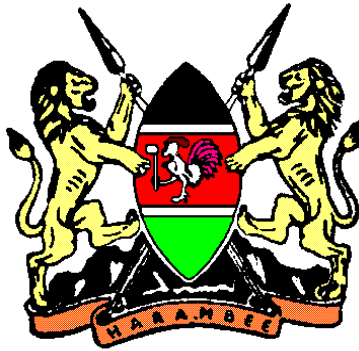


REPUBLIC OF KENYA



COUNTY GOVERNMENT OF KAKAMEGA

THE COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER

2014/2015

Table of Contents

1.0	Background	1
1.1.	Overview.....	1
1.2.	Strategic objectives of the 2014/15 fiscal framework	2
1.3.	Financial reforms.....	2
a.	Investment and savings.....	2
b)	Enhanced revenue collection.....	2
c)	Debt management.....	3
d)	Formulation of revenue and expenditure policies.	3
e)	Appropriation In Aid (A I A)	3
f)	Automation of procurement, budget and payroll management	3
1.4.	Revenue Projections.....	3
1.4.1.	Transfers from the National government.....	3
1.4.2.	Local revenues	3
1.4.3.	Borrowing	4
1.4.4.	Donor Funding	4
1.4.5.	Private Public Partnership Initiatives.	4
1.5.	Proposed Expenditures	4
1.5.1.	Recurrent Expenditure	4
1.5.2.	Development	4
2.0	Sector Resource Sharing	4
2.1	Agriculture, Livestock, Fisheries and Cooperatives.....	4
2.2	Health services	5
2.3	Education, Science and ICT.....	5
2.4	Environment, Natural Resources, water and Forestry.....	5
2.5	Transport, Infrastructure and Public Works.....	5
2.6	Industrialization, Trade and Tourism.....	6
2.7	Lands, Housing, Urban areas and Physical Planning.....	6
2.8	Labour, Social Services, Culture, Youth and Sports.....	6
2.9	County Treasury and Economic Planning	7
2.10	Public Service and Administration and Office of the Governor.....	7
2.11	County Assembly.....	7

3.0 Perceived Challenges in the Implementation of the Budget	7
3.0 ANNEX I: Revenue Receipts/Profile for 2014/2015.	9

1.0 Background

Kakamega County is the largest rural county in Kenya and the second largest County by population after Nairobi with an area of approximately 3050.3 Km². According to the 2009 Kenya Population and Housing Census, the County had a total population of 1,660,651. The population was projected at 1,835,303 in 2013. The county population is projected at 1,929,401 and 2,028,325 by 2015 and 2017 respectively. The county average population growth rate is 2.5% and at 5.6 fertility rate in the western region, it forms the highest fertility rate in the Country compared to 4.6 national fertility rate. The average size a household stands at 4.2. The 2013 estimated total households are 440,642. The County has 12 constituencies as well as 12 Sub-Counties and 60 County Assembly Wards.

The County's administrative Headquarters are situated in Kakamega town.

Agriculture is the mainstay of the population in the county with over 80% people engaged in the sector. Other sectors include Office of the Governor, Public Service and Administration, Treasury and Economic planning, Environment, Natural Resources, Water and Forestry, Labour, Social Services Culture, Youth and Sports, transport ,Infrastructure and Public Works, Lands Housing Urban Areas and Physical Planning. Others include Health services, Agriculture, Livestock, Fisheries and Co-operatives, Industrialization, Trade and tourism and Education, Science, Technology and ICT.

The major development challenges in the county include population pressure, Poor Road Network, Inadequate Clean and Safe Water, Food Insecurity, Inadequate Health Personnel and Facilities, high dependency ratio and weak Industrial Development.

1.1. Overview

The 2014/15 Fiscal strategy paper is the first for the county government of Kakamega. This budget is being prepared amid continued efforts of the county government to streamline operations and create structures that will deliver effective and efficient public services and address the key challenges that are threatening the newly gained self administration of the new devolved governments.

This strategy paper outlines economic policies and structural reforms as well as sector-based expenditure programmes that the County Government intends to implement in the 2014/2015 fiscal year. In particular, it emphasizes on shifting of resources from the recurrent vote towards the development vote perhaps an ambitious target of 60% over and above the constitutional provision of 30 % of the annual total budget. This is to stimulate and revive key sectors of the county economy, foster growth, create jobs and attract investments. The proposed fiscal framework ensures continued fiscal discipline and provides support for sustained growth, broad-based development and employment growth that will boost the county economy and improve livelihoods.

1.2. Strategic objectives of the 2014/15 fiscal framework

The main objective of the fiscal policy is to allocate resources to the sectors that promote growth and create employment for the huge population of the county. In specific, it aims to:

- Reorganize its budgeting process and ensure that a minimum of 60 % of the county's resource envelop is channeled towards the development vote.
- Seal leakages in our revenue collection systems within the county to reduce the overreliance on the transfers from the national government.
- Maintain high level of fiscal discipline in adherence to the Public Financial Management Act 2012.
- Ensuring a significant shift in resource allocation towards the implementation of the County Integrated Development Plan(CIDP) which is linked Kenya Vision 2030,Second Medium Term Plan(2013-2017) and MDGs.
- Embrace performance based management in service delivery.
- Re-organize and rationalize the county public service.
- Adopt and promote modern management styles including leveraging on ICT, outsourcing and public private partnership ventures in public service delivery.
- Revive and fast track the sugar sector which is a key component of the county's growth and employment creation strategy.
- Modernize the agriculture sector to enhance food security, increase earnings and create jobs through diversification, value addition, and value chain linkages.
- Undertake modern market infrastructure development that will not only provide a ready market for the farm produce but also sufficient revenue generation for the county.
- Promote youth empowerment and nurture talent development.

1.3. Financial reforms

The following are the proposed reforms for the county;

a. Investment and savings

The county will focus on attracting private investments in key sectors such as agriculture, industry, health, tourism, transport and ICT. The county government endeavors to improve its investments in the same sectors. This will be achieved through sustaining an appropriate environment for private sector investment and savings, prudent monetary and fiscal policies, deepening structural reforms to enhance efficiency in resource allocations and strengthen governance infrastructure.

b) Enhanced revenue collection

The county plans to establish an independent revenue collection agency with a clear mandate and targets. This will increase revenue collection from the current 300Million to 3Billion by 2017 and .Furthermore, automation of revenue collection will reduce leakages

and non-compliance. In addition, the county government will undertake a re- evaluation of the valuation role under its lands department that will enhance revenue collection.

c) Debt management

This will be achieved through maintenance of a balanced budget, attracting private investments and prudent financial management.

d) Formulation of revenue and expenditure policies.

The county aims at improving efficiency in processing levies to avoid over-burdening its citizens. This also aims at reducing recurrent expenditure through reduced operation costs, human resource audits, early retirement schemes and increasing expenditure on pro-poor projects and programmes. Cost containment measures will also be adopted to reduce disparity in access and wastage of resources.

e) Appropriation In Aid (A I A)

The county government will ensure enhanced collection and management of AIA. The departments which collect this revenue should be given incentives for efficiency and effectiveness. Furthermore, automation of these departments will enhance revenue collections.

f) Automation of procurement, budget and payroll management

This automation and integration of these systems will ensure efficient and effective procurement and budget implementation.

1.4. Revenue Projections

The PFM Act 2012 has categorized the different revenue sources available to the county governments into two main sources:

- Transfers from the National government
- Revenue generated from the county's local sources.

Other additional sources include external and internal loans and grants.

1.4.1. Transfers from the National government

The county governments projects to receive Ksh. 7.5 Billion from the national government in the financial year 2014/15 which excludes conditional grants.

1.4.2. Local revenues

The county government will strive to expand the local revenue collections from property rates, permits, cess and royalties. Other source includes user charges and income from investments. The revenue from local sources is projected to be Ksh. 1.6 Billion in the financial year 2014/15.

1.4.3. Borrowing

The county is not planning to borrow in the budget period.

1.4.4. Donor Funding

The county government has identified development partners who will support specific programmes in the county. They include Unicef and USAid. Discussions will also be held with other partners such as Heifer International, One Acre Fund, TechnoServe Kenya among others. A framework will be developed on how to engage with development partners.

1.4.5. Private Public Partnership Initiatives.

In line with the national long term plan, the Kenya Vision 2030, the county government will explore these as a possible source of capital investments in physical infrastructure, agriculture, tourism, social services, education and health sector. Strategies have been developed in the county CIDP to guide the areas that require support.

Table 1 in the annex shows a summary of the projected revenues during the 2014/2015 Financial Year.

1.5. Proposed Expenditures

1.5.1. Recurrent Expenditure

The county proposes to spend 40% on recurrent expenditure. The wage bill is estimated to consume just Ksh.2.97 Billion which is 32.64% of the total allocation.

1.5.2. Development

The county proposes to spend over 60% of its total allocation on pro-poor development projects of which Ksh.50,000,000 will be allocated to Emergency Fund Account.

2.0 Sector Resource Sharing

The resource sharing will be based on the county priorities which include revamping the agriculture sector, improve infrastructure and energy, improve child and maternal health, support basic education, revitalize tourism, enhance youth training and empowerment, strengthen social protection mechanisms, promote commerce and industrial development. A number of key flagship projects on which the above priority areas expenditure will be anchored on have been identified in each sector.

2.1 Agriculture, Livestock, Fisheries and Cooperatives

To revitalize this sector, the county government proposes a 9.89% allocation to the sector. This is an equivalent of Ksh.900 Million.

The proposed flagship projects in this sector include;

- a. Subsidized farm inputs; Fertilizer provision.
- b. Livestock value chain development
- c. Fish and aquaculture development

2.2 Health services

This sector has been allocated 10.99% of the county expenditure which translates to Ksh.1 Billion. The sector is expected to raise Ksh.300,000,000 as A in A.

The flagship projects in this sector are;

- a. Establishment of county medical school
- b. Expansion of 15 county hospitals
- c. Rehabilitation of Kakamega Medical Training College. (KMTC).

2.3 Education, Science and ICT

The sector has been allocated 6.97% of the county expenditure for its programmes which is Ksh.634.5 Million.

The flagship projects identified in this sector are;

- a. Establishment of 120 ECDE centres.
- b. Establishment of 12 secondary girl schools.
- c. Construction of 800toilets for ECDE centres.

2.4 Environment, Natural Resources, water and Forestry

An allocation of Ksh. 147,204,000 which is 1.62% of the county expenditure.

The flagship projects in this sector are;

- a. Electrification of all health centres, schools and markets.
- b. Establishment of a garbage recycling plant.
- c. Construction and rehabilitation of piped water schemes

2.5 Transport, Infrastructure and Public Works

This is also a very critical sector in the county. It has been allocated 13.76% of the budget for its programmes. This is an expenditure of Ksh.1,252,080,000.

The flagship projects in this sector are;

- a. Upgrading of 50km of county rural roads to bitumen standards.
- b. Gravelling of 250km of feeder roads
- c. Tarmacking of 2km of roads in Kakamega town and 11 km of roads in other urban centres.

2.6 Industrialization, Trade and Tourism

The sector has been allocated 5.82% of the county's budget translating to Ksh. 529,173,000.

The flagship projects in this sector are;

- a. Market development
- b. Establishment of an animal orphanage
- c. Establishment of cable car in Kakamega forest.
- d. Canopy walk and Board walk
- e. Establishment of Industrial Development Centres

2.7 Lands, Housing, Urban areas and Physical Planning

This sector has been allocated 2.07 % of the county's budget translating to Ksh.187,981,200.

The flagship projects in this sector are;

- a. Establishment of waste management plant.
- b. Upgrading of Amalemba and Sipala informal settlements.
- c. Establishment of county G.I.S.

2.8 Labour, Social Services, Culture, Youth and Sports

This sector has been given a budgetary allocation of Ksh. 195,003,000 which is 2.14% of the budget.

- a. Rehabilitation and expansion of Bukhungu stadium.
- b. Provision of wheelchairs for Person With Disabilities.
- c. Women entrepreneurship programmes

2.9 County Treasury and Economic Planning

This sector has been given a budgetary allocation of Ksh.234,342,000 which is 2.58% of the budget.

The flagship projects in this sector are;

- a. Coordination of ministerial strategic plans
- b. Establishment of County Revenue Collection Agency
- c. Establishment of Monitoring and Evaluation Framework.

2.10 Public Service and Administration and Office of the Governor

These two sectors have been allocated Ksh.442,035,000 which is 4.86% of the county budget.

The flagship projects in this sector are;

- a. Construction of county headquarters
- b. Construction of governor' residence
- c. County radio station.

2.11 County Assembly

The County Assembly was allocated Ksh.557,681,800 which is 6.13% of the county budget.

3.0 Perceived Challenges in the Implementation of the Budget

Budget implementation at the county for the period F/Y 2014/2015 is likely to be hampered by various factors highlighted below:

- a) The poor absorption rate of funds by the County Government due to in-effective tender committees and procurement plans. The inadequate of physical infrastructure and human capacity also contributes to poor absorption rate of funds.
- b) Regular breakdowns of IFMIS and G-PAY systems can lead to manual operations that can delay the implementation of this budget.
- c) Diversity in procedures and structures between former local authorities and the devolved functions is likely to hinder effective implementation of the budget.
- d) Anticipated national government transfers and county revenue targets may not be met.

- e) Delays in the disbursement of national government transfers can hinder implementation of the budget.
- f) Any emergency above the Ksh.50,000,000 allocated will jeopardize the implementation of this budget.
- g) The budget for ministries that are partially funded by AI A will not be implemented if the expected revenue is not raised.
- h) Successful implementation of the budget will rely on the implementation of the proposed Financial management reforms highlighted.

3.0 ANNEX I: Revenue Receipts/Profile for 2014/2015.

COUNTY GOVERNMENT OF KAKAMEGA									
REVENUE	JULY	AUG	SEPT.	OCT	NOV.	DEC.	TOTAL	Total for the year	Expected Revenues
PROPERTY RATES	10,717,947.00	978,873.00	1,652,792.00	3,750,610.00	2,307,029.00	297,849.00	19,705,100.00	39,410,200.00	157,640,800.00
SBP	5,611,570.00	1,892,433.00	1,747,635.00	1,365,175.00	1,056,323.00	348,805.00	12,021,941.00	24,043,882.00	96,175,528.00
BARTER	4,286,585.00	3,115,260.00	3,415,940.00	3,859,940.00	3,839,013.00	1,810,705.00	20,327,443.00	40,654,886.00	162,619,544.00
CESS	59,463.00	1,827,206.00	349,880.00	572,021.00	6,841,175.00	214,825.00	9,864,570.00	19,729,140.00	200,000,000.00
HOUSING/ STALL RENT	41,100.00	81,900.00	130,200.00	83,680.00	121,200.00	19,500.00	477,580.00	955,160.00	3,820,640.00
KIOSK FEES	205,280.00	295,535.00	371,830.00	270,500.00	256,300.00	141,740.00	1,541,185.00	3,082,370.00	12,329,480.00
SLAUGHTER HOUSES	333,965.00	283,670.00	69,200.00	42,940.00	65,770.00	53,090.00	848,635.00	1,697,270.00	6,789,080.00
BUS PARK	3,416,500.00	3,260,690.00	4,018,900.00	4,227,750.00	4,258,470.00	2,183,410.00	21,365,720.00	42,731,440.00	170,925,760.00
PARKING FEES	950,810.00	1,179,430.00	1,286,960.00	1,546,920.00	1,511,010.00	568,720.00	7,043,850.00	14,087,700.00	56,350,800.00
HIRE OF MACHINERY	84,240.00	36,670.00	3,000.00	82,640.00	423,670.00	97,500.00	727,720.00	1,455,440.00	5,821,760.00
MISCELLANEO US	799,595.00	583,996.00	893,775.00	1,241,065.00	1,043,160.70	273,210.00	4,834,801.70	9,669,603.40	300,000,000.00
PGH	7,500,000.00	7,500,000.00	7,500,000.00	7,500,000.00	7,500,000.00	7,500,000.00	45,000,000.00	90,000,000.00	250,000,000.00
OTHER HOSPITALS	4,500,000.00	4,500,000.00	4,500,000.00	4,500,000.00	4,500,000.00	4,500,000.00	27,000,000.00	54,000,000.00	100,000,000.00
AIA- PUBLIC HEALTH	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	3,000,000.00	6,000,000.00	12,000,000.00
HSSF	8,340,828.00			8,340,828.00			16,681,656.00	33,363,312.00	33,363,312.00
MATERNITY	23,121,555.00	-	-	23,121,555.00	-	-	46,243,110.00	92,486,220.00	92,486,220.00
TOTAL	70,469,438.00	26,035,663.00	26,440,112.00	95,228,744.70	34,223,120.70	18,509,354.00	270,906,432.40	541,812,864.80	1,660,322,924.00

ANNEX II: COUNTY GOVERNMENT OF KAKAMEGA PROPOSED MINISTERIAL CEILINGS FOR FY 2014/2015

No	Ministry/ Item	Ceilings	%
		KES	
1	Employee costs	2,970,000,000	32.64
2	Ministry of Public Service and Administration	442,035,000	4.86
3	County Treasury and Economic Planning	234,342,000	2.58
4	Ministry of Environment, Natural Resources, Water & Forestry	147,204,000	1.62
5	Ministry of Labour, Social Services, Youth and Sports	195,003,000	2.14
6	Ministry of Transport, Infrastructure & Public Works	1,252,080,000	13.76
7	Ministry of Lands, Housing, Urban Areas and Physical Planning	187,981,200	2.07
8	Ministry of Health Services	1,000,000,000	10.99
9	Ministry of Agriculture, Livestock, Fisheries and Cooperatives	900,000,000	9.89
10	Ministry of Industrialization, Trade and Tourism	529,173,000	5.82
11	Ministry of Education, Science & Technology & ICT	634,500,000	6.97
12	Emergency Fund	50,000,000	0.55
13	County Assembly	557,681,800	6.13
TOTAL VOTED EXPENDITURE		9,100,000,000	100.00

