preparation of the budget estimates for FY 2018/19 and MTEF budget for 2019/20-2020/21.

The preparation of the County Fiscal Strategy Paper (CFSP) is guided by **Section 117 of the Public Finance Management Act, 2012 and the County Government Public Finance Management Regulation Numbers 25-28 of 2015**, which requires the County Treasury to prepare and submit CFSP to County Executive Committee for approval. After approval by the Committee, the County Treasury is obligated to submit the approved copy to the County Assembly, latest 28th of February. The County assembly is expected to adopt the CFSP, with or without amendments within fourteen days.

The Preparation of CFSP seeks the views of Key Individual Government institutions listed as The Commission on Revenue Allocation (CRA), County Departments, Controller of Budget, National Treasury (BPS), forums recognized by legislation (e.g.CBEF), Other stakeholders and most importantly the Public who by law(The Public Finance Management Act 2012 Section 125 (2)) are the main stakeholders during the Budget Making process. Other than aligning the County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement, the CFSP shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term. Other requirements includes but not limited to:

- The financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.

- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.2 Fiscal Responsibility Principles

In line with the Constitution, The Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107(1-2) of Public Finance Management Act states that: In managing the County Government's public finances, the County Treasury shall enforce the following Fiscal Responsibility principles-

1. Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure

2. The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the County Government Public Finance Management 2015 regulations.

3. 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. Note that the County Government of Kirinyaga is yet to borrow funds from financial institutions.

4. Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assembly for the County Governments.

5. Fiscal risks shall be managed prudently; and

6. 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. The Kirinyaga County Finance Act 2015 is currently in force.

1.3 Outline of the 2018 Kirinyaga County Fiscal Strategy Paper

The whole of this CFSP is organized as follows;

Chapter 1 gives an Introduction on the various laws& regulations governing the preparation of the CFSP, plus the fiscal responsibility principles governing the budgeting process.

Chapter 2 outlines the economic context in which the 2018/19 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook covering the global, national and county domestic scene.

Chapter 3 is about Fiscal Policy Management, and it outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate execution of policy priorities of the County Government of Kirinyaga. The chapter also outlines compliance of 2018/19 Budget with the fiscal responsibility principles citing the anticipated Specific Fiscal Risks for the FY 2018/19.

Chapter 4 gives a detailed analysis of the Medium Term Expenditure Framework. It presents the resource envelope and spending priorities for the proposed 2018/19 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the MTEF period.

2.0 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

2.1 County Economic developments

Overview

The county government is committed to laying foundation to ensure accelerated economic growth in the county. Economic growth is anchored in major pillars of health wellbeing, improved doing business conditions, improved infrastructure (improved road networks, water connectivity), increased rate of industrialization to spur job creation. However, the County is directly affected by the general economic developments in Kenya. Inflation rates affects the cost of living and consequently investment power. In Kenya, inflation declined to 4.8 percent in January 2018 from 7.0 percent in January 2017. The decline in inflation was a result of the fall in commodity prices of potatoes, cabbages, mainly attributed to favorable weather conditions towards end of 2017. The inflation of 4.8 percent in January 2018 was within Government's target range.

Over the Medium Term, the County's economy is projected to exhibit resurgence through implementation of the Economic Blue print, "Mountain Cities" Sessional paper 2032 which will seek to spur economic growth through the following major areas; investing in the manufacturing sector giving more focus to value addition industries in the agro rich areas of Ndia. This will translate to job creations, sustainable agribusiness. The County will also leverage on infrastructure developments by the national government to attract investments in the County. The county will seek for investors to establish a resort city around the Thiba Dam which is under construction. This will result in economic multiplier effects of jobs creations, more opportunities for youth employment in SMEs sectors. The county will also ensure a robust marketing strategy is in place to increase the hospitality rating to attract more investments in the under tapped hospitality sector.
Lower sides of the county (Mwea Sub-county) will be transformed to a green city. Thiba Dam will be key pillar to realizing increased productivity of the Irrrigation Scheme. The county will seek for investors in value addition sector for rice and its by products.

2.1.1 Agriculture, veterinary livestock and Fisheries

To ensure food security in the county, the Agriculture sector plays a key role in supporting small scale agriculture. The county is bestowed with arable land prime for crop and livestock farming. Majority of the residents consider agriculture as both the source of daily food basket as well as revenue.

Over the past years the county has continued to support farmers through various programmes tailored to unlock potential and maximize yields in agriculture sector. The programmes revolve around capacity building on best farming practices, crop handling, subsidizing of farming inputs.

To support farmers to reduce dependence on rain fed agriculture, the county government provided pipes and constructed water intakes for water projects across the county.

To enable farmers get access to low cost farming inputs, the county government in collaboration with the National Government provided assorted subsidized fertilizer to farmers in the county

The County Government has also distributed high yielding crop seedlings and seeds to farmers. These included; Banana, Coffee, Macadamia, Avocado seedlings, Maize seeds.

In support of livestock farming in the county, the department of livestock conducted vaccination campaigns against major diseases such as foot and mouth disease, Lumpy skin disease, black quarters and anthrax.

The county also conducted agricultural exhibitions in the County to showcase farming skills and boost marketing of local produce.

The County Government together with national government has ensured access quality animal breeds by setting up a Liquid Nitrogen harvesting in AHITI Ndomba to help in semen storage.

To cut crop losses due to pest invasion, the department of agriculture ensured control of LGB, tutor absoluta MLND and other migratory pests. The department has ensured 99% control of Army worms, control quellea- quellea birds in the rice fields.

2.1.2 County Health Services

The county government continues to ensure that affordable healthcare is accessible to all. Access to health services have been enhanced through upgrading of existing health facilities, increasing services offered including access to drugs, increase human resource in the health centers.

To make healthcare access in the rural areas, new dispensaries have been opened and are functional. These include: Kiaga Dispensary (Kanyekine Ward), and Togonye Dispensary (Murinduko ward)

Other dispensaries have been upgraded to Health Centres. These include (what was formerly): Kagumo and Gatwe (both in Mutiira Ward), Karumandi (Karumandi Ward), Thiba and Nguka (both in Thiba Ward), Gathigiriri and Kiarukungu (both in Tebere Ward), Njegas (Kangai Ward) Rukanga (Mutithi Ward), Kibirigwi, Mukangu and Kiangai (all in Kiine Ward); Gathambi (Mukuure Ward) and Ciagi-ini (Wamumu Ward).

At Kianyaga Sub-County Hospital, a Comprehensive Care Centre (CCC), a new ward and a theatre were built in order to expand the services available at the facility. These activities were supported by University of Nairobi (CCC) and Government Funding. Both the ward and theatre still require some of the essential equipment to operate fully. At the Kimbimbi Sub-County Hospital, a theatre and a mortuary have been constructed and are equipped. The theatre is operational but the mortuary is yet to open, awaiting back-up power sources.

A total of 42 Health workers were recruited throughout in the FY 2016/2017 of which majority were nurses. Others included medical officers, pediatrician, pharmacists and dentists.

Improved health commodity supply through the implementation of the demand driven (pull) system through Kenya Essential Medical Supplies.

In addition to routine health services delivered in all the 57 health facilities in the County, free maternity and free out-patient services have been initiated in all the 57 Primary Care Services (Levels 2 and 3) facilities in the County. In addition, there has been an acceleration of Community-based Counselling and Testing for HIV infections.

The County continues to provide community level services in all the 65 Community Units, in addition to creating demand for health services in the 57 public health facilities.

As part of the community health services, comprehensive school health services have continued to be provided in Primary, Secondary and Tertiary educational institutions.

As part of the plan to improve the Health Information Management System, Electronic Medical Records (EMR) system has been initiated in comprehensive care clinics in eight (8) high volume facilities, including: Kerugoya County Hospital, Kianyaga Sub-County Hospital, Kimbimbi Sub-County Hospital, Sagana Sub-County Hospital, Baricho Health Centre, ACK Mt. Kenya Hospital, Mwea Mission Hospital and Kiamutugu Health Centre, reporting through District Health Information Software (DHIS2) and list of facilities and community units maintained in Master facility list (MFL) and Master community units lists (MCUL).This is part of e-Health

2.1.3 Education

In the Directorate of Vocational Education and Training county has continued to support the vocational training centre to equip the youth with skills necessary to ready them for self-employment and wealth creation.

The ECDE directorate has ensured there is access to clean and habitable learning environment by building new classrooms and rehabilitating existing ones. Construction of new exhaustible toilets, provision of age appropriate furniture to ECDE centers has also ensured improved quality education offered.

Further, to improve the quality of education, the ECDE department has employed 447 pre-school teachers on a 3 years contract.

The Directorate of Vocational Education and Training has constructed two complete administration blocks at Kaitheri and Ndiriti while also completing Phase I of three others at Mucii Wa Urata, Kiambatha, and Kiambwe. It has also purchased tools and equipment for some institutions. All these are done in an effort to promote quality training in conducive environments.

The County has also continued to issue bursary to needy students in the county.

2.1.4 Water, Environment and Natural Resources

The County is committed to ensuring access to clean water, conservation of natural resources is also a key priority areas of the county in achieving the long term strategic objective. In the past years, the county government has strived to allocate resources towards improving the water network in the rural areas, both for domestic consumption and irrigation farming.

Water shortage has contributed to low yields in Mwea irrigation scheme. The County Government together with the National Irrigation Board has worked to resolve the water bills dispute and restoring supply in the fields.

Laying of elaborate water distribution network is a key component to ensuring water is distributed efficiently in all areas. Through this department, the government has funded various water projects across Kirinyaga County. The project entails; funding water piping projects, drilling of boreholes and construction of water intakes to increase water volumes. Among the notable projects is the Kutus- Mwea water project that aims at increasing significantly water supply to urban areas like Ngurubani which has perennial water problems.

In ensuring a clean habitable environment especially in our urban areas, the county government has ensured that garbage accumulation is dealt with. The government procured additional garbage trucks to efficiently enable transportation of garbage.

Afforestation has been identified as an effective measure to improve the forest cover and conserve our water catchment areas. The county government has initiated, funded and advocated for tree planting programmes across the county. Farmers have also been advised to embrace agroforestry as a measure to improve the total forest cover.

2.1.5 Trade, cooperatives, tourism and industrialization

The county government has over the past years put in place measures to support growth of trade in the county. Trading in agricultural commodities is the backbone of trade in the county. Markets which were in poor state have been rehabilitated to accommodate more traders, ensure cleanliness and improve the revenue collection. Major investments have been put in place in market infrastructure improvements of major markets in busy towns such as Kagio, Kerugoya and Kutus. The County Government has also provided the street lighting Programme to drive the county towards a 24 hours economy. Town improvements including designated parking areas are also underway. This will not only increase the revenue collection but also ensure a well-managed space in the transport system.

The County is also keen in supporting value addition in the coffee sector. The county is providing coffee roaster and packaging machine to ensure coffee is processed, branded and marketed directly from the county.

The tourism sector which has a huge potential is also targeted for improvement focusing more on the key gateways to the county. These will be transformed by setting up of information centres and a robust marketing of key tourism attraction sites.

2.1.6 Transport and Infrastructure

Investments in infrastructure is a key enabler to unlock the economic growth potential in the County. The county government therefore realizes that having a well maintained rural road network is a key component to ease access to the potential of key agricultural areas and increase integration of the areas.

The county government has strived to upgrade county rural roads to all weather roads, improving connectivity through construction of new bridges. In partnership with the national government upgrading of major roads to tarmac.

2.2 National Economic and Fiscal Overview

Overall Kenyan economy growth remained resilient, broad based and registered strong performance in the past 5 years supported by strong public and private sector investment and appropriate economic and financial policies. The economy, specifically, grew at an average of 5.5 percent per year in the five years (2013 - 2017) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012.

However, the Country’s economy was affected by uncertainty associated with elections coupled with effects of adverse weather conditions slowed down the performance of the economy in 2017.

The resilient strong growth of the economy over the past five years reflects the broad based nature of our economy that has been largely driven by growth in the non-agriculture sector. The non-agricultural sector has remained vibrant growing at 6.7 percent in 2016 from 5.4 percent in 2013 and continues to be the main source of growth.

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

However, inflation increased to above target in the first half of 2017 due to drought that affected food prices. Inflationary pressures started to ease in the second half of 2017 as the weather situation improved and earlier measures taken by the Government to address the food shortages took effect. These measures included: allowing duty free imports of major food items (maize, wheat, sugar, and milk) and introducing a temporary subsidy on maize meal prices. As a result, overall month on month inflation was 4.8 percent in January 2018 from 7.0 percent in January 2017, and was within the Government's target range.

2.3 County Economic and Fiscal Overview

Macroeconomic stability in the country will be a key anchor to the county's economic performance. The county is channeling new paths towards jobs creation, increased industrialization. All these efforts will depend heavily on the Kenya's ratings on ease of doing business. Favorable ratings will improve prospects of attracting key local and international investments in the county.

2.4 Review and Outlook for the Medium Term

2.4.1 Fiscal Performance review

The County Government has prepared and passed a supplementary budget for 2017/18 FY to take care of changes in county revenue allocations in the County Allocation of Revenue Act 2017. The changes in budgetary allocations has also enabled re-organization of expenditure to high impact areas.

The county is in the third quarter of implementation of the 2017-18 FY budget. The implementation is already indicating underperformance. By the end of the second quarter, own revenue source collected amounted to KShs. 70.8 Million compared to KShs. 106.47 Million in a similar period in 2016/17 FY. Main revenue underperformance was experienced mainly in the health sectors, market fees.

The county experienced slow spending especially in development expenditure. By end of second quarter, the county has not incurred any development expenditure. Cumulative recurrent expenditure for the first half amounts to KSHs 1.292 Billion.

2.4.2 Outlook for the Medium Term

The County's economic growth will largely take into account economic growth in the whole country. Favorable local and International markets for locally produced goods especially the coffee, tea, rice and horticultural sectors holds key to the county's economic growth prospects. Growth in the SMEs sector will consequently be supported by this improved earnings from the agricultural sector.

The County's economic growth is also expected to improve over the medium term through implementation of the 'Mountain Cities' Economic Blueprint focusing on agricultural value addition, tourism and hospitality investments in the resort city, and promotion of organic farming in the green city in Mwea area targeting the export markets. Also provision of universal healthcare through transformative health systems in the Kerugoya County Referral hospital.

These efforts will also be supported by implementation of the national Governments Big Four plan of sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant services sector, and continued recovery in tourism, increased investor and consumer confidence, and macroeconomic stability.

2.5 Risks to the Economic Outlook

The County being an agricultural reliant economy continues to be susceptible to unpredictable and unreliable weather patterns. Other risks could also arise from expenditure pressures most notably the recurrent expenditures.

The County Government will constantly monitor the risks and take appropriate measures to mitigate them should they arise.

2.6 CFSP compliance to Fiscal Responsibility Principles

In compliance with section 107 (2) (a) of PFMA 2012 and the PFMA Regulations 2015 section 25 (1) (d), (e) the County Government has continued to maintain a balanced budget in terms of available revenue equals the expenditure. Therefore the government doesn't envisage borrowing to finance the budget.

The County Government has also continuously complied with section 25 (1) (g) (h) of the Regulations. The Government has over the past three years allocated at least 30% towards development expenditure in the budgets. During FY 2016-17, development expenditure has been allocated 30.69% (KShs. 1.358 Billion). Going forward, in the revised 2017-18 FY supplementary budget, the County Government has also allocated 30% (1.709 Billion) towards development expenditure.

3.0 JOB CREATION, TRANSFORM & DIGNIFY LIVES- THE MOUNTAIN CITIES BLUEPRINT

3.1 Introduction

Kirinyaga County will seek to introduce a long term development strategy in the county. The importance is to link the strategic goals for the county to the national government long term goals outlined in the vision 2030 as well as aligning the county to the national governments agenda of 'Big Four' plan. This development strategy will also ensure value for money, efficient land use as well as focusing on development goals that has an impact to the economic wellbeing of the residents. The plan will also ensure continuity despite changes in government to safeguard the interests of the residents. The strategy is also important in lobbying for development partners to supplement the inadequate resources available to the county government to realize the goals.

Job creation will be the key product of this plan implementation. The plan will ensure sustainable job creation for the youths most notably in the agricultural sector which is under tapped (coffee, tea, dairy and horticultural sectors). An effective marketing strategy will ensure the farmers get competitive prices for their produce. Limited land size in the county calls for strategies to ensure maximum utilization whereby value addition will be key component.

The plan is also developed from first understanding the people of Kirinyaga and the problems they are facing, 'time and season of Kirinyaga people'

This plan will also be a key component in branding the county. This will make the county presentable to the investors which are key agents to development. This plan will put a robust marketing strategy both locally and internationally.

3.2 The Mountain Cities Blueprint, 2032

This plan will seek to improve the lives of Kirinyaga people by focusing on the following key area

a) Transforming lives through enhanced agricultural productivity

Kirinyaga County is largely an agricultural county with over 80% of residents practicing crop and livestock farming. In Mwea Sub- County which is one of the major irrigation schemes in the country, rice production is only meeting 62% of the demand in the county. The region is also the only producer of aromatic rice in the country. In the recent banning of importation of rice, the future looks bright for rice farmers and the county government is working to ensure maximum production to meet 100% of the market demand in the country. Further, the rice farming agribusiness has been enhanced by recognition by the National Cereals and Produce Board as one of the grains that the board will be buying from the farmers.

To enhance agricultural productivity, the county will embark on advocating for better farming practices through;

- Having export market standard farm produce to ensure competitiveness in the international market. This will be done by shifting from the chemical based fertilizer to embracing organic fertilizers
- Subsidizing the cost of these fertilizers for ease of accessibility
- A robust branding and marketing strategies
- Reduce the middle man to increase profits to the farmers

b) Enhanced industrial development through value addition

In this plan, the County Government will focus on establishing an industrial park at Sagana. The park will comprise of industries which will focus on value addition for the local produce (horticultural produce, rice). Through this park the county will benefit from being granted the 'special economic zone'. The site of the park will leverage on availability of land and also geographic nature of the area, the access to transport corridors such as the railway line and the highway. The area is also a major gateway to the county. One of the areas targeted for value addition in Mwea is the rice by products. Rice husk will be targeted to produce building materials such as ceiling boards. In partnership with other investors, rice will also be used as a raw material in production of wine. Horticultural value addition will be a major component to the parks. However, more effort will be put in the production of export acceptable standards to ensure a share in the international market.

c) Enhanced social economic development through integrated urban planning

Provision of key infrastructures like the sewer system will be key priority. The first phase of the sewer line implemented through the National Government is targeted to cover Kagumo-Kerugoya- Kutus- Kagio–Sagana. Mwea area will be installed with a temporary bio digester as it awaits the second phase. Availability of these amenities and good infrastructure will be key catalyst to attract investors.

Investments in key infrastructure and social amenities will ensure the county rises in the hospitality ratings as one of the best hubs for local tourism, conferencing. In view of this, more market for local produce will be realized

d) Adaptive and responsive public service- the county will develop as a source and leading example of emerging African leadership through a transformed public service

3.2.1 Ndia –The Organic City

The County Government through the leadership of her Excellency the Governor will help farmers develop organic brands which meet required standard for export. The brands will be easily identified as Kirinyaga products.

In terms of job creation the main focus will be on Industrial & Business Park at Sagana

Improved Urban Planning- Focus will be on Kagio where cleanliness will be a priority, sewer system. Lighting and improved parking areas.

3.2.2 Gichugu- The Resort City

Since construction of a dam is underway the County government plans to engage investors to construct a five star hotel near the dam. This will ensure that Kirinyaga County is rated highly in hospitality facilities and attract more investments. There are investors who have shown interest in investing in establishing a Golf Course around Thiba Dam. The County also intend to engage the youths to build low income housing facilities around the dam. Water rafting activities will also be incorporated in the development plan

Kirinyaga County is bestowed with historical facility at Castle lodge whereby Queen Elizabeth slept at the Lodge, the County intends to seek investments in developing the Lodge without interfering with the historic aspect. In addition, the County will invest in developing a route to start tourism attraction to climb Mt. Kenya will be developed through the Castle Lodge side.

3.2.3 Kirinyaga Central-Wellness and Health City

Kerugoya Hospital will be developed to establish a regional diagnostic center. This will transform the town through economic growth due to influx of visitors looking for specialized diagnostics. Investment talks are already underway with interested development partners. Economic growth will be realized in the hospitality and accommodation sectors.

3.2.4 Mwea- The Green City

Through the implementation of the Thiba Dam, the Mwea area will be transformed as an agricultural hub. The dam will increase the water available for irrigation and allow farmers to double the annual produce together with expansion of acreage under irrigation. The County Government through the agriculture department will also ensure best agricultural practices through capacity building to farmers. The County will also transform the area by stimulating the horticultural sectors in the area, with focus on export market. Economic growth in the area will also leverage on the proposed construction of transport corridor through expansion of railway network through Sagana.

4.0 FISCAL POLICY AND MANAGEMENT

4.1 Overview

Fiscal policy over the medium term will focus at ensuring accelerated economic growth through identification and resource allocation to high economic potential sectors. Through implementation of the 'Mountain Cities' Economic blueprint, the county will strive towards sustainable job creation through increased industrialization in the agro-value addition, stimulation of tourism and hospitality sector.
Over the medium term, the County Government will ensure that budget allocations will strive to allocate more resources towards realization of the 'Mountain Cities" development agenda as well as aligning the County to the National 'Big Four' Plan to boost the manufacturing sector; enhance food security and nutrition; and achieve Universal Health Coverage are expected to boost growth, create jobs and promote inclusive growth.

4.2 Own Revenue Source

The County Government over the medium term will focus its energies and resources towards increasing own revenue collections as a means of reducing overreliance on equitable shares transfers from the National Government for budget financing. This will be achieved by coming up with appropriate revenue policies and legislation, building on the county human resource capacity & institutional arrangements and in addition ensure there are effective internal controls and audit mechanisms.
The county will also apply fiscal discipline while coming up with revenue projections which are realistic and achievable. This will ensure the county does not experience fiscal constraints while implementing the annual budgets which are manifested through budget deficits and rising pending bills.

4.3 Compliance with Fiscal Responsibility Principles

4.3.1 Development spending allocations:

The County Government has maintained allocations to development expenditure at 30% which is in compliance with sections 107(2) of the PFM Act, 2012 which states that over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure. Over the medium term the county will ensure that development budgetary allocations are translated to actual expenditures spending within each financial year.

4.3.2 Requirement for wages expenditure:

Regulation 25 (1)(b) of the PFM (County Governments) requires that County wage bill shall not exceed 35% of the total revenue. Kirinyaga County inherited a huge workforce from the defunct local authorities whose recruitment policies did not have stringent regulations. The SRC further reviewed the salaries for County Governments state and public officers and County health professionals upwards. These combined with hiring of essential new staff has contributed to the general rise in the County wage bill. The county wage currently stands at over 40% of the total revenues but over the medium term the county hopes to reduce the above wage bill percentage through increased revenues in the county resource envelope. To also contain the current huge wage bill, the county will strengthen the human resource management, only recruit essential staff, ensure salaries are only paid through IPPD and comply with legal requirements on statutory deductions.

4.4 County Financial Reports

4.4.1 Intermittent use of IFMIS

The County Treasury will ensure that all transactions inform of receipts and payments are captured in IFMIS. The County will also take advantage of the recently activated Cash Management Module in IFMIS to aid in reconciliation. This will be achieved by capacity building of relevant county staff on all IFMIS Modules. The County Treasury will also ensure that financial statements produced that meet high quality review standards which will also go a long way in addressing audit issues.

4.4.2 Procurement

The county will ensure strict compliance & adherence to the Public Procurement and Asset Disposal Act, 2012. Procurement will be done in accordance with the approved procurement plan which has been uploaded in IFMIS. In addition other laws with sections that touch on procurement including Public Finance Management, 2012 will be applied in efforts to ensure compliance to procurement laws.

4.4.3 Management of Assets and Liabilities

The County is currently undertaking an inventory of assets and liabilities inherited from the defunct Local Authorities. This will be followed by an inventory from the Financial Year 2013/14 with an aim of having updated inventories of assets and liabilities. This will also ensure that the County Government complies with section 149 (1) of the PFM Act 2012 where it is a requirement to include a summary of fixed assets in their financial statements.

4.4.4 Planning and Budgeting

According to the Constitution, the County Governments Act, 2012 and PFM Act, 2012 every County Government is supposed to prepare development which should be the basis for preparing annual budget. These plans include the County Integrated Development Plan which is implemented through the Annual Development Plans and Annual Budgetary allocations. Development projects to be included in the annual financial year budgets for implementation will therefore be linked to the approved CIDPs or ADPs. In addition the County will strengthen monitoring and evaluation in order to identify delayed incomplete or stalled projects on time.

4.4.5 Transparency and Accountability

The County Government will over the medium term ensure prudent management of public funds through compliance with provisions of the PFM Act, 2012 and the PFM (County Governments) Regulations 2015. The county will also strengthen the Internal Audit Unit and Internal Audit Committees which will go a long way ensuring accountability.

4.5 Statement of Specific Fiscal Risks

- The slow absorption of development budget poses a risk to the fiscal program. Going forward there is need for proper appraisal and evaluation of capital projects before funds are committed in the budget.
- The drought that started in mid-2016 has heavily impacted on agricultural activities resulting in the contraction of the agricultural sector. The agricultural produce from Kirinyaga County is currently below our potential due high dependency on rain fed agriculture.
- The actual performance of own revenue source compared to projected targets poses a risk in funding projects in the annual budget. The County Government will over the medium term do a County revenue source mapping in order to capitalize on unexploited or under collected revenue sources. Increased own revenue sources will also caution the County against overreliance on exchequer releases from the National Government.

- The high wage bill will over the medium term influence allocations especially recurrent expenditure. The County Government will however strive to increase total revenues while employment will be limited to essential staff.
- The recent financial years has witnessed industrial strikes from different sectors especially health. The county is working towards stabilizing or reducing the current wage bill and the industrial strikes may pose a challenge towards these efforts.

5.0 MEDIUM TERM EXPENDITURE FRAMEWORK

5.1 Resource Envelope

As in the Previous Financial Years, Resource Envelop projections for the 2018/19 FY and in the Medium Term will depend on equitable share, conditional grants and Other Loans and grants as contained in the County Allocation of Revenue Act 2018, plus local revenue to be collected as per the County Finance Act .

In the intent of coming up with budget departmental ceilings, It is to be noted that conditional transfers from the National Treasury for various projects in the County will not be included in the Budget Estimates for the county but will be in the National Government Budget Estimates. These includes conditional allocations as outlined in the Budget Policy Statement 2018 and subsequently in the third schedule of the CARA 2018 such as: Road Maintenance Fuel Levy Fund, compensation of forgone user fees, Grant for Youth Polytechnics,Leasing of Medical equipmentand other Loans & grants.

It is therefore expected that the loans and grants as found in the third schedule of CARA 2018 and will have their financing agreement managed by the National Government but with involvement of County Governments in the Project Steering Committees and Project Implementation Units for each programme/project. The framework for the implementation of such projects /programmes will be clearly spelt out and agreed upon between national Government and the county government prior to the release of the funds and implementation of the projects.

Table1: Resource Envelope

KIRINYAGA COUNTY GOVERNMENT			
REVENUE SOURCES			
DESCRIPTION	**FY 2016/2017 BUDGET**	**FY 2017/2018 BUDGET**	**FY 2018/19**
Equitable Share	3,817,781,963	4,409,200,000	4,584,400,000
Allocation for Free Maternal Healthcare	45,389,754		
Allocation - User Fees Foregone	11,625,078	11,282,570	
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	58,660,195	150,752,571	
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	6,385,000	10,215,585	
Conditional Grants			
Local Revenues	460,000,000	600,000,000	600,000,000
World Bank Devolution Support Programme Grant	24,601,287	38,364,055	
Grant for Youth Polytechnics		37,339,283	
Loan to support Health System		22,000,000	
Loan to support Agriculture and Rural Development		50,000,000	
Rolled over Funds	692,266,940	365,238,098	
10% Ad Valorem Levy for Tea Infrastructure Services	20,517,876		

TOTAL REVENUES	**5,137,228,093**	**5,694,392,162**	**5,184,400,000**

Source: County Treasury

Based on the Revised Revenue Sharing Formula, the Commission on Revenue Allocation (CRA) through County Allocation of Revenue Act (CARA 2017) allocated Kirinyaga County equitable share amounting to 1.46% of the total sharable revenue. The Budget Policy Statement (2018) proposes total National revenue of Kshs 314 Billion to be shared amongst the 47 Counties. Based on above percentage (1.46%) of sharing revenue in favor of Kirinyaga County, the County will access **Kshs 4,584.4 million** as equitable share and Conditional Grants amounting to **Kshs 371.8 million**. Further, the county expects to benefit from **Other loans and grants** amounting to **Kshs 317.6 million** The Conditional grants include: Compensation for User fees foregone, Road Maintenance Fuel Levy Fund, Rehabilitation of Polytechnics, and Leasing of Medical equipment.

For purposes of planning, this Paper sets the sharable revenue for the County at **Kshs 4,584.4 Millions** and projects a target of **Kshs 600 Million** in Local revenue to supplement equitable share, giving the county a resource envelop of **Kshs 5,184.4 million** excluding **Conditional grants** and **Other Loans and Grants.** At this point it is worth noting that this figures (as highlighted by BPS) are subject to change and that CARA 2018 shall set out the actual Revenue sharable amongst the counties and hence the Equitable Revenue Allocation for Kirinyaga County..

The County has initiated inclusion of private sector in implementation of projects through Private Public Partnership (PPP) Program. Going forward, the County also endeavors to source for donors to fund projects in the financial year 2018/19. The PPP program and Sourcing of Donor Funding are measures taken in order to strengthen the resilience of County's economy and accelerate industrialization as enshrined in the National governments '**Big Four Plan'** and County's **Mountain Cities Blueprint, 2032.**

5.2 MTEF Priorities

5.2.1National Priorities

The national government's Budget Policy Statement shows that national priority sectors will continue to implement programs and Policies under the '**Big Four Plan'** enabled under the pillars of '**Economic Transformation Agenda**'.The Big Four Plan envisions to**create jobs and transform lives**through:(i)Supporting value addition and raising the manufacturing sector's share to GDP to 15 percent by 2022. This will accelerate economic growth, create jobs and reduce poverty; (ii) Focusing on initiatives that guarantee food security and nutrition to all Kenyans by 2022 through expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain; iii. Providing Universal Health Coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and,(iv). Providing at least five hundred thousand (500,000) affordable new houses to Kenyans by 2022, and thereby improving the living conditions for Kenyans.

The budget policy statement reflects significant capital investments in the five key thematic areas. These investment will be geared towards: i) Creating a conducive business environment for investment and job Creation; ii) investing in infrastructure to unlock growth potential; iii) investing in sectoral transformation for food security and broad based sustainable economic growth; iv) investing in quality and accessible social services (health, education and social safety net); and v) consolidating gains in devolution for services delivery and enhanced rural development.

5.2.2County Priorities

In the recurrent expenditure category, non-discretionary direct cost expenditures take priority. These include payment of statutory obligations such as wages, salaries, pensions, amenities and rent. These non–discretionary cost expenditures are estimate to amount to about Kshs 2.4 billion.

County Government plans to set aside **Kshs 200 millions** towards provision of Car loans and Mortgage scheme for the civil servants.

About 30 percent of the total revenue will be available to fund development projects and programs. Development expenditures will be shared out on the basis of the county priorities as outlined in the Mountain Cities Blueprint, 2032, and CIDP as well as other interventions to deal with unemployment, improve security, increase investment and generally transform lives in the county. The following guidelines are used:

1. **Ongoing Projects:** Emphasis is to be given to completion of on-going projects in the County in particular infrastructure projects as well as other projects with a high impact on poverty reduction and equity, employment and wealth creation.

2. **Strategic Policy Interventions:** priority is also to be given to policy interventions covering the County in particular thematic areas as described the four upcoming Cities (Industrial city, Resort city, Wellness city and Green city) in line with the visionary Mountain Cities Blueprint. 2032.

Other factors will include;

(1) Level and extent of Devolved Functions as per Legal Notice Number 16 and 153 of 2013
(2) County Sector priorities and objectives as per the County Integrated Development Plan (CIDP)
(3) National Government Policies – Vision 2030, Budget Policy Statement.
(4) Public interest projects- include proposals made by members of the Public during Public Sector Reviews forums

5.3 MTEF SECTORAL PRIORITIES AND RESOURCE ALLOCATION

5.3.1 Overview

The sectoral allocation for the 2018/19 financial year and the medium term are pegged on the necessity to finance investment that directly create jobs and transform lives of the citizens of Kirinyaga County and by extension the Citizens of this country.

.The sector allocations are also informed by the County Strategic plan dubbed 'Mountain Cities Blueprint 2032' and people's aspirations as captured in the second generation of County Integrated Development Plan (CIDP) 2018-2022, The Strategic plan and the Integrated Development Plan have been aligned to the goals and the objectives of the third Medium Term Plan 2018-2022 and the Kenya Vision 2030. The key resource allocation will therefore focus on measures to:

i. Install key infrastructural projects in the Health, Roads and Water sectors;
ii. Deliver essential public services to the people;
iii. Improve the quality of life; and
iv. Improve governance and instill prudence in the use of resources.

5.3.2 Details of Sectoral Priorities and Resource Allocation

5.3.2.1 Office of the Governor

The major role of the sector is to provide leadership and policy direction to ensure efficient and effective service delivery. The key priorities of this sector are:

- Instituting county public service reforms to ensure effective and efficient service delivery
- Providing leadership and guidance in human resource management
- Development of appropriate county organization structures
- Enhancement of transparency and accountability in all county entities
- Effective management and coordination of county government operations

The Governance sector has been allocated 12.85% of the total recurrent allocation and 6.19% of the total development allocation in order to fulfill its mandate.

5.3.2.2 Agriculture sector

In order to revitalize the agricultural sector and increase productivity, the county government will focus on executing the following priority areas:

- Supply of certified seeds and other farm inputs
- Supply of subsidized fertilizers
- Capacity building of farmers
- Construction of market sheds to enhance markets for agricultural produce
- Agricultural Infrastructure Development
- A.I Improvement Services

Improving performance in agriculture is one of the main pillars of growth and employment creation in the county over the medium term. In order to strengthen the performance of the sector, the sector will put in place measures to supply inputs to the farmers, train farmers on agri-business and link them to the available sources of credit which is expected to transform the sector to make it more competitive. In addition, to reduce reliance on rain-fed agriculture, the sector is also expected to target an increase in the acreage under irrigation as well as fostering and instituting projects targeting improving livestock productivity.

To implement the above priorities the sector has been allocated **5.88%** of the recurrent budget and **10.16%** of the development budget in the medium term.

5.3.2.3 Health Sector

The health sector is a vital service delivery sector with the mandate of delivering quality health care to the community with particular mid-term focus on:

- Maternal and child healthcare;
- Prevention, management and control of communicable and non-communicable diseases;
- Health promotion through provision of community health education and training of community health workers; and
- Promotion of public health interventions on environmental health and safety

The aforementioned priority areas are in line with the third Sustainable Development Goal (SDG) that seeks to ensure healthy lives and promote well-being for all at all ages. Due to the critical role that the sector holds in the county, it has been allocated 51.66% of the total recurrent budget and 16.47% of the total development budget.

5.3.2.4 Finance, Economic Planning, Marketing and ICT

The major role of this sector is to monitor, evaluate and oversee the management of public finances and economic affairs of the County Government. It also ensures that the county has sound financial policies that will spur its economic growth. To this end, the sector has singled out the following key priority areas to implement over the medium term:

- Coordination of the MTEF process and ensure prudent fiscal policies are developed;
- Enhancement of revenue collection mechanisms
- Automation of County Government systems
- Promotion of effective and efficient utilization of public finances through ensuring compliance of relevant laws and regulations by county government entities
- Supply chain management
- Coordination of the County Monitoring and Evaluation framework

In order to implement the programmes in this sector, it has been allocated 14.72% of the recurrent budget and 1.18% of the development budget.

5.3.2.5 Co-operative Development, Tourism, Trade and Industrialization Sector

The resources for this sector are targeted for the following key priority areas:

- Capacity building of all co-operatives to ensure effective and efficient management;
- Construction and rehabilitation of markets across major Centres which will lead to improved business environment through access to market infrastructure;
- Tourism development and marketing

In order to achieve the above priorities, the county has set aside 1.38% of the recurrent budget and 8.01% of the development target.

5.3.2.6 Transport and Infrastructure Sector

The infrastructure sector is charged with the responsibility of improving both the quality and quantity of infrastructure for sustained socio-economic growth. Priorities for this sector include:

- Construction, rehabilitation and maintenance of existing road infrastructure that lie under the jurisdiction of Kirinyaga County Government ;
- Development and maintenance of civil works
- Construction and maintenance of footbridges
- Develop and maintain emergency response services

For the sector to carry out its activities, it has been allocated 2.35% of the recurrent expenditure and 41.06% of the development expenditure. This sector has been allocated the largest proportion of the development budget due to its huge capital outlays and its potential to spur countywide economic growth.

5.3.2.7 Education and Public Service Sector

The education sector has continually worked towards ensuring a conducive learning environment for the ECDE pupils and impacting skills among the youth. The sector will therefore work towards:

- Increasing ECDE net enrolment and gross completion rates;
- Improving access and enrolment in vocational training centers;
- Awarding bursaries to needy students

In order to achieve the aforementioned priorities, the sector has been allocated 5.64% of the recurrent budget and 0.95% of the development budget.

5.3.2.8 Gender, Culture and Social Services Sector

This sector seeks to promote the socio-economic development of the community through focusing on the following priority areas:

- cultural services development

- Gender and social services development
- Control of drugs and substance abuse

The sector has been allocated 1.62% of recurrent budget and 0.43% of development budget in order to achieve its objectives.

5.3.2.9 Youth and Sports Sector

This sector seeks to promote the socio-economic development of the community through focusing on the following priority areas:

- Establishment of sports and sporting facilities
- Talent development

The sector has been allocated 0.63% of recurrent budget and 1.55% of development budget in order to achieve its objectives.

5.3.2.10 Environment, Water and Natural Resources Sector

This sector will play a major role in ensuring:

- Provision of adequate, safe and reliable water through county and community based water projects
- Development of forests, re-afforestation and agroforestry
- Environmental conservation

In order to implement its programmes, the sector has an allocation of 2.54% of total revenue expenditure and 11.16% of the county development outlay.

5.3.2.11 Lands, Housing and Physical Planning

The lands, housing and physical planning sector endeavors to promote improved land use management. To this end the sector has been allocated 0.74% of the recurrent budget and 2.85% of the development budget.

5.4 Departmental Ceilings

From the resource envelope of **Kshs. 5.184 billion**, at least 30% (**Kshs 1.56 billion shillings**) will be channeled to development expenditure, in fulfillment of the PFM Act's fiscal responsibility principles. This is the minimum expenditure to be allocated to all county sectors with development budgets, including the County Assembly.

The remaining 70%(**Kshs 3.629 billion shillings**) will be channeled towards cushioning the recurrent costs.

The basis of allocating resources to both the County Assembly and the County Executive shall be guided by recommendations made by the Commission of Revenue Allocation (CRA) and/or Act passed in the Senate.

The ceilings provide the County Assembly with an approximate recurrent of **Kshs. 490 Million** for the 2018/19 FY.

The Executive arm of the government will be the beneficiary of the difference between the total estimated recurrent amounting to **Kshs 3.629 billion** and the estimated County Assembly recurrent of **Kshs 490.5 million**. The salaries are estimated at**Kshs 2.4 billion**. The county has also allocated significant allocation towards Education so as to provide an allowance forthe Bursary Program.

Table2: Departmental Ceilings

Cost Centers	FY 2017/2018		FY 2018/19	
	Recurrent Expenditure	Development Expenditure	Recurrent Expenditure	Development Expenditure
County Assembly	627,122,175	93,000,000	532,593,209	70,000,000
	Kshs	**Kshs**	**%**	**%**
County Executive	431,417,263	100,000,000	12.85	6.19
Finance and Economic Planning	494,468,285	19,000,000	14.72	1.18
County Health Services	1,734,632,964	266,110,623	51.66	16.47
Education	189,328,908	15,300,000	5.64	0.95
Agriculture, Livestock and Fisheries	197,461,038	164,200,000	5.88	10.16
Gender, Culture, Children and Social Services	54,421,139	7,000,000	1.62	0.43
Youth and Sports	21,206,969	25,100,000	0.63	1.55
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	46,367,751	129,500,000	1.38	8.01

Environment, Water and Natural Resources	85,149,121	180,400,000	2.54	11.16
Lands, Housing and Urban Development	24,748,869	46,035,086	0.74	2.85
Transport and Infrastructure	78,865,458	663,556,512	2.35	41.06
Total	**3,985,189,941**	**1,709,202,221**	100.00	100.00

6.0 SUMMARY & CONCLUSION

In FY 2018/19, the key sectors of Agriculture, Health, Infrastructure, Water & Natural Resources continues to be priorities as is outlined in the medium term. These four priority departments have a combined development ceiling of **78.85%.** Allocation of funds to the County departments will generally go a long way in absorbing the critical economic shocks of the county residents thus driving the County economy up by creating greater supply hence improving the per capita income of households.

The set of policies outlined in the County Fiscal Strategy Paper reflects the circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. The use of the Integrated Financial Management Information System (IFMIS), E-Procurement and Performance Monitoring Tools will make it possible for the County to track the resources to results achieved in a more efficient manner.

The county has already drafted a policy that outlines the framework for an elaborate M&E system and is awaiting approval by the Cabinet and later on the County Assembly. The M&E system will form the basis of tracking the quality of development done within the county. Flagship projects within the current Medium Term include but not limited to completion of the County Headquarters at Kutus town, development of the County Spatial Plan.

The county government has adopted Program Based Budgeting (PBB) which goes a long way in ensuring that all County resources are managed openly and accountably and most importantly, that the resources are linked to specific projects outputs and outcomes.