

**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF KAKAMEGA**

**THE COUNTY TREASURY AND ECONOMIC  
PLANNING**

**MEDIUM TERM**

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**COUNTY FISCAL STRATEGY  
PAPER**

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**An Economically Vibrant County**

**FEBRUARY 2015**

## **FOREWORD**

This is the second County fiscal strategy paper (CFSP 2015) for County government of Kakamega prepared by the County Treasury. It sets out the County priority programs to be implemented in the Medium Term expenditure Framework (MTEF) in the FY 2015/2016. It is prepared inline with requirements of PFM Act of 2012 Section 117.

Kakamega County economy since the establishment of county governments has witnessed tremendous economic growth including improved infrastructure development, revitalized agricultural sector, massive investments in education and health sectors. Further more, the development of modern markets and slaughter houses are expected to boost the volume of trade which has a multiplier effect in job creation, increased incomes and opening up of opportunities for entrepreneurial growth in the county.

However, there are challenges that continue to hold the County back from achieving its full potential. They include: Inadequate budgetary allocation from the National Government, low local revenue base, legal challenges, high unemployment rates, inadequate human resource capacity and pockets of inter county border conflicts. Strategies to address these challenges have been highlighted in this Fiscal strategy paper.

The strategy for economic success targets five core areas: Investment in health services, revitalizing the agriculture sector, improvement of the infrastructure network, improve education standards and promotion of trade and industry.

This fiscal strategy paper gives broad fiscal parameters for the 2015/16 budget and the medium-term expenditure framework which is consistent with the National Government priority programs, strategies and policies. The CFSP 2015 is prepared taking into consideration equitable shareable revenue from the national government, in addition to County's own source of revenue.

## **ACKNOWLEDGEMENT**

The preparation of this county fiscal strategy paper is a consultative and collaborative effort of the various county stakeholders. The strategic leadership of His Excellency the Governor, county departments through the respective C.E.Cs, comments from the various groups and public sector hearings in February 2015, in addition to inputs of commission for revenue allocation, budget controller, the county economic and budget forum members among many other stakeholders who participated in the overall process which was guided by the National Government budget policy statement (BPS).

A core team in the county treasury and economic planning spent a significant amount of time preparing this paper. Key among was the Chief officer county treasury Mr Kenneth Kinyua, Mr .Otieno Samson, the head of budget, Planning Department headed by Mr. James Nyabochoa and the the economists Mr Geoffrey Nyakwara, Margaret Gongi, Kennedy Lumbe, Alex Simiyu, Jacob Mumia, Dan Borter and Cyrus Ondari immensely took time to prepare the document. I would like to take this opportunity to thank the entire staff of the County treasury and Economic Planning for their dedication and commitment.

**MR. PAUL OTSOLA**

**C.E.C FINANCE AND ECONOMIC PLANNING**

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## **ABBREVIATIONS AND ACRONYMS**

<b>BSP</b>	Budget Policy statement
<b>CBROP</b>	County budget review outlook paper
<b>CFSP</b>	County fiscal strategy paper
<b>CIDP</b>	County intergrated development plan
<b>CSWGs</b>	County Sector Working Groups
<b>FY</b>	Financial Year
<b>IFMIS</b>	Integrated Financial Mnagement Infromation System
<b>MTEF</b>	Medium Term Expenditure Framework
<b>PFM</b>	Public Financial Management
<b>PPP</b>	Public Private Partnership

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

The County fiscal strategy paper is prepared in accordance with Section 117 of the Public Financial Management Act, 2012. The law states that:

(1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28<sup>th</sup> February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of

(a) the Commission on Revenue Allocation;

(b) the public;

(c) any interested persons or groups; and

(d) any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without



### **Responsibility Principles in the Public Financial Management Law**

In line with the Constitution, the new Public Financial Management (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(b)) states that:

- 1) The county government's recurrent expenditure shall not exceed the county government's total revenue
- 2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- 3) The County government's expenditure on wages and benefits for public officers shall not exceed 35 percent of the County government revenue.
- 4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 6) Fiscal risks shall be managed prudently
- 7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

## **OUTLINE OF THE 2015 COUNTY FISCAL STRATEGY PAPER.**

This paper contains six sections as summarized below;

**Section I** Provides the county strategic blueprint which is to have an economically vibrant county and further explains how the county intends to transform its economy during its tenure in office.

**Section II** Outlines the economic context in which the 2015/16 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook covering the national government and county level.

**Section III** outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate service delivery and execute the policy priorities of the county Government.

**Section IV** provides a framework of managing the county governments administrative units and the budgetary allocation of the county revenue among its departments.

**Section V** presents the resource envelope and spending priorities for the proposed 2015/16 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the 2015/16 MTEF period.

**Section VI** gives the conclusion.

# **1. AN ECONOMICALLY VIBRANT COUNTY**

## **1.1 Overview**

This County fiscal strategy paper (CFSP) 2015 has been prepared under the Public Financial Management Act, 2012. In line with the law, the CFSP sets out County priority programs outlined in the next paragraphs to be implemented in FY 2015/16 and the Medium Term expenditure Framework (MTEF).

The implementation of the county priority programs is expected to help in achieving its core mandate of service delivery to its citizens. These includes improving health services, enhancing food security, improving infrastructural network, upgrading education standards, revitalizing trade and industry development, promotion of social justice, provision of affordable housing and creation of employment.

The National economic outlook updates have been incorporated in this CFSP to reflect changes in National and Global economic and financial trends. When preparing this CFSP, the national budget policy statement (BPS) was a key reference document in aligning the national economic policy principles to county principles.

## **1.2 Building an Economically Vibrant County**

The focus of the County Government is to steer the county forward through numerous strategies to improve the delivery of services through sustained fiscal policy framework. Riding on the enormous resources and potential that the county has in Tourism, Sports, Agriculture, Energy, Minerals, Forestry, and favourable weather conditions presents numerous opportunities for investors which will be a key driver of the county economy. The County Government has continued to support investments through infrastructure development as an enabler to spur growth in all sectors.

The framework upon which an economically vibrant county agenda is built is on course despite some challenges. The low level of local revenue base of the FY 2013/14 and the inflational trend arising from the national government policies continue to be a source of concern for the County Government. Expenditure pressures with respect to salary demands and operational costs have impacted negatively on the county development agenda.

The broad strategic priorities for 2015/16 Budget will be anchored on the achievements of the County Government by directing public spending to stimulate growth. The investments by the private sector and other development partners will compliment these efforts. Taking the County intergrated Development Plan (CIDP) 2013-2017 as a base, the County Government is certain that the broad strategic priorities for 2015/16 will provide a framework sustainable growth and development.

The County's broad strategic priorities for attaining economic vibrance include:

- a) Promotion of health care through investing in quality and accessible health services
- b) Promotion of value addition for agricultural produce to enhance food security.
- c) Development of key infrastructure to spur economic growth.
- d) Improvement and upgrading education standards.
- e) Creating an enabling environment for business and entrepreneural development.
- f) Promotion of equitable economical and social development for stability
- g) Enhancing governance, transparency and accountability in the delivery of public goods and services.

In identifying these priorities, the County Government acknowledges that there lies an enomous task ahead in their implementation which calls for concerted efforts of all stakeholders in the county .

This County fiscal strategy paper therefore articulates priority economic policies and sectoral expenditure programs to be implemented under the Medium Term Expenditure Framework(MTEF) for 2015/16-2017/18 in order to achieve the County's sustainable development goals.

### **1.3 Programs for achieving a vibrant and sustainable economy.**

#### **Strategic priority I: Promotion of health care through investing in quality and accessible health services.**

The county government intends to provide additional ambulances; construction, equipping, renovation and upgrading of health facilities and revamping of Level four (4) facilities county wide. Furthermore, the establishment of a new County General hospital and a Medical school at MMUST, construction of two MTCs in the northern and southern region and rehabilitation of Kakamega MTC will enhance access to quality health services and increased number of health personnel. In addition construction of Kakamega Teaching and Referral Hospital will enhance the provision of comprehensive and reduce referral cases outside the county. Oparanya Care will continue to be revamped in order to reduce maternal and child mortality rates. In addition the Community Strategy will be strengthened to increase the capacity of the community to handle their own health issues.

#### **Strategic priority II: Revamping the Agriculture sector.**

Value addition in agriculture to produce and promote food security, Mechanization, subsidization of farm inputs, employment of extension workers, upscaling artificial insemination are among the strategies which will be employed to revamp this sector leading to increased incomes from agriculture and improve food security.

#### **Strategic priority III: Improving transport infrastructure.**

In order to improve the connectivity in the county, massive construction of the earth, gravel and bitumen roads as well as bridges and river crossings will be undertaken. Purchase of key construction equipment in addition to investment in the modern road construction technology and Construction of the county mechanical workshop will improve accessibility and connectivity. These will be achieved through both public and private partnerships. Within the medium term the county intend to upgrade 200Km of roads to Bituminous standards.

#### **Strategic priority IV: Improvement of the education standards.**

Construction, equipping and staffing of modern county polytechnics and ECDE centers, roll out of ECDE school feeding programme, infrastructure support to primary and secondary public schools and provision of bursaries and scholarships to the bright but needy students and

provision of tuition subsidies to students in county polytechnics will go a long way in improving access to quality education and training.

**Strategy V: Promotion of Trade, Tourism and Industry.**

Construction of modern markets and stalls, erection of light masts in market centers, protection and development of tourism attraction sites, feasibility studies and provision of infrastructural support for the establishment of maize milling plant and tea processing factory among other cottage factories, will create an of an enabling environment for business development and enhancing entrepreneurial culture..

**Strategic priority VI: Promotion of labour relations, culture, youth and sports.**

Training on labour laws, preservation of culture, entrepreneurial training for the youth and women, establishment of rehabilitation centers, rescue centers, mopping up of street children and identification and nurturing of sport talents. This will enhance cohesion and social justice.

## 2. RECENT ECONOMIC DEVELOPMENT AND POLICY OUTLOOK IN 2014/15

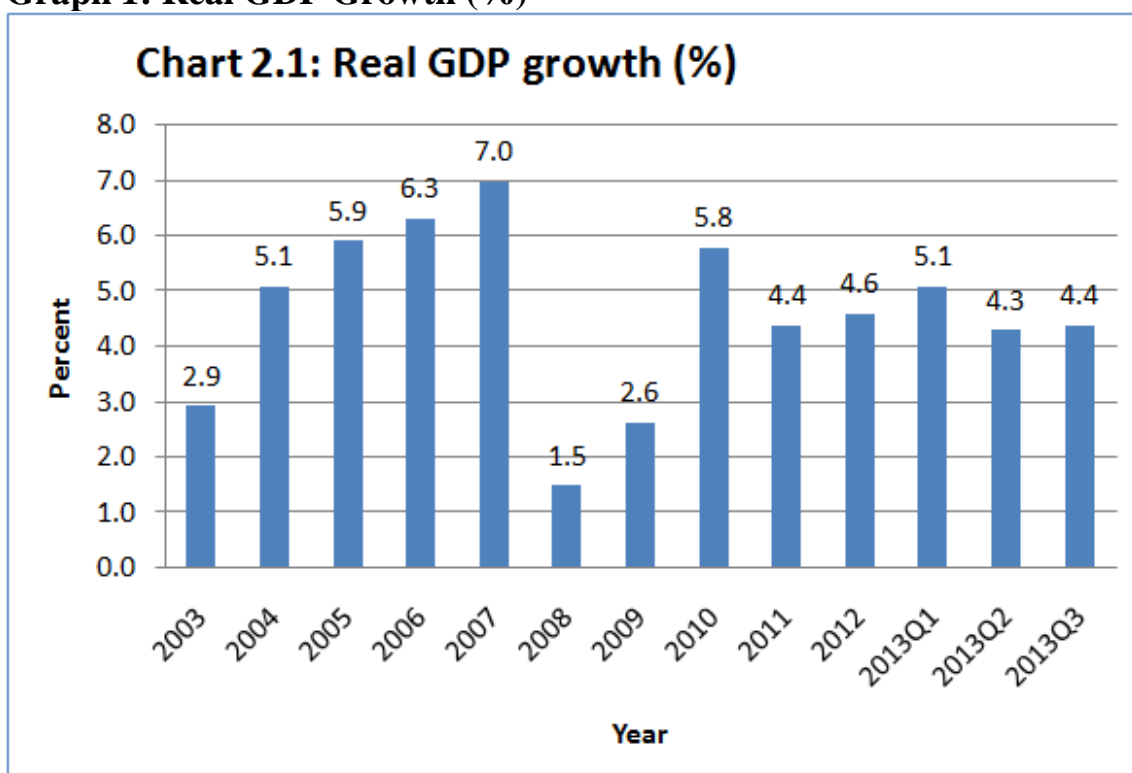
### 2.1 Review of Recent Economic Performance

According to national government statistics , economic growth was satisfactory. This was attributed to favorable rainfall that led to improved agricultural produce harvests. The effect of this was cascaded to Kakamega county which is an agricultural zone. The national inflation declined from double digit in 2011 to 5 percent in in recent times.

#### 2.1.1 Growth Update

The county relies on national government statistics to assess its economic growth.. According to KNBS, the country's economy grew by 5.5% in third quarter of the 2014 as compared to 6.2 % in 2013.This is a drop of 0.7%. The country's overall growth rate affects the county's economic performance. Below is an extract from budget policy statement for 2015 that gives information on real GDP growth.

**Graph 1: Real GDP Growth (%)**



*Source: Budget Policy Statement 2015.*

#### 2.1.2 Growth of the private sector

The private sector has witnessed tremendous growth since the establishment of the devolved Governments. This is attributed to increased transfer of funds to the county governments to spend on provision of services. Private sector contributes to the development of the economy of the county by partnering with the county in provision of goods and services.

### **2.1.3 Inflation rate trend**

According to the national government statistics, the annual inflation rate increased from 6.99 percent in December 2013 to 7.54 percent in December 2014. Inflation rate is expected to reduce to percent level in future. This is the national government target which will be uniform across all the counties.

### **2.1.4 Interest rate trend**

The county government is affected overall by the national government interest rate performance. Nationally, CBK rate was 8.5 percent in December 2014 down from 8.8 percent in June 2013 showing a downward.

## **2.2 Update on fiscal performance and emerging challenges**

The main spending units of the County Government are the County Assembly and the Executive's departments. The main sources of revenue during the period under review was national government allocation (CRA shareable revenue), Conditional grants for Level 5 Hospital and local sources. The approved budget for 2014/15 was Kshs. 10.321B to cater for the spending on the above county units.

### **2.2.1 County Revenue**

The budget of 2014/15 FY was financed by an equivalent of the expenditure budget amounts resulting to a balanced county budget. The total Commission of revenue allocation shareable revenue for the County for FY 2014/15 was Kshs. 7,772,533,929 and a conditional grant of Ksh.206,336,246 for level 5 hospitals. Own source of revenue was forecasted at 874 Million.

### **2.2.2 Locally Collected Revenue**

The county Treasury is responsible for local revenue collection. Collections from the various ministries and other departments are deposited in county revenue fund account.

Total revenue collection for the period 2012/2013 and 2013/2014 was a paltry Kshs. 304 and 325M respectively recording only an increment from the previous year of Ksh. 21M. However, a collection of Kshs.242.4M during the half year of FY 2014/15 ending December 2014 is an indicator of great improvement. It is expected that the County



revenue would increase as from January 2015 since appropriate measures have been put in place. Table 1 and table 2 below explain this trend.

**Table 1: County Revenue Analysis by year**  
**Actual County Revenue Analysis for FY 2012/13-2013/2014**

	2012/2013	2013/2014
Single Business Permits	50,176,925	39,216,196
Land Rates	36,681,519	37,173,324
Busparks	27,874,990	48,866,080
Markets	29,886,895	42,905,440
Parking Fee	13,328,083	18,838,018
Cess	28,060,507	17,123,608
Hire Fees	3,038,765	2,271,370
House/Office Rent	308,500	1,856,205
Other Charges	114,653,635	100,517,166
Education		1,437,500
Health		15,011,397
<b>TOTALS</b>	<b>304,009,819</b>	<b>325,216,304</b>

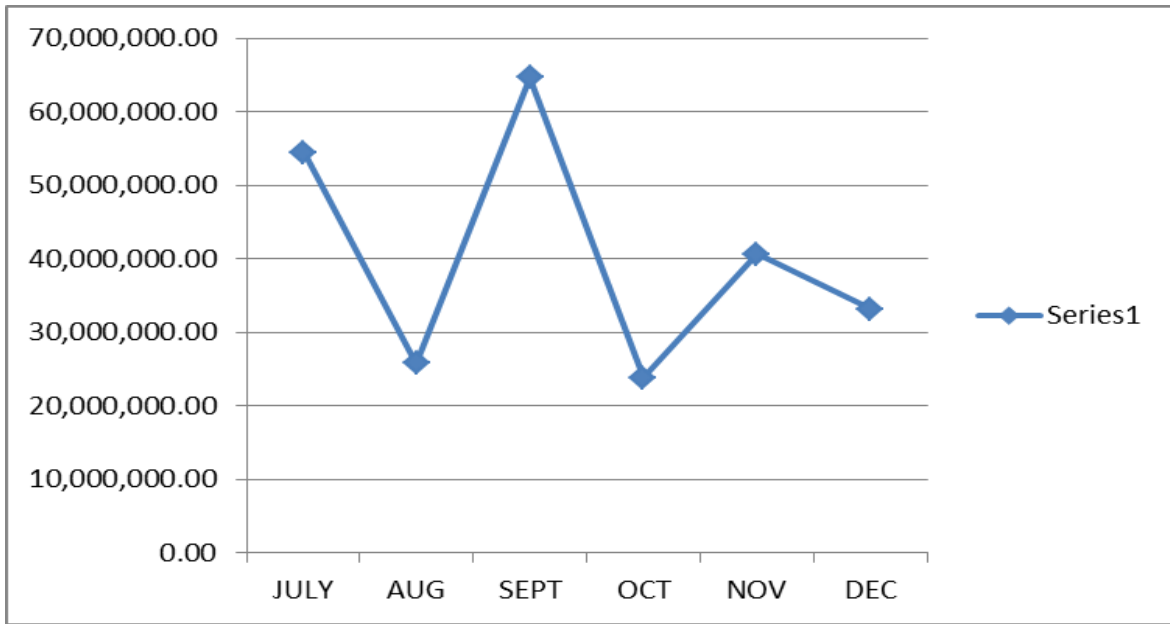
*Source: Kakamega County Treasury 2015*

**Table 2: County Revenue Analysis by Month for half year 2014/15**

Months	Amount	% of Collections
<b>MONTH</b>	<b>TOTAL</b>	
<b>JULY</b>	54,474,590.00	22
<b>AUG</b>	25,750,443.00	11
<b>SEPT</b>	64,607,529.00	27
<b>OCT</b>	23,816,614.00	10
<b>NOV</b>	40,646,246.00	17
<b>DEC</b>	33,144,389.00	14
<b>TOTAL</b>	242,597,227.00	100

*Source: Kakamega County Treasury 2015*

**Graph 2: Trend of Revenue Collection**



*Source: Kakamega County Treasury-Revenue Report 2014*

From graph 2 above it is evident that the month of July it dipped. The trend improved slightly from August up to October, stagnated before it resumed a downward trend from November to December.

### 2.2.3 Exchequer Disbursements

The exchequer disbursements to the County Government totalled Kshs. 6.826 B for financial year 2013/14 and Kshs.4.570 billion for a half year of 2014/15. The sum released to the County for FY 2014/15 for the half year is shown in table 2. Below.

**Table 3: Exchequer Issues to Kakamega County**

Month	Amount
July	645,000,000
August	718,618,000
September	992,200,365
October	720,000,000
November	634,724,376
December	859,000,000
<b>Total</b>	<b>4,570,215,025</b>

*Source: County Treasury*

During the period under review, all exchequer requisitions up to December 2014 had already been disbursed. The challenges being faced during exchequer issues include late

disbursement of funds by the National government, poor financial reporting framework by the County entities and poor implementation of strategies occasioned by inappropriate planning when executing the budget among others.

#### 2.2.4 County Budget Expenditure

The total budget for FY 2013/2014 for all departments was Kshs.13.25 billion. The total actual expenditure for the period under review cumulatively stood at Kshs 5.347 billion which comprises of Kshs. 3.520 billion recurrent and Kshs. 1.917 billion development expenditure as indicated in table 3 below.

**Table 4: Comparison of Recurrent Budget Estimates and Actual Expenditure FY 2013/2014**

DEPARTMENT	Budget estimates (Kshs. 000)	Total expenditure	Budget Balance (Kshs.)	% of budget absorption
Public service and administration	1,613,099,564	2,819,757,816	(1,206,658,252)	174.80
County treasury and Economic Planning	452,797,412	199,884,929	252,912,483	44.14
Environment and Natural resources	119,463,240	15,011,525	104,451,715	12.57
Labour and social services	156,557,786	40,130,833	116,426,953	25.63
Transport and Public works	91,281,694	24,083,687	67,198,007	26.38
Lands and housing	52,804,888	4,430,637	48,374,251	8.39
Health Services	2,059,669,208	159,092,588	1,900,576,620	7.72
Agriculture	330,065,446	26,303,410	303,762,036	7.97
Trade and Tourism	32,457,000	14,486,126	17,970,874	44.63
Education	433,550,000	13,127,222	420,422,778	3.03
County Assembly	745,504,183	203,895,355	541,608,828	27.35
<b>TOTAL</b>	<b>6,087,250,421</b>	<b>1,476,063,596</b>	<b>4,611,186,825</b>	

**Table 5: Comparison of Development Budget Estimates and Actual Expenditure FY 2013/14**

DEPARTMENT	Budget estimates (Kshs. 000)	Total expenditure	Budget Balance (Kshs.)	% of budget absorption
Office of the governor		-	-	
Public service and administration	280,000,000	721,610,431	(441,610,431)	257.72
County treasury and Economic Planning	-	-	-	
Environment and Natural resources	165,000,000	21,562,121	143,437,879	13.07

DEPARTMENT	Budget estimates (Kshs. 000)	Total expenditure	Budget Balance (Kshs.)	% of budget absorption
Labour and social services	220,200,000	27,012,828	193,187,172	12.27
Transport and Public works	2,325,600,000	129,193,982	2,196,406,018	5.56
Lands and housing	310,000,000	13,500,000	296,500,000	4.35
Health Services	1,273,500,000	434,765,251	838,734,749	34.14
Agriculture	385,000,000	30,844,133	354,155,867	8.01
Trade and Tourism	990,000,000	28,781,631	961,218,369	2.91
Education	800,000,000	484,696,720	315,303,280	60.59
County Assembly	369,000,000	25,085,618	343,914,382	6.80
<b>TOTAL</b>	<b>7,118,300,000</b>	<b>1,917,052,715</b>	<b>5,201,247,285</b>	

*Source: County Treasury-Budget Implementation report 2014*

Table 4 and 5 compares the actual expenditure to the gross estimates for the FY 2013/14 period. As indicated the County Public Service and administration had the highest absorption rate as compared to other ministries. This can be attributed to payments in form of salaries and wages which were lumped together.

### 2.2.5 Economic Classification of County Expenditure

The table below gives the details of the classifications of the expenditure as per the various economic items.

**Table 6: Economic Classification of Expenditure for FY 2013/14**

Description	Total Expenditure (Kshs. 000)	Total Expenditure %
<b>Personnel Emoluments</b>	2,831,056,530	49.80
<b>Operational &amp; Maintenance</b>	936,231,082	16.47
<b>Development Expenditure</b>	1,917,052,715	33.73
<b>Total</b>	5,684,340,327	100.00

*Source: County Treasury*

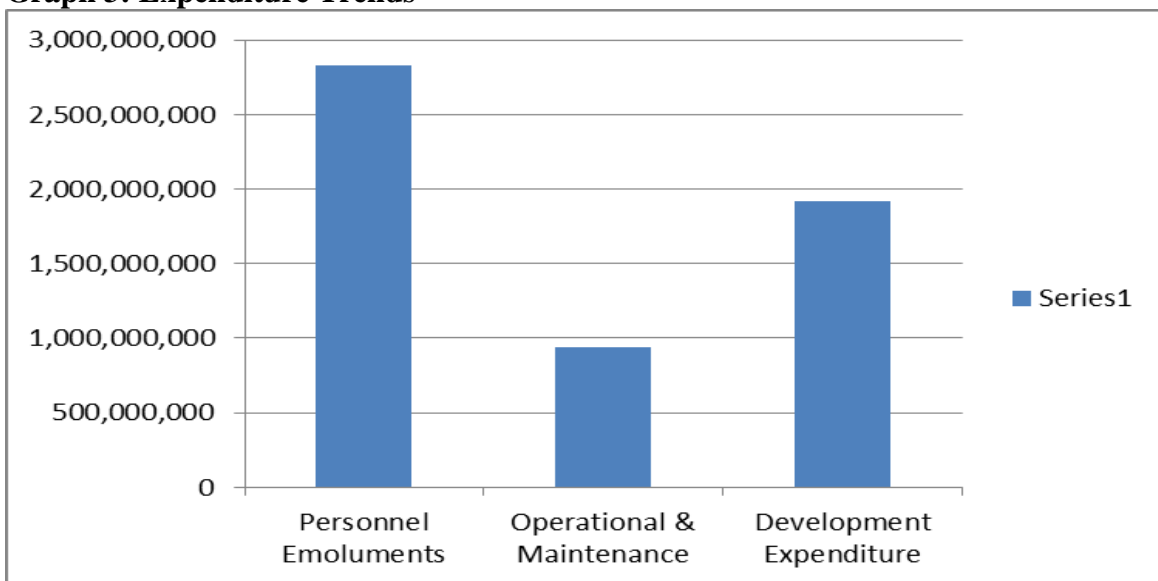
The Table 5 groups the total county expenditures for the previous year into three main categories;

- i. **Compensation of Employees;** includes basic salaries paid to permanent and temporary employees and personal allowances paid as part of salary among other related costs.
- ii. **Operations/Use of goods and services;** includes utilities, supply and services, domestic travel and subsistence, and other transportation costs, training

expenses, hospitality supplies and services, routine Maintenance among other related costs.

- iii. **Development expenditures** - These are the funding to the various capital projects and programmes in the county departments. From Table 6, Compensation of Employees consumed 49.8 % of the total expenditure. Operations and Maintenance consumed 16.47 % while Capital Assets/development consumed 33.73% of the total expenditure.

**Graph 3: Expenditure Trends**



*Source: County Treasury*

## **2.3 Update on Fiscal performance and emerging challenges**

The fiscal and economic assumption underlying the 2014/15 budget entailed improved collection of revenue from local sources and timely disbursements of funds by the national treasury. The updated Economic framework is promising given that there is an improvement of local revenue collection and faster funds disbursement from the national government as compared to the FY 2013/2014. Despite this improvements the County Government will continue with its policy of expenditure rationalization with a view to provide more funds to core services thus reducing costs through elimination of duplication and inefficiencies.

### **2.3.1 Implementation of 2014/15 Budget and Emerging Fiscal Challenges**

Challenges in the adherence to the budget plan continues to hamper smooth implementation of FY 2014/15 budget. But with the incoming of chief officers, the county is expected to improve since the officers will be solely responsible for all

expenditure issues in the respective ministries and departments. Another challenge is in revenue collection due to delay in the automation of revenue collections that had been planned. In addition, expenditure pressures have emerged with salary and operational demands from the health and other departments. This takes place as the departments continue to recruit additional staff without due consultation with the county treasury and Public Service to ascertain the availability of funds to cater for additions. These poses a risk to the stability of the budget for 2014/15 in the face of under collection of local revenue as indicated in the revenue target projection.

The revenue collection in FY 2013/14 was Kshs 325 M against a Kshs 5.89 Billion target. In the FY 2014/2015 Kshs. 348 Million has been collected in the first half of the fiscal year against a target of 437 million. This reflects a shortfall of Kshs 89 million indicating an underperformance from the set targets. This may be attributed to the delay in establishing of a structure that has a strong control in addition to the delay in tapping of new revenue components in the county and reluctance of the citizens in paying the existing levies.

### **2.3.2 Revised budgets**

During the FY 2013/2014 budget implementation, there were several challenges that came as a result of unrealistic budget. The expenditure estimates were over-budgeted for prompting a need for revision. There was delay in approving revised budget by the county assembly and so the revised budget became time barred.

In the course of the budget implementation during the first half of the financial year 2014/2015 several challenges have emerged. They include local revenue underperformance and expenditure pressures. The former arising from the delay in enactment of Finance Act while the latter was as a result of recruitment of additional staff. Furthermore, the Car Loan and Mortgage for the Members of the County Assembly despite it not being budgeted for, was expended during the FY 2014/2015.

In view of the financing constraints from revenue and emerging expenditure pressures a supplementary budget for FY year 2014/15 reflecting these changes will be submitted to the county assembly for approval.

Adjustments to the 2014/15 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year because of the resource constraints, the County Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or re-prioritizing development and operational expenditures in order to spend within the budget.

### **2.3.3 Risks to the outlook**

The devolved system has brought in itself several challenges to the counties. Expenditure pressures have emerged with salary and operational demands from across all county departments especially Health and Public Service and Administration. The high wage bill at the county poses a risk to sustainable implementation of the 2014/15 budget and the medium term by limiting funding to the capital expenditure.

The County government will undertake appropriate measures to safeguard economic stability in order to neutralize its effects to fiscal outlook.

## **3.0 FISCAL POLICY AND BUDGET FRAMEWORK.**

### **3.1 Overview**

The 2015/16 Medium-Term Fiscal Policy aims at supporting a sustainably vibrant economic growth and ensuring the that the county strives to a greater hight to provide services to the citizens. The county will pursue prudent fiscal policies to ensure economic stability. In addition, the county fiscal policy objective will provide an avenue to support economic activities while allowing for implementation of the programmes sustainably. Adhering to these policies will enhance local revenue collections.This will ensure there is adequate capital investments.

In respect to local revenue generation,the county will institute a number of corrective measures to reverse the loss of revenue from local sources. Course of actions will include formation of a County Revenue Agency that will solely be responsible for the prudent management of revenue collections,enforcement of the fiscal policies, automation of revenue collection systems and speedy implementation of collection of other revenue streams such as rental charges.The county will continue to hire and train more staff to improve their capacity geared towards promotion of effeciency and accountability.

#### **3.1.1 Adherence to Fiscal Responsibility Principles**

These policies will aim at rationalizing allocation of more public resources from recurrent to capital and development programmes so as to promote sustainable and inclusive growth.

Some of the fiscal responibilty principles to be observed include:

- Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure. The County Government is committed to spend more in the development expenditure as compared to the recurrent expenditures.
- 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 regulations.On wages and benefits, the share to County Government revenues was 34.20 percent in FY 2014/15, and is projected at 35 percent in FY 2015/16. Once the county government become stable and proper structure put in place the



expenditure on wages and benefits for public officers will decline to 30 percent in 2017/18.

### **3.2. Fiscal structural reforms**

The County Government aims to widen the tax base in line with 2014 finance Act that was enacted by the County Assembly. The county government plans to review other relevant tax legislations in order to improve them. This is expected to increase revenue collection in the medium term 2017/18 to Kshs 1.1 billion

Over the medium term, the county government will rationalize its expenditure with an aim to reduce wastages. This will be done by ensuring there is improved accountability and transparency among the accounting officers who are in charges of public finances. The on-going development of structures will eliminate duplications. The adoption of IFMIS in the county has strengthened expenditure management. However, more needs to be done to enhance internal controls rules and regulations.

The county will strive to ensure expenditure efficiency and effective implementation of the budget is achieved. This will be made possible through expenditure tracking and taking corrective measures on any deviations and instilling strong internal controls on expenditure. To achieve value for money there will be need to strengthen audit functions by continuous reviewing of audit risks and how they affect financial decisions.

#### **3.2.1 Deficit Financing Policy**

The county envisages borrowing from Domestic Sources for capital investments. Borrowing will be undertaken upon careful and critical analysis of financial position and capability of the county in repaying its debts. This initiative will take place in future upon preparation of medium term debt strategy paper.

### **3.3 Revenue projections**

The 2015/16 budget targets total revenue of Ksh10.85 Billion which is both the CRA shareable revenue and local own source of revenue. Out of this, the county expects to receive Equitable shareable revenue of Kshs. 8.693 Billion and level 5 conditional grant of Ksh. 227.7 Million. Local revenue source target is Kshs.961 Million and the expected balance brought forward of Ksh 1Billion.

#### **3.3.1 Expenditure Forecasts**

The county expects the overall expenditures to increase by an average of 5.1 percent up from Kshs.10.321 billion in 2014/2015 to the estimated Ksh.10.85 billion in the FY 2015/16 budget owing to less economic growth and other risks.

Expenditure ceilings on goods and services for sectors/ministries and departments are based on funding allocation in the FY 2014/15 budget. The ceilings are adjusted based on expenditure trends and also the county change of priority programs within the spending units. Inflation which affects the expenditure trends was also put into consideration.

An emergency fund of Kshs. 50 million will be set aside to cater for any emergency that might arise during the financial year 2015/2016.

### **3.3.2 Overall deficit financing**

The county government target to have a balanced budget. However, a debt strategy paper will be prepared which will outline the various strategies to manage county future debts.

Fiscal policy outlined in this CFSP aims at improving revenue efforts as well as containing total expenditures. This will be achieved through administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in government expenditure and reducing wastages. The fiscal space created will avail resources to scale up investments in human capital including; health services, education and physical infrastructure while at the same time providing sufficient resources to improve service delivery in the county.

### **3.4 The 2015/2016 Budget framework**

The 2015/16 budget framework is prepared taking into consideration of macro-fiscal framework set by budget policy statement of February 2015 where real GDP is expected to grow by 7.1 percent by FY 2015/16 and the inflation rate is expected to remain low and stable below 5%. When preparing MTEF 2015/16 ,the County Intergrated Development Plan, Annual Development Plans and Budget Policy Statement have been key reference documents.

## **4.0 INTERGOVERNMENTAL FISCAL RELATIONS**

### **4.1 Legal Framework**

This being the third year of devolution, much has been done by the national government to ensure that county governments succeed in provision of devolved functions. Key significant progress that has been done includes the establishment of sound legal framework for effective and efficient operation of county government. This comprises of PFM Act of 2012 which defines the powers and functions of national and county institutions in financial management and control. This law also provides for accountability mechanisms by entrenching public participation and disclosure of budgetary information as well as mechanism for enforcing compliance to this law. Other laws enacted include; County Government Act,2011, Intergovernmental Relations Act,2011, Urban areas and Cities Act,2011, the Transition to Devolved Government Act,2011, the Commission on Revenue Allocation Act 2011 and the Independent Offices Act,2011. These laws ensure harmony in the operation of the county governments and also boost the inter and intra government relations.

The national government has also rolled out IFMIS to all counties. In addition to this, the national government has seconded staff to support county governments in service delivery during the transition period. Further more, the county government has recruited more staff and still plan to do so in future.

### **4.2 Challenges Encountered by County Governments in Public Finance Management**

Some of the challenges encountered by the counties include:

- Continous rivalries between executive wing of government and the county assembly over the resources and other county issues which disrupt service delivery and smooth implementation of the county budget.
- Local revenue collection mechanism is not efficient. The county local revenue is low though there is high potential for increased collections. This may be due to poor revenue structures in place. The county finance bills sometime face opposition which often delays the collection of local revenue.

### **4.3 Equitable shares**

Pursuant to article 202 of the Constitution, the national government, through the budget policy statement allocated Kakamega county kshs.8,693,337,679 billion. This equitable

share of unconditional allocation is expected to be planned, budgeted, spent and accounted for .

#### **4.4 Additional resources**

The additional revenue to resource allocations by the CRA shareable revenue includes additional conditional grant allocation of kshs 227,795,215 million for The Kakamega County General hospital.

#### **4.5 Fiscal Discipline**

County Governments must ensure that county resources are used in a prudent and responsible way as required under Article 201(d) of the Constitution. In addition, county Governments must comply with the fiscal responsibility principles as stipulated in the PFMA, 2012. County treasury will ensure compliance with the set fiscal targets. In this regard, the county will ensure that recurrent expenditure does not exceed annual revenue. Finally, the county will ensure that the development budget does not fall below 30 percent of the total budget over the medium term.

#### **4.6 Capacity Building of County Governments**

Counties are still experiencing challenges in fully implementing the PFM Act 2012 and the IFMIS system. The National Government has rolled out trainings to build the capacity of county personnel in the following areas; IFMIS, budget preparation, accounting reporting, Monitoring and Evaluation, procurement among others.

#### **4.7 Summary**

The National Government, on the onset of the Constitution of Kenya (2010), embarked on the process of establishing the necessary legal and institutional framework for successful roll out of devolution. This is now in place including the requisite human and financial resources to facilitate operationalization of the devolved system of government. The share of National Government revenue allocated to this County has grown steadily from Kshs.6.825 billion in 2013/14 to Kshs. 7.7 billion 2014/2015 and is expected to increase further to 8.92 billion in 2015/2016. The county government is putting measures in place to enhance efficiency and effectiveness in the delivery of services. Training of staff has taken place and more are expected to be trained in the financial year 2015/2016. Through budget policy statement the National Government has given a hint on introduction of intergovernmental grants aimed at giving incentives for a desired result.

## **5.0 MEDIUM-TERM EXPENDITURE FRAMEWORK**

### **5.1 Resource Envelope**

The resource envelope available for allocation among the spending entities is based on the updated medium term fiscal framework which is outlined in Section III.

In view of the recent devolved functions and limited resources, MTEF budgeting will focus on adjusting non-priority expenditures to cater for the priority sectors. The County intergrated development plan (2013-2017) is in place and has guided resource allocation. The financing of county budget priorities revolve around two financing sources. CRA shareable revenue budget resources will account for 73 percent of the expenditure priorities in the budget while 27 percent will be financed from locally collected revenue and other sources. This comprises of 8.92 billions and 961Million of National Government Revenue and local revenue respectively totalling to 10.85billion. The balance to make up the total resource envelop is the expected balance at the end the FY 2014/15 which is estimated to be close at Ksh. 1Billion.

### **5.2 Spending Priorities for 2015/2016 MTEF Budget**

The county will focus on Promotion of health care through investing in quality and accessible health services, Promotion of value addition for agricultural produce to enhance food security, Development of key transport infrastructure to spur economic growth, Improvement and upgrading of education standards, Creating an enabling environment for business and entrepreneural development, Promotion of equitable economical and social development for stability and Enhancing governance, transparency and accountability in the delivery of public goods and services.

The county will allocate resources to these priority ares as follows as shown in table below.

## Medium Term Expenditure Estimates

### Table 6 baseline ceilings 2015-18

Total Expenditure, Kshs					% Share of Total Expenditure			
	Approved Estimates	Estimates	Projections		Estimates	Ceilings	Projections	
Head Title	2014/2015	2015/2016	2016/2017	2017/2018	2013/2014	2014/2015	2015/2016	2016/2017
	KES	KES	KES		%	%	%	%
Office of the Governor	271,125,751	300,000,000	330,000,000	363,000,000	2.02	2.63	2.76	2.77
Public Service and Administration	2,046,251,781	2,200,000,000	2,420,000,000	2,662,000,000	12.33	19.83	20.28	20.28
County Treasury and Economic Planning	480,310,168	550,000,000	605,000,000	665,500,000	3.42	4.65	5.07	5.07
Environment, Natural Resource, Water and Forestry	275,468,000	320,000,000	352,000,000	387,200,000	2.15	2.67	2.95	2.95
Labour, Social Services, Youth & Sports	276,029,110	300,000,000	330,000,000	363,000,000	2.84	2.67	2.76	2.77
Transport, Infrastructure & Public Works	1,139,690,660	1,150,000,000	1,265,000,000	1,391,500,000	18.23	11.04	10.6	10.6
Lands, Housing, Urban Areas and Physical Planning	364,540,000	370,000,000	407,000,000	447,700,000	2.74	3.53	3.41	3.41
Health Services	2,378,072,277	2,400,000,000	2,640,000,000	2,904,000,000	25.15	23.04	22.12	22.13
Agriculture, Livestock, Fisheries and Co-operatives	1,040,200,000	1,000,000,000	1,100,000,000	1,210,000,000	5.39	10.08	9.22	9.22
Industrialization, Trade & Tourism	409,950,000	410,000,000	451,000,000	496,100,000	7.71	3.97	3.78	3.78
Education, Science & Technology & ICT	816,440,000	850,000,000	935,000,000	1,028,500,000	9.23	7.91	7.83	7.84
public Service Board	55,262,000	50,000,000	55,000,000	60,500,000	-			
County Assembly	751,000,000	900,000,000	990,000,000	1,089,000,000	8.41	7.28	8.29	8.3
Emergency Funds	16,950,000	50,000,000	50,000,000	55,000,000	0.38	0.16	0.46	0.42
<b>TOTAL</b>	<b>10,321,289,747</b>	<b>10,850,000,000</b>	<b>11,930,000,000</b>	<b>13,123,000,000</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### 5.3 Baseline Ceilings

The baseline estimates reflects the current ministerial spending levels in sector programmes. In development programmes adjustment has been made to take into consideration new projects which are key to development of county economy.

The departmental ceilings in table 6 will form the indicative baseline for the FY 2015/16 budget. In the recurrent expenditure category, non-discretionary expenditures take first charge. Compensation of employees for county line departments account for a maximum of 35% of budget forecast.

Development expenditures are undertaken on the basis of County Intergrated Development Plan, Annual Development Plan as well as departmental strategic priorities. The Proposed capital projects will have to be evaluated in the context of the following elements:

- Projects that are in full compliance with the County Government regulations and priorities as outlined in the County intergrated development plan and which are fully justified for financing.
- Community needs identified through public participation.

(c) Department/Agencies strategic needs that contribute greatly in addressing county's socio-economic needs.

Development expenditures are shared out on the basis of county priority programmes as well as aligning to the national government vision 2030 strategies to promote economic growth in the county.

The following were also taken in consideration in order of priorities.

- Ongoing projects- Emphasis on the completion and operationalization of the ongoing projects within the various departments.
- Emerging issues which require much attention in provision of service delivery such as education support programmes.
- Cross cutting issues and other special programmes of importance such as disaster management, youth development, gender, disability and HIV/AIDS.

#### **5.4 Details of Sector/Department Priorities**

The MTEF for 2015/2016 to 2017/2018 will ensure that there is continuous resource allocation based on programme priorities that are aligned to CIDP 2013-2017 and annual development plan of 2015/2016 and subsequent ones.

The medium term expenditure framework for 2014/15–2017/18 ensures continuity in resource allocation based on prioritized programmes aligned to the County integrated development plan and strategic policy initiatives of the county Administration to accelerate growth, employment creation and poverty reduction. The recent achievements and key priority targets for each county sectors are based on the reports from the County Departments.

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

This sector comprises of the following departments; Crop production, Livestock Development, Veterinary, Cooperative Development Irrigation and Marketing, Fisheries Development, Agriculture Training College.

The sector vision is to be an innovative, commercially-oriented and modernized agriculture sector. The mission is to improve livelihoods of Kakamega county residents through promotion of competitive agriculture, sustainable livestock and fisheries, quality and affordable veterinary services and growth of viable cooperatives through quality training in effective and efficient farming methods.

Agriculture accounts for over 65 percent of the total earnings in the county

employing over 80% of residents. Multisectoral strategies will be employed to increase the productivity and maximize earnings in this sector.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.1,000,000,000.

#### **Flagship Projects/Programmes**

- a. Fertilizer programme
- b. AI Programme
- c. Establishment of a maize milling plant and Tea factory
- d. Sugar revitalization
- e. One cow per household programme

#### **5.4.2 Transport, Infrastructure And Public Works**

This sector comprises of Transport, Infrastructure and public works. The vision of the sector is to be a world class provider of cost-effective transport, infrastructure and public works services. Its mission is to provide efficient, affordable and reliable transport, infrastructure and public works for sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructural facilities.

Good infrastructural network is crucial for the overall development of the county. Reliable, adequate and quality infrastructure increases economic productivity, lowers production costs, improves quality of life, raises county's, regional and global competitiveness, attracts Foreign Direct Investment (FDI), PPPs and helps in modernizing the economy.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.1,150,000,000.

#### **Flagship Projects/Programmes**

- a. Construction of 200km of roads to bitumen standard in the medium term period.
- b. Construction and maintenance of 700 km of access roads.
- c. Construction and rehabilitation of bridges
- d. Investment in modern road construction technology.
- e. Purchase of road construction equipment.



### **5.4.3 Trade, Tourism and Industry**

This sector comprises of the following sub-sectors: Trade, Tourism, Industry, Weights and Measures and Market development. The vision of the sector is to be a leader in investment, trade and Tourism and industrialization for a globally competitive county economy. The mission is to Facilitate orderly Growth and Development of Investment, Trade, Standardisation and Tourism in Kakamega County.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.410,000,000.

#### **Flagship projects/programmes**

- a. Eco-lodge in kakamega forest.
- b. Construction of snake park.
- c. Construction of modern markets and modern stalls.
- d. Construction, operationalization of industrial centres/juakali sheds.
- e. Protection and development of tourists attraction sites. (The crying stone).
- f. Upscale of SME loans

### **5.4.4 Health Services**

This sector comprises the sectors of Public Health, Sanitation, and Medical Services. Its vision is to provide efficient and high quality County health care system that is accessible, equitable and affordable for every Kenyan. The mission is to promote and participate in the provision of integrated and high quality promotive, preventive, curative and rehabilitative health care services to all Citizens.

Access to affordable and quality health care by county residents will enhance their economic productivity and investment.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.2,400,000,000.

#### **Flagship projects/programmes**

- a. Construction of Kakamega Teaching and Referral Hospital.
- b. Renovation of the County General Hospital.
- c. Establishment of a medical school at MMUST.

- d. Renovation and Expansion of existing health facilities.
- e. Afya ya Mama na Mtoto programme(*Oparanyacare*).
- f. Construction of Medical Training Colleges
- g. Construction of county hospitals in Khwisero,Mumias West and Shinyalu.
- h. Automation of health services.

#### **5.4.5 Education, Science and Technology**

This sector covers the following sub-sectors: ECDE, County Polytechnics, Youth Training and Education Support Programmes.

The sector vision is to be globally competitive in education, training, research and innovation for sustainable development. Its mission to provide, promote and coordinate quality education and training, integration of science and technology, and innovation for sustainable socio-economic development process.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.850,000,000.

#### **Flagship projects/programmes**

- a. Construction and equipping of ECDE Centres.
- b. Hiring of ECDE Teachers.
- c. ECDE feeding programme.
- d. Construction of modern girl schools.
- e. Bursaries and scholarships.
- f. Construction and equipping of county polytechnics.
- g. Construction of ICT Centres in county polytechnics selected as centres of excellence.

#### **5.4.6 Office of the Governor, Public Service and Administration**

The sector includes; Office of the Governor, County Administration, Disaster Management, Legal Services, Communication, County courts, Protocol, County security, County procurement, ICT, Public Service and administration and Human Resource Management and Training.

The sector vision is to be a secure, just, cohesive, democratic, accountable and conducive county environment for a globally competitive and prosperous county. Its mission is to ensure effective and accountable leadership, promote a just, democratic environment and establish strong governance institutions to empower citizens for the achievement of socio-economic and political development.

This sector will ensure effective and efficient leadership, accountability, security, administration of justice, zero-tolerance to corruption and public participation.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.2,200,000,000 and Ksh 300,000,000 for Public Service and Administration and Office of the Governor respectively. Public service board has been allocated Ksh. 50,000,000

#### **Flagship projects/programmes**

- a. Construction of the Governor's residence.
- b. Establishment of county production studio and Radio.
- c. Construction of county Headquarter administration block.
- d. Construction and refurbishment of ward and Sub-county headquarter blocks.
- e. Establishment of County disaster Unit.

#### **5.4.7 County Treasury and Economic Planning**

The sector comprises of the following sub-sectors: County Treasury, County Procurement, Internal Audit, Economic Planning, County Project Monitoring and Evaluation, County Budgeting and Control, County Revenue Administration, County Investments, County Policy Analysis and Review, County Statistics and Population.

The sector vision is to be a leading sector in public policy formulation, implementation, co-ordination, Monitoring and Evaluation to ensure prudent resource management. It is to provide overall leadership and policy direction in resource mobilization, management and accountability and effective tracking of results for effective resource management.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.550,000,000.

#### **Flagship projects/programmes**

- a. Establishment of county revenue Agency.
- b. Automation of Revenue collection.
- c. County financial Investments.
- d. Review of the CIDP 2013-2017.
- e. Conducting Social Intelligence Reporting county wide.
- f. County Monitoring and Evaluation.
- g. Research, Baseline Surveys and population studies.

#### **5.4.8 Labour, Social services, Culture, Youth and Sports**

This sector is composed of the following subsectors: Labour, Culture Social Services Youth Development Children services, , Sports and ,Gender.

The sector Vision is “To provide and promote a sustainable and equitable socio-cultural development, children and youth development in the county.

The sector mission is “to formulate, mainstream and implement responsive policies through coordinated strategies for sustained and balanced socio-cultural and economic development of the County.”

To undertake these programmes,the 2015/16 MTEF estimates for this sector are estimated to be Ksh. 300,000,000.

#### **Flagship projects/programmes**

- a) Rehabilitation and expansion of bukhungu stadium.
- b) Shelter improvement for the elderly.
- c) Construction of Rehabilitation centres .
- d) Construction and rehabilitation of cultural centres.
- e) Establishment of children and women rescue centres
- f) Conservation and promotion of culture.
- g) Youth and women enterprises.
- h) Promoting sports and sport activities.(Govenors Cup)
- i) Uplifting of the welfare of the people with disabilities.
- j) Trainings and sensitizations on labour laws.

### **5.4.9 Environment, Energy, Water , Natural Resources and Forestry**

The sector is composed of Environment, water, natural resources, energy and forestry.

The sector vision is “sustainable access to adequate clean and safe water in a clean and secure environment”

The sector mission is “to promote, conserve and protect the environment and improve access to water for sustainable national development”.

In order to promote sustainable utilization of environmental resources, the County will promote investments in clean energy such as solar, wind, biogas and hydro-power. All the urban markets and centers will be required to establish a designated dumpsites and sewerage systems to ensure effective and reliable disposal of waste. Since the county faces an acute shortage of clean and safe drinking water, the sector will advocate for the construction of a water treatment plants and boost the storage and supply lines. There is need to establish joint community-school water projects for the benefit of schools and the local communities.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh. 300,000,000.

#### **Flagship projects/programmes**

- a) Extension of water infrastructure across the public facilities and markets.
- b) Planting of indigenous tree seedlings.
- c) Electrification of major markets and public institutions.
- d) Control of air and sound pollution.
- e) Solid and waste management.
- f) Rehabilitation of degraded mining sites.
- g) Promotion of solar and renewable energy.
- h) Water harvesting in schools

### **5.4.10 Lands, Physical Planning, Housing and Urban Development**

The sector comprises of the following sub-sectors: Lands and Settlement, Survey, Physical Planning, Housing and Urban Development.

The sector vision is “ a sustainable and equitable access to land administration,quality housing and effective physical planning in the county.”

The sector mission is “To facilitate improvement of the livelihood of county residents through efficient administration,Equitable access, secure tenure, and sustainable management of land resources,implementation of Housing policy,improvement of living conditions of the urban poor within the context of a well planned urban and rural environment.”

The county endeavours to fully utilize the available personnel and fill existing gaps to offer effective and efficient land administration,offer equitable access to land,implement the land policy to improve sustainability in the management of land resources.It will undertake the implementation of Housing policy, monitoring housing delivery processes and improvement of living conditions of the urban poor; low cost housing technologies, facilitate access to housing development finance; promotion of efficient and effective management of government housing and leases; and Rent restriction and dispute resolution services for low income groups, within the context of a well planned urban and rural environments.

To undertake these programmes,the 2015/16 MTEF estimates for this sector are estimated to be Ksh. 370,000,000.

### **Flagship projects/programmes**

- a) Mapping and profiling of public land.
- b) Geographical Information Systems (G.I.S) Programmes.
- c) Purchase of land for Public Use.
- d) Town land scapping
- e) Housing Development.
- f) Slum Upgrading
- g) Traffic signals and street lighting in Mumias and Kakamega Towns.
- h) Land scapping and beautification of urban areas.
- i) Urban areas waste management.
- j) Buspark development and maintenance.

k) County spatial planning

#### **5.4.11 The County Assembly**

The county Assembly's functions include oversight, Legislation and representation.

To undertake these programmes, the 2015/16 MTEF estimates for this sector are estimated to be Ksh.900,000,000 .

#### **Flagship projects/programmes**

a. Construction of the county Assembly chambers

## 6.0 CONCLUSION

The set of policies outlined in this CFSP reflect the changed circumstances and emerging issues and are broadly in line with the CIDP and the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives which set a basis for County Governments allocation of public resources. Details of the strategic objectives are contained in the first County Intergrated Development Plan. The policies and sector ceilings annexed herewith will guide the County sector working groups and line ministries in preparation of the 2015/16 budget.

Budgetary resources are usually limited, thus it is imperative that departments prioritize their programmes within the available ceilings to ensure that utilization of public funds are in line with county government priorities. There is also need to ensure that current resources are being utilised efficiently and effectively before funding is considered for programmes. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, and administration and implementation plans in allocation resources.

Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater co-operation and alignment between County government, civil society, communities and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.



**Annex Table 1 Local revenue MTEF Forecast 2014/15-2017/18**

<b>Revenue Streams</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
Single Business Permit	117,295,528	123,160,304	129,318,320	135,784,236
Barter Market	37,487,059	39,361,412	41,329,483	43,395,957
Property Rates	45,000,000	47,250,000	49,612,500	52,093,125
CESS	230,000,000	241,500,000	253,575,000	266,253,750
Housing/Stall	3,820,640	4,011,672	4,212,256	4,422,868
Kiosk Fee	12,329,480	12,945,954	13,593,252	14,272,914
Slaughter	6,789,080	7,128,534	7,484,961	7,859,209
Bus Park	45,986,088	48,285,392	50,699,662	53,234,645
Parking Fee	46,350,800	48,668,340	51,101,757	53,656,845
Hire of Machinery	5,821,760	6,112,848	6,418,490	6,739,415
Contribution in lieu of rates	-	86,935,033	91,281,785	95,845,874
Sale of tender documents	8,000,000	-	-	-
Bonding	33,363,312	-	-	-
Others/ministries collections	20,000,000	21,000,000	22,050,000	23,152,500
Court Fines		208,632	219,064	230,017
Health facilities	262,000,000	275,100,000	288,855,000	303,297,750
<b>Total</b>	<b>874,243,747</b>	<b>961,668,122</b>	<b>1,009,751,528</b>	<b>1,060,239,104</b>

**Annex Table 2 Medium Term Expenditure Departmental Ceilings 2013/14-2017/18**

Total Expenditure, Kshs					% Share of Total Expenditure			
	Approved Estimates	Estimates	Projections		Estimates	Ceilings	Projections	
	2014/2015	2015/2016	2016/2017	2017/2018	2013/2014	2014/2015	2015/2016	2016/2017
Head Title	KES	KES	KES		%	%	%	%
Office of the Governor	271,125,751	300,000,000	330,000,000	363,000,000	2.02	2.63	2.76	2.77
Public Service and Administration	2,046,251,781	2,200,000,000	2,420,000,000	2,662,000,000	12.33	19.83	20.28	20.28
County Treasury and Economic Planning	480,310,168	550,000,000	605,000,000	665,500,000	3.42	4.65	5.07	5.07
Environment, Natural Resource, Water and Forestry	275,468,000	320,000,000	352,000,000	387,200,000	2.15	2.67	2.95	2.95
Labour, Social Services, Youth & Sports	276,029,110	300,000,000	330,000,000	363,000,000	2.84	2.67	2.76	2.77
Transport, Infrastructure & Public Works	1,139,690,660	1,150,000,000	1,265,000,000	1,391,500,000	18.23	11.04	10.6	10.6
Lands, Housing, Urban Areas and Physical Planning	364,540,000	370,000,000	407,000,000	447,700,000	2.74	3.53	3.41	3.41
Health Services	2,378,072,277	2,400,000,000	2,640,000,000	2,904,000,000	25.15	23.04	22.12	22.13
Agriculture, Livestock, Fisheries and Co-operatives	1,040,200,000	1,000,000,000	1,100,000,000	1,210,000,000	5.39	10.08	9.22	9.22
Industrialization, Trade & Tourism	409,950,000	410,000,000	451,000,000	496,100,000	7.71	3.97	3.78	3.78
Education, Science & Technology & ICT	816,440,000	850,000,000	935,000,000	1,028,500,000	9.23	7.91	7.83	7.84
public Service Board	55,262,000	50,000,000	55,000,000	60,500,000	-			
County Assembly	751,000,000	900,000,000	990,000,000	1,089,000,000	8.41	7.28	8.29	8.3
Emergency Funds	16,950,000	50,000,000	50,000,000	55,000,000	0.38	0.16	0.46	0.42
<b>TOTAL</b>	<b>10,321,289,747</b>	<b>10,850,000,000</b>	<b>11,930,000,000</b>	<b>13,123,000,000</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Annex Table 3: Comparison of Recurrent Budget Estimates and Actual Expenditure FY 2013/2014**

<b>DEPARTMENT</b>	<b>Budget estimates (Kshs.)</b>	<b>Total expenditure</b>	<b>Budget Balance (Kshs.)</b>	<b>% of budget absorption</b>
<b>Public service and administration</b>	1,613,099,564	2,819,757,816	(1,206,658,252)	<b>174.80</b>
<b>County treasury and Economic Planning</b>	452,797,412	199,884,929	252,912,483	<b>44.14</b>
<b>Environment and Natural resources</b>	119,463,240	15,011,525	104,451,715	<b>12.57</b>
<b>Labour and social services</b>	156,557,786	40,130,833	116,426,953	<b>25.63</b>
<b>Transport and Public works</b>	91,281,694	24,083,687	67,198,007	<b>26.38</b>
<b>Lands and housing</b>	52,804,888	4,430,637	48,374,251	<b>8.39</b>
<b>Health Services</b>	2,059,669,208	159,092,588	1,900,576,620	<b>7.72</b>
<b>Agriculture</b>	330,065,446	26,303,410	303,762,036	<b>7.97</b>
<b>Trade and Tourism</b>	32,457,000	14,486,126	17,970,874	<b>44.63</b>
<b>Education</b>	433,550,000	13,127,222	420,422,778	<b>3.03</b>
<b>County Assembly</b>	745,504,183	203,895,355	541,608,828	<b>27.35</b>
<b>TOTAL</b>	<b>6,087,250,421</b>	<b>1,476,063,596</b>	<b>4,611,186,825</b>	<b>100</b>

**Annex Table 4: Comparison of Development Budget Estimates and Actual Expenditure**

<b>DEPARTMENT</b>	<b>Budget estimates (Kshs. )</b>	<b>Total expenditure</b>	<b>Budget Balance (Kshs.)</b>	<b>% of budget absorption</b>
<b>Office of the governor</b>		-	-	
<b>Public service and administration</b>	280,000,000	721,610,431	(441,610,431)	<b>257.72</b>
<b>County treasury and Economic Planning</b>	-	-	-	
<b>Environment and Natural resources</b>	165,000,000	21,562,121	143,437,879	<b>13.07</b>
<b>Labour and social services</b>	220,200,000	27,012,828	193,187,172	<b>12.27</b>
<b>Transport and Public works</b>	2,325,600,000	129,193,982	2,196,406,018	<b>5.56</b>
<b>Lands and housing</b>	310,000,000	13,500,000	296,500,000	<b>4.35</b>
<b>Health Services</b>	1,273,500,000	434,765,251	838,734,749	<b>34.14</b>
<b>Agriculture</b>	385,000,000	30,844,133	354,155,867	<b>8.01</b>
<b>Trade and Tourism</b>	990,000,000	28,781,631	961,218,369	<b>2.91</b>
<b>Education</b>	800,000,000	484,696,720	315,303,280	<b>60.59</b>
<b>County Assembly</b>	369,000,000	25,085,618	343,914,382	<b>6.80</b>
<b>TOTAL</b>	<b>7,118,300,000</b>	<b>1,917,052,715</b>	<b>5,201,247,285</b>	<b>100</b>

**Annex Table 5: Sector priorities**

S/N	Department	Priorities
1.	Health Services	Community health strategy
		Infant and maternal health promotion and Child survival.
		County general hospital (conditional grant)
		Health supplies
2.	Agriculture	Promotion of crops value chain
		Promotion of livestock value chain
		Veterinary services
		Fisheries development
		Sugar development
		Cooperative development
		Agriculture institution support
		Irrigation and Drainage
		Agricultural processing plants
3.	Education	Education support programme-construction of modern schools
		Bursaries and scholarships,
		Youth polytechnics
		ECDE
4	Transport,Infrastructure and Public works	Construction and maintenance of roads and bridges
		Design,maintenance of buildings and other structures
		Investment in new technology
5	Trade,Tourism and Industrialization	Modern market construction and rehabilitation
		SME Support and Financing
		Tourism promotion and marketing,Construction of eco-Lodges,snake parks and crying stone protection.
		Development of county Industrial parks
6	Labour,Culture,Social Services,Youth and Sports	Culture conservation and promotion
		Children intervention programmes
		Sports promotion and development
		Youth development programmes

S/N	Department	Priorities
		Labour promotion and industrial peace and harmony
		Shelter establishment for the vulnerables
		Cash Transfer for vulnerables
7	Lands,Physical Planning,Urban Areas and Housing	Housing Development and Management
		Urban Development and service provision
		Land administration and Planning
8	Environment,water,N atural Resources,Energy and Forestry	Water infrastructure development
		Mapping of natural resources
		Environmental and forest protection
		Provision of solar energy in institutions
		Rural electrification and renewable energy
9	Office of the Governor,Public Service and Administration	Construction of administrative offices
		Establishment of county Radio
		Automation and promotion of ICT
		Disaster Management
		Human Resource management
10.	County Treasury and Economic Planning	Monitoring and Evaluation
		Review and evaluation of development plans,policies and budgets
		County surveys
		Revenue Agency
		Investment promotion
		Automation of revenue collection
11	County Assembly	Construction of County Assembly chambers
		Human Resource management