

THE COUNTY GOVERNMENT OF TAITA TAVETA



MEDIUM TERM

2017 COUNTY FISCAL STRATEGY PAPER

(ENHANCING SOCIO -ECONOMIC GROWTH FOR THE COUNTY'S
PROSPERITY)

November 2016

© Taita Taveta County Fiscal Strategy Paper (CFSP) 2016-October

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FOREWORD

The 2017/18 County Fiscal Strategy Paper (CFSP) is the fourth to be prepared under this County Government's administration. This is an annual paper that shows the various fiscal strategies the county Government intends to employ to meet its overall objective of improving the livelihoods of its citizens.

The County Government is set to continue implementing its ambitious programme of creating wealth and increasing the socio-economic status of the citizens. This will be achieved through implementation of deliberate strategies geared towards ending poverty in all its forms as well as empowerment of the community as outlined in the Sustainable Development Goals (SDGs).

These broad objectives will be achieved through the eleven county priorities highlighted in the County Integrated Development Plan (CIDP-2013-2017), County Annual Development Plan (2017/18) and the Transform Taita Taveta 2020(TTT2020) strategic Plan. These include:-

1. Environmental management and Increasing access to water for domestic, livestock and irrigation.
2. Ensuring food security and wealth creation through investing in value addition in agriculture, Livestock and fisheries Production.
3. Investing in quality, accessible and affordable health care services.
4. Ensuring quality education through development of ECDE and Library services
5. Empowerment of Youth, women, and vulnerable members of the community
6. Investing in physical infrastructure including ICT and alternative sources of energy.
7. Promotion of tourism, trade and industry
8. Land planning ,management and promotion of small scale mining
9. Further decentralization for improved access and provision of services
10. Enactment of enabling institutions (Policies and legal framework)
11. Prudent management of finances and other resources

As outlined in the 2016 County Budget Review and Outlook Paper, the CFSP has also identified both financial resources mobilization and overall budget execution as of major concern. The challenge of failing to achieve the local revenue targets witnessed in the past three Financial Years (2013/14-2015/16) continues to be a big obstacle in driving the county's development agenda. Further, continued increase in recurrent expenditure with special mention of the wage-bill, have continued to compound the situation.

As a build up to the 2016 CBROP, this CFSP proposes deliberate strategies and policies that will streamline budget formulation, local revenue generation and budget execution. This will ensure synergy of all implementing departments and agencies and direct the development agenda of the county. Some of the policy recommendations include among others:

1. Realign and revamp the Sector Working Groups (SWG) that will drive the development agenda in the county.
2. Strengthening of the resource mobilization unit of the County.

3. Strengthening budgeting, monitoring, evaluation and reporting

To enhance resource mobilization to meet our development agenda, the County Government will continue to engage with the National Government and various Donor agencies to bridge the financial gap especially in critical areas of water, health and infrastructure. Further, the County Government during the recently held Investors Round-Table received undertakings from Local and international investors to invest in several other transformative capital projects/initiatives under the Transform Taita Taveta 2020(TTT2020) strategic plan. These projects have a potential of generating significant socio-economic improvements in the County. These include among others: Development of feedlots to promote commercial ranching; Establishment of modern abattoirs; Promotion of greenhouse technology and value addition; Development of commercial irrigation and modernization of bus and lorry-parks.

This strategic paper is divided into 4 chapters:

Chapter 1 gives the general overview and rationale for preparation of this document. It also highlights the major achievements made by the county government under the priorities of outlined in the County Integrated Development Plan(2013-2017) and the 2016 Annual Development Plan. It also outlines the fiscal performance of the county interms of revenue generation and expenditure analysis.

Chapter 2 outlines the economic context in which the 2017/18 MTEF budget will be prepared. It provides an overview of the recent economic development and macro-economic outlook covering the national and county scene. It further provides a basis for the projections of revenue and expenditure for 2017/18 and the medium term.

Chapter 3 outlines the fiscal framework underwhich the 2017/18 budget and the medium term is based. It briefly highlights the county's resource envelop for 2017/18 and further presents the spending priorities for the next budget. It also outlines the county's priorities over the medium term.

Chapter 4 finally presents the sectors, ministerial and departmental spending ceiling for 2015/16 budget and the medium term.

Hon Dr Vincent Masawi

COUNTY EXECUTIVE COMMITTEE MEMBER-FINANCE AND PLANNING.

ACKNOWLEDGEMENTS

This paper is a build-up of the County Budget Review and Outlook Paper (CBROP) 2016 and provides a fiscal framework for implementation of the 2017/18 County budget and the medium term. Preparation of this 2017/18 County Fiscal Strategy Paper (CFSP) has been a collective effort among various stakeholders. We are grateful for their invaluable input. Special appreciation goes to the H.E the Governor, Eng John Mtuta Mruttu, Deputy Governor- H.E Mary Kabuga, CECM for Finance and Planning Hon. Dr Vincent Masawi and entire County Executive Committee for their leadership and guidance.

The invaluable input of non-state actors of County Budget and Economic Forum (CBEF) is also highly appreciated. Their key role during the various deliberations and the public consultative meetings remain appreciated.

We give gratitude to the County Finance and Planning core team lead by Mr. Benedict Mwabili-Director of Planning and Budgeting. The other members whose contribution in this paper is immense include; Louise Mwanyalo Nyambu -Director Revenue Management, Joyce Mwachia- Director Accounting Services, Renson Mambaria Deputy Director- Internal Audit and Benjamin Odago- Senior Economist.

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I thank all County Chief Officers and the County Public Service Board for their technical contribution and constant review of this document. We are grateful to all Sub-county and Ward Administrators for coordinating public participation forums at ward levels.

Lastly is to express appreciation to Civil Society organizations, Local leaders, the general public and all other stakeholders who took their time to participate in providing vital information in the various meetings.

Bonaventure F. M. Mwakio
County Chief Officer, Finance and Planning

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LIST OF ACRONYMS AND ABBREVIATIONS

AiA	Appropriation in Aid
BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
CA	County Assembly
CADP	County Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CPI	Consumer Price Index
CPSB	County Public Service Board
EU	European Union
FY	Financial Year
GDP	Gross Domestic Product
KCB	Kenya Commercial Bank
KNBS	Kenya National Bureau of Statistics
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
Kshs	Kenya Shillings
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
M3	Money Supply ³
NDMA	National Drought Management Authority
OSR	Own-Source Revenue
PFMA	Public Financial Management Act
PPP	Public Private Partners
SBP	Single Business Permit
SGR	Standard Gauge Railway
SWG	Sector Working Groups
TTT2020	Transform Taita Taveta 2020

Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with section 117 of The Public Finance 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.
2. The County Treasury shall submit the approved County Fiscal Strategy Paper to the county Assembly by the 28th February in each year.
3. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
4. In preparing the County Fiscal 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.
5. 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.
6. 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
7. 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 amendments.
8. The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been adopted by the county assembly.

Fiscal Responsibility Principles in the Public Finance Management Law

The public finance management (PFM) Act, 2012 sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources;

1. The county governments' recurrent expenditures shall not exceed the total revenue.
2. Over the medium term, a minimum of thirty percent of the county government budget shall be allocated to development expenditures.
3. The county governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county governments' total revenue as prescribed by the executive member for finance in regulations and approved by county assembly.
4. Over the medium-term the government borrowing shall be used only for the purpose of financing development expenditures and not recurrent expenditure
5. The county debt shall be maintained at sustainable levels as approved by county assembly
6. The fiscal risks shall be maintained prudently; and
7. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any reforms that may be made in the future.

CHAPTER ONE: ENHANCING SOCIO -ECONOMIC GROWTH FOR THE COUNTY'S PROSPERITY

Overview

This 2017/18 County Fiscal Strategy Paper (CFSP) is the fourth to be prepared under the Public Financial Management Act, 2012. In line with the law, the CFSP presents the fiscal objectives for the 2017/18 financial year and medium term. It further highlights the broad strategic priorities and policy goals that will guide the County government in preparing its 2017/18 budget and the medium term.

Broad medium term priorities

The 2017/18 CFSP paper, outlines 11 priority areas drawn from the County Integrated Development Plan (CIDP 2013-2017) aimed at enhancing socio-economic development for the County's prosperity. These priorities provide which provides the basis for allocation county resources include:-

1. Environmental management and Increasing access to water for domestic, livestock and irrigation.
2. Ensuring food security and wealth creation through investing in value addition in agriculture, Livestock and fisheries Production.
3. Investing in quality, accessible and affordable health care services.
4. Ensuring quality education through development of ECDE and Library services
5. Empowerment of Youth, women, and vulnerable members of the community
6. Investing in physical infrastructure including ICT and alternative sources of energy.
7. Promotion of tourism, trade and industry
8. Land planning ,management and promotion of small scale mining
9. Further decentralization for improved access and provision of services
10. Enactment of enabling institutions (Policies and legal framework)
11. Prudent management of finances and other resources

Priority area: Increasing access to water for domestic, livestock and irrigation

The department of water and irrigation at the county level has been assigned the storm water management, provision of water services and implementation of small scale irrigation projects.

The department was allocated Kshs. 164.9 Million in FY 2013/14 of this Kshs.23.1 Million was for recurrent expenditure and Kshs. 141.8 Million for the development budget. In the FY 2014/15 budget the department was allocated Kshs. 395.8 Million accounting for 9.5% of the total county budget. The budget for FY 2015/16 indicates that the department has been allocated Kshs. 317.9 Million accounting for 8.6% of the total County budget. The 2016/17 allocation comprises of Kshs 298.4 Million and Kshs. 21.4 Million for development and recurrent expenditures respectively.

The department of Water and Irrigation has completed over 80 projects since 2014 and is undertaking implementation of 150 projects spread all over the county .Major focus of the

projects include rehabilitation of existing pipelines, purchase of water tanks, drilling and equipping of boreholes construction of dams and wells and protection of water catchments . The department has also rehabilitated irrigation infrastructure bringing approximately 5700 acres of land under Irrigation.

Priority areas: Environmental Management and promotion of Tourism

This sector issues are spearheaded by the county Department of Tourism, Environment and Natural Resource. During the FY 2013/14, the department was allocated Kshs 21.8 Million comprising of Kshs 8.4 Million for recurrent and Kshs 13.4 Million for development expenditures. In the FY 2014/15, the department was allocated Kshs 73 Million for both development and recurrent expenditures. The total allocation to the department for FY 2015/16 amounts to Kshs 64.4 Million comprising of Kshs 63.4 Million and Kshs 1 Million for recurrent and development expenditures respectively. In FY 2016/17, the department has been allocated Kshs 70.5 Million comprising of Kshs 55.2 Million for recurrent and Kshs 15.2 Million for development expenditures.

Key achievements include; development of a draft County Natural Resource Board Bill, County Environment Policy, County Pollution control Bill and sand harvesting guidelines. In tourism, the department prepared an inventory of 20 WW1 tourism sites, held commemoration of centenary celebration of WW1 and conducted training of 132 tour guides

Priority area: Ensuring food security and investing in value addition and Promotion of livestock and fisheries

The Agricultural Sector is the backbone of Taita Taveta County's economy and is the main means of livelihood for most of the citizens. Sustained agricultural growth remains critical in uplifting the living standards of our people as well as generating rapid economic growth, increase income and employment creation. The sector comprises of Agriculture, Livestock development, Veterinary services and fisheries development

During the FY 2013/14, the department was allocated Kshs 119.8 Million of which Kshs 73.1 million was for recurrent expenditures and Kshs 46.7 Million for development. In the FY 2014/15 the total allocation to the department was Kshs 131 Million for both recurrent and development expenditures. The FY 2015/16 indicates a departmental allocation of Kshs 281.5 Million accounting for 1.5% of the total county budget. This amount comprises of Kshs 130.5 Million and Kshs 151 Million for recurrent and development expenditures respectively. In the FY 2016/17, the department has been allocated Kshs 309.9 Million of which Kshs 146.2 Million for recurrent expenditures and Kshs 163.7 Million for development.

In this sector, the county Government has completed over 40 projects (24 in Agriculture sub-sector and 16 in livestock, veterinary and fisheries sub-sector) since 2014. The completed projects include purchase of 5 Tractors and implements; Procurement of over 3,000 Orange seedlings and distributing them to 200 farmers; Purchase and distribution of Traditional High Value crop seeds i.e. Sorghum, Green grams, cowpeas, pigeon peas; supply of subsidized fertilizer ; Construction of 3 water pans in Manganga , Mvita and Uthiani . Other projects are construction of Lalazi and wesu dams

In the livestock sub-sector , completed projects are the purchase and distribution of 38 breeding Boran and Sahiwal stock ; purchase and distribution of 125 Galla goats to small scale farmers to improve goat meat production ; purchase and distribution of 111 dairy goats and 26 dairy cows to improve milk production ; purchase and distribution of 3,800 indigenous poultry and 312 Rabbit breeding stock. Other key projects are rehabilitation and routine maintenance of Mwatate livestock farm and Bachuma Livestock multiplication centres; establishment of 4 AI centres, construction of one fish banda at Lake Jipe; construction and stocking of 50 fishponds and restocking of Lake Jipe and Ngerenyi Dam with tilapia fingerlings.

Priority area: Investing in quality, accessible and affordable health care services

In FY2015/16, the department was allocated Kshs.1.2 Billion comprising of normal allocation and conditional grants. The allocation which was 30.87% of county budget marked an increase of Kshs 793 Million (195%) compared to FY 2014/15 which was Kshs. 406 Million and 9.8% of county budget .In the 2015/16 allocation Ksh.100 Million (84%) is to support recurrent activities while ksh198 Million (16%) development. In the FY 2016/17 the department has been allocated Kshs 1.04 Billion comprising of Kshs 840 Million recurrent and Kshs 214 Million development.

Priority Area: Improving access to ECDE, Polytechnics and Library services.

The county education sector comprises the early childhood education support services, youth training and library services. The county also support education of needy students in secondary and college through provision of bursaries and Loans. The county has 334 public ECDE centres with an enrolment of 15954 pupils and 643 teachers. There are 24 youth polytechnics with an enrolment of 2654 students.

In the FY 2013/14, the department was allocated a total of Kshs 201.2 Million comprising of Kshs 137.3Million for recurrent expenditures and Kshs 63.9 Million for development activities. The department's total allocation for FY 2014/15 amounted to Kshs 372.5 Million accounting for 9.0% of the total county budget. The FY 2015/16 budget allocation to the department stands at Kshs 466.5 Million. The FY 2016/17 budget allocation to the department stands at Kshs 569.8 Million where the recurrent expenditure stands at Kshs 399.7 Million and development expenditure is Kshs 170 Million.

Some of the milestones achieved by the department include: Rolling out of ECDE feeding Program to marginalized ECDE centres (program rolled out in 67 ECDE centres across the county); Purchased of 250 High density mattresses to aid the County ECDE teachers during their DICECE training period; Provided ECDE teaching& learning materials; 4 ECDE centres provided with fixed outdoor play materials; Employed 46 qualified Youth Polytechnic instructors competitively and BOM instructors; 120 of them employed as casuals; Rolling out of County Mobile Library Services Project to students in identified educationally marginalized Zones (Kimorigo, Tausa, Rong'e and Wumingu Zones; Training of school librarians in the identified zones was done (two linguistic teachers in each Secondary, Primary, Youth Polytechnic and ECDE supervisors in the 4 zones); Established a county education fund for needy students at secondary and tertiary level and construction of Twin workshop at Chumvini in Taveta, Tausa, Ronge Juu and Mwagafwa Youth Polytechnics.

The Department has also supported both the KCPE and KCSE candidates through provision of:- Sanitary Towels to Girls Candidates and Food for the Candidates in public secondary and primary schools.

Priority areas: Empowerment of Youth, women, and vulnerable members of the community and Promotion trade

The department of trade and community affairs' mandate covers the strategic implementation of Cooperatives, Youth, Sports, Culture, Trade and Gender programmes. The role of the department is to contribute to transformation of the social and economic status of residents of the county through a coordinated and harmonized integration of the various activities.

In the FY 2013/14, the department was allocated a total of Kshs 153.3 Million comprising of Kshs 49.1 Million for recurrent expenditure and Kshs 104.2 Million for development activities. The budgetary allocation for 2014/15 was Kshs 181.7 Million. In the FY 2015/16 the department has a total allocation of Kshs 156.7 Million for both development and recurrent expenditure. In the FY 2016/17, the department has been allocated a total of Kshs 202 Million comprising of Kshs 57.8 Million for recurrent expenditure and Kshs 144 Million for development activities.

In this sub-sector, 51 projects have been initiated with the key initiative including disbursement of DATU fund to benefit the marginalized groups consisting of Women, Youth and People living with disability as well as establishment of a Biashara Business Centre. Other projects include those geared towards strengthening the cooperative societies, sports, trade development, culture and support to youth development activities.

Priority area: Land planning, management and mining

Issues affecting the land management include: outdated laws and limited implementation of land policies; multiple land interests on the same piece of land; Inadequate funds for land administration system; Inadequate mapping capacity; Deteriorating and missing land administration records; Inadequate decentralization of land registration services; Inadequate security of land ownership and insecure land-related investments; Inadequate Dispute Resolution Mechanisms; Increasing land evictions on registered land and customary land; Unregistered land rights in the mineral rich areas and Shortage of qualified professionals.

The land management activities comprises of functions allocated to county government and spearheaded by department of lands and mining. In the FY 2014/15, the lands and physical planning department was allocated a total of Kshs 18.5 Million for both recurrent and development expenditures. The FY 2015/16 budgetary allocation, to the Lands and Mining is Kshs 19.1 Million comprising of Kshs 8.9 Million for recurrent expenditure and Kshs 10.2 Million for development expenditure The FY 2016/17 budgetary allocation, to the Lands and Mining is Kshs 40.7 Million comprising of Kshs 37.4 Million for recurrent expenditure and Kshs 3.3 Million for development expenditure

Priority area: Investing in physical infrastructure including ICT and Promotion of Energy and industry

The key mandate of the public works and infrastructure department is to spearhead infrastructure development including planning and supervising all construction of county government's physical projects in health, education, roads and other sectors. The department was allocated Kshs 289.6 Million in the FY 2013/14 budget which comprised of Kshs 25.6 Million for recurrent and Kshs 264.0 Million for development. In the FY 2014/15, the department's total budgetary provision was Kshs 298 Million for both recurrent and development expenditures. The FY 2015/16 budget indicates a total allocation of Kshs 307.5 Million to the department. Further, the department expects to receive Kshs 42 Million as specific allocation from the RMFLF. The department has been allocated Kshs 296 Million in the FY 2016/17 budget which comprised of Kshs 56.9 Million for recurrent and Kshs 239 Million for development.

The department used the funds to supervise to completion the maintenance of 19 key road projects and construction of 25 buildings in the county. To enhance effectiveness and efficiency in roads maintenance and construction, the department procured and distributed 4 graders in the sub-counties.

This sectors has also seen key investment in the county by the national government .These include the on-going construction of Taveta-Mwatate road to bitumen standard, Standard Gauge Railway, rehabilitation of Voi-Mwatate –Wundanyi road and other class C roads being done by Kenya Rural Roads Authority

Industrialization, Energy ICT and Research sector has been identified as having immense potential in the county development and improving its competitiveness by reducing transaction costs. The county department of Industrialization, Energy ICT and Research is charged with ensuring a good conducive environment for business, spearheading innovation through research, promoting industrialization and energy. During the FY 2014/15, the department was allocated Kshs 40.9 Million for both recurrent and development expenditures. In the FY 2015/16 budget the department has been allocated Kshs 17.8 Million comprising of Kshs 13.7 Million for recurrent and Kshs 4.1 Million for development. In the FY 2016/17, the department has been allocated Kshs 40.2 Million comprising of Kshs 23.6 Million for recurrent and Kshs 16.5 Million for development.

Priority areas: enactment of enabling institutions (Policies and legal framework) and promoting decentralization of services

The Administration and Devolution department is charged with the responsibility of coordinating county government activities downstream and across sectors and entrenching devolution. In the FY 2013-2014, the department did not have its own budget and operated under the Governor's budget. In the FY 2014/2015 the department's total allocation amounted to Kshs 350 Million comprising of Kshs 12 Million for development and Kshs 339 Million as recurrent expenditure. The total allocation for FY 2015/16 was Kshs 166.1 Million accounting for 9 % of the total county budget. In the FY 2016/2017 the

Department's total allocation amount to Kshs 172.7 Million comprising of Kshs 152.6 Million for recurrent and Kshs 20.2 Million as development expenditures

The Administration and Devolution county Department initiated 27 programmes including; strengthening of sub-county and ward offices, coordinating the development of 12 draft bills and policies, operationalization of performance management tool and IPPD system and coordinated public participation on various issues.

The County Assembly is charged with the responsibility of enacting laws and providing oversight. During the FY 2013/14, the County Assembly of Taita Taveta was allocated Kshs443.8Million of which Kshs 321.4 Million was for recurrent and Kshs 122.4Million for Development. In the FY 2014/15 the allocation to the County Assembly amounted to Kshs386.6 Million comprising of Kshs 301.2 Million and Kshs 85.5 million for Recurrent and Development Expenditures respectively. The County Assembly was allocated Kshs 557.3 Million for FY 2015/16. In the FY 2016/17 the allocation to the County Assembly amounts to Kshs 631 Million comprising of Kshs 571 Million and Kshs 60 Million for Recurrent and Development Expenditures respectively.

The gubernatorial Office comprising of the Governor and Deputy Governor's Office is charged with the responsibility of providing leadership and coordination of County Affairs. In the FY 2013/14 the Office of the Governor was allocated Kshs 325.9 Million of which Kshs 284.7 Million was for recurrent expenditure while Kshs 41.2Million was for development. A total of Kshs 149.9 Million was allocated to the Governor's office for FY 2014/15 accounting for 3.6% of the total county budget for both development and recurrent expenditure. The 2015/16 budget indicated that the Office was allocated Kshs163.8 Million accounting for4.4 % of the total county budget. In the FY 2016/17 the Office of the Governor has been allocated Kshs 225.1Million of which Kshs 170 Million is for recurrent expenditure while Kshs 55 Million will be directed to development.

County's Fiscal Performance for 2013/14 ~2016/17

Revenue Analysis

The main sources of county revenue include; equitable share from National government and local revenue. In the FY 2013/14 a total of Kshs 2.4 Billion was received as from the equitable share while Kshs 147 Million was raised as local revenue. A total of Kshs 2.8 Billion was received as equitable share in FY 2014/15 while Kshs 216 Million was received as local revenue. In FY 2015/16 the county Government received Kshs 3.3 Billion as equitable share while Kshs 3.56 Billion is expected in FY 2016/17. In terms of local revenue, there was a significant decline from Kshs 216 Million in FY 2014/15 to Kshs 172 Million in FY 2015/16.

During the period under review (Jul-Oct 2016) the County received Kshs 1.2 Billion as exchequer releases with bulk of the funds received in August.

Table 1: Flow revenue from the exchequer per Month

MONTH	2014/15	2015/16	2016/17
JULY			7,405,000
AUGUST	360,931,991	264,765,455	613,961,271
SEPTEMBER	259,871,033		285,685,304
			907,051,575
OCTOBER		562,626,593	303,540,636
TOTAL	620,803,024	827,392,048	1,210,592,211

Local Revenue Analysis

The total local revenue collected during the 1st quarter of FY 2016/17 is Kshs 39.6 Million compared to Kshs 44.7 Million and Kshs 55.8 Million during a similar period in FY 2015/16 and FY 2014/15 respectively.

Table 2: First quarter Local revenue collection per month

	2014/15	2015/16	2016/17
Budgeted	120,971,028	88,201,498	88,846,914
Actual	55,794,408	44,719,163	39,643,238
Variance	(65,176,620)	(43,482,335)	(49,203,676)

The total local revenue generation fell short of the quarterly target by 22%. Trade and community affairs was leading in terms of meeting the quarterly target while Administration and devolution and Lands and mining fell short of the target by 94% and 84% respectively.

Table 3: Departmental Quarterly targets and actual performance

DEPARTMENT	Quarterly Target	Actual Collection	% Var
Administration and Devolution	2,154,328	134,700	-94
Agriculture, Livestock and Fisheries	2,575,391	993,590	-61
Tourism, Environment and NaRe	6,758,685	3,243,712	-52
Finance and Planning	10,093,790	3,568,329	-65
Health services	22,111,167	9,891,411	-55
Lands and Mining	15,909,076	2,570,704	-84
Public works and Infrastructure	13,890,888	7,258,415	-48
Trade and Community affairs	15,339,277	11,982,377	-22
Water and Irrigation	14,311	-	-100
TOTAL	88,846,913	39,643,238	-22

The leading sources of local revenue during the period under review were: Hospitals(8.5 Million); Bus park fees(3 Million); General cess(2.8 Million); Single Business Permits(2.15

Million); Natural resource exploitation(1.9 Million); Land rates(1.3 Million) and House rent(1.3 Million).

Expenditure

In the First quarter FY 2016/17, the actual total expenditure amounted to Kshs 921.1 Million. This comprised of Kshs 838.9 Million as recurrent expenditure accounting for 91% of the total expenditure and Kshs 82.2 Million as development expenditure representing 9% of the total expenditure.

Table 4: Total expenditure per department

DEPARTMENT	RECURRENT		DEVELOPMENT		TOTAL EXPENDITURE	A/RATE
	Rec exp.	Rec A/rate	Dev exp.	Dev A/rate		
County Assembly	154,441,161	18.41	3,634,627	4.42	158,075,788	17.16
Administration and Devolution	41,983,146	5.00	8,000,000	9.74	49,983,146.00	5.43
Governors and Deputy Governor's office	51,558,775	6.15	5,969,315	7.26	57,528,090.00	6.25
Office of the Deputy Governor	7,544,160	0.90	-	-	7,544,160	0.82
Finance and Planning	133,072,284	15.86	(1,192,120)	(1.45)	131,880,164	14.32
Agriculture livestock and Fisheries	55,472,796	6.61	5,685,735	6.92	61,158,531	6.64
Water and Irrigation	19,958,147	2.38	19,955,339	24.28	39,913,486	4.33
Education and Library Services	118,685,404	14.15	12,444,166	15.14	131,129,570	14.24
Health Services	238,951,003	28.48	12,505,536	15.22	251,456,539	27.30
Trade and Community Affairs	4,176,971	0.50	4,386,549	5.34	8,563,520	0.93
County public service board	6,708,739	0.80	-	-	6,708,739	0.73
Public works and Infrastructure	2,358,452	0.28	10,785,750	13.13	13,144,202	1.43
Lands physical planning and Mining	2,155,740	0.26	-	-	2,155,740	0.23
Industrialization, Energy, Research and ICT	-	-	-	-	-	-
Tourism, Environment and Natural Resources	1,835,070	0.22	-	-	1,835,070	0.20
Total	838,901,848	100.00	82,174,897	100.00	921,076,745	100.00

Analysis of Development Expenditure

Water and irrigation, Health, Education and Public works had the highest development expenditures at 24.28%, 15.22%, 15.14% and 13.13% respectively of the total development expenditure.

Analysis of Recurrent expenditure

Health, County Assembly, County Treasury and Education had the highest recurrent expenditures at 28.48%, 18.41%, 15.86% and 14.15% respectively of the total recurrent expenditure.

Table 5: Major Recurrent Expenditure items per Department

Department	Personnel emoluments	Foreign travel	Domestic travel	Hospitality ,conferences & catering	Training	Printing and advertising	Others	T/Recur exp.	A/rate
County Assembly	108,946,287	16,068,000	22,854,974	6,571,900	-	-	-	154,441,161	18.41
Administration and Devolution	36,343,454	53,200	736,200	382,877	221,800	-	569,723	38,307,254	4.57
Taveta sub county Admin	-	-	198,716	144,700	-	-	84,384	427,800	0.05

Wundanyi sub county Admin	-	-	177,800	6,000	-	-	-	183,800	0.02
Mwatate sub county Admin	-	-	34,000	52,000	-	-	14,000	100,000	0.01
Voi sub county Admin	-	-	60,000	55,000	-	-	35,000	150,000	0.02
Voi Town Administration	-	-	354,800	414,000	-	-	600,574	1,369,374	0.16
Taveta Town Administration	-	-	332,500	227,800	43,350	-	841,268	1,444,918	0.17
Governors	12,923,214	15,766,314	3,913,815	1,803,490	-	854,500	16,297,442	51,558,775	6.15
Deputy Governor	2,496,042	1,538,885	1,706,200	720,314	-	-	1,082,719	7,544,160	0.90
Finance and Planning(HQs)	47,656,136	14,860,760	3,230,483	403,900	975,000	-	35,474,520	102,600,799	12.23
County Emergency Fund	-	-	-	-	-	-	7,500,000	7,500,000	0.89
Planning and Budgeting	-	-	15,725,650	320,000	-	-	545,247	16,590,897	1.98
County Executive Administration	-	-	-	-	-	-	-	-	-
Internal Audit Services	-	-	797,300	50,000	-	-	73,086	920,386	0.11
Revenue Management	-	-	828,000	127,500	-	30,000	2,979,702	3,965,202	0.47
Supply Chain Management	-	-	1,245,000	150,000	-	-	100,000	1,495,000	0.18
Agriculture	36,946,253	645,850	766,068	122,000	-	-	66,941	38,547,112	4.59
Livestock	13,241,888	-	1,314,800	87,560	-	7,880	1,345,516	15,997,644	1.91
Fisheries	-	-	302,400	-	-	-	40,000	342,400	0.04
Veterinary Services	-	-	355,000	-	120,640	-	110,000	585,640	0.07
Water and Irrigation	18,171,333	22,000	1,566,400	-	-	-	198,414	19,958,147	2.38
Education and Library services	84,959,625	576,300	920,900	258,760	-	-	31,179,419	117,895,004	14.05
Youth Training(Polytechnics)	-	-	371,000	250,000	-	-	169,400	790,400	0.09
Health Services	206,754,278	184,300	2,101,963	428,040	99,600	590,290	28,792,532	238,951,003	28.48
Trade and Community Affairs	1,300,000	-	382,800	283,000	-	-	3,000	1,968,800	0.23
Sports Development	-	-	157,149	-	-	-	660,320	817,469	0.10
Gender	-	-	166,260	20,000	-	-	-	186,260	0.02
Cooperative Development	-	-	375,160	36,200	-	-	8,000	419,360	0.05
Youth Development	-	-	-	-	-	-	-	-	-
Culture	-	-	414,450	-	-	-	370,632	785,082	0.09
County Public Service Board	1,000,000	750,000	1,488,000	225,959	400,000	80,000	2,764,780	6,708,739	0.80
Infrastructure and Public works	1,000,000	-	648,952	122,500	-	-	207,500	1,978,952	0.24
Housing	-	-	8,800	-	-	-	-	8,800	0.00
Public Works	-	-	230,200	-	-	-	140,500	370,700	0.04
Lands physical planning and Mining	248,393	-	1,199,900	253,040	-	-	55,207	1,756,540	0.21
Land Survey and Mapping	-	-	59,200	240,000	-	-	100,000	399,200	0.05
Industrialization, energy, research and ICT	-	-	-	-	-	-	-	-	-
Tourism Environment and Natural Resources	-	-	1,078,570	162,200	50,000	29,000	515,300	1,835,070	0.22
Total	571,986,903	50,465,609	66,103,410	13,918,740	1,910,390	1,591,670	132,925,126	838,901,848	100.00
% of Total	68.18	6.02	7.88	1.66	0.23	0.19	15.85	100.00	0.00

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENT AND POLICY OUTLOOK

Recent National Economic Developments

The KNBS statistical release for August 2016 indicates that the Kenyan economy experienced relative stability in key macroeconomic indicators that are supportive to growth.

The country's Gross Domestic Product (GDP) estimated to have expanded by 5.6% during the first quarter of 2015/16 compared to a growth of 5.3% realized in the same quarter of 2014/15. The growth was mainly supported by a stable macroeconomic environment as well as improvements in outputs of Agriculture; Construction; Finance and Insurance; Real estate's; Information and Communication; Electricity and Water Supply; Wholesale and Retail Trade; and Transport. This was realized despite deceleration in Global real GDP from a revised 3.4% in 2014 to 3.1% in 2015. The global scenario being occasioned by: Low commodity prices; weaker capital flows; subdued global trade and increased financial markets volatility.

Overall Inflation eased downwards to an average of 6.26% compared to 6.8% recorded in the same quarter of 2014. The decline in inflation was mainly driven by a significant drop in oil prices during the review period. The decrease in oil prices also contributed to lower costs of electricity and transport services. Increased generation of geothermal electricity coupled with a reduction in thermal generation also contributed to lower cost of electricity during the review period. However, increased prices of vegetables and some key food products, in the first two months of the year, worked against the cost of living and led to a moderate level of inflation during the quarter. The Consumer Price Index (CPI) expanded from 167.9 points in May 2016 to 169.7 points in July 2016

The Kenya Shilling appreciated significantly against the major trading currencies (Sterling Pound and Euro) but depreciated marginally against the US dollar, Japanese Yen and the South African Rand. The average Yield rate for the 91-day Treasury Bills- which is a benchmark for general trend in interest rates fell from 8.15%(May 2016) in to 7.25%(July 2016). Broad Money Supply (M3), a key indicator for monetary policy formulation, rose from Kshs 2,709 Billion (May 2016) to Kshs 2,754 Billion (July 2016).

In general, the prospects of growth of the Kenyan economy in 2016, is significantly positive with overall inflation expected to ease further and remain stable within the Central Bank of Kenya targets. The financial intermediation sector that has continued to support growth and savings is also expected to remain robust. The construction industry will continue to support growth with the ongoing public infrastructure developments and continued investment in residential and non-residential assets by the private sector.

National economic development pillars in the Medium Term

The National Treasury's Budget Policy Statement (BPS) 2016 indicates that the national government continues to prioritize the various strategies outlined in the last BPS. These strategies meant to raise efficiency and productivity include:-

1. Creating a conducive business environment for job creation;
2. Investing in sectoral transformation to ensure broad based and sustainable economic growth, and in particular agricultural transformation to ensure food security;
3. Investing in infrastructure in areas such as transport, logistics, energy and water;
4. Investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on the households and promote shared and equitable growth; and
5. Further consolidate gains made in devolution in order to provide better service delivery and enhanced economic development.

County outlook for the Medium Term

The growth prospects for the County economy in 2016 are also positive given the National economic outlook as well as the physical and socio-economic infrastructural investments by both the National and County Government. The key drivers of the county economy in the medium term are agriculture, livestock, fisheries, mining, tourism and commerce. The growth of these sectors is not only expected to provide employment opportunities but also generate revenue for the county government and wealth to the people.

There are several infrastructural development programmes being undertaken in the county and which will in turn contribute positively to the growth of the county economy .These are :-The Intensive improvement of Infrastructure by the National government which are aimed at providing the necessary impetus for growth. The major capital projects currently being undertaken within the County and set to be completed in 2017 include among others: Standard Gauge Railway (SGR), Ikanga Airstrip expansion, Gemstone Centre at Voi, Tarmacking of Mwatate- Taveta and Mwatate –Wundanyi Roads, Kenya Pipeline Company Depot, Small Medium Enterprise industrial Parks, and Last-Mile connectivity project, Constituencies Technical Training Colleges (TTC) and KPA Inland Dry port.

The County Government has also been implementing various infrastructure projects (Since 2013) in the water sector, roads, markets, health, education, agriculture and livestock and fisheries currently estimated at Kshs 4 Billion. These capital projects will spur growth and development of the county by providing employment and markets. Further, the County government in conjunction with the National Government is set to sign a Memorandum of Understanding with Coast Institute of Technology (CIT) to temporarily host Kenya Medical Training College (KMTC)-Voi Campus, as construction of the proposed KMTC is undergoing at Moi County Referral Hospital. All these projects are expected to have positive impact on the socio-economic environment of the county.

The County Government will also partner with various development partners who will fund development projects especially in the water and food security sector. These include: Red Cross society of Kenya who will fund water projects in Challa, Kaloleni, Mbololo and Kasighau wards amounting to Kshs 115 Million. The Standard Gauge Railway Project will also undertake the Construction of Kighombo Dam at Kshs 270 Million. The National

Drought Management Authority (NDMA) and European Union have also targeted water projects at a tune of Kshs 12 Million and Kshs 100 Million respectively.

Further, the County Government during the recently held Investors Round-Table received undertakings from Local and international investors to invest in several other transformative capital projects/initiatives under the Transform Taita Taveta 2020(TTT2020) strategic plan. These projects have a potential of generating significant socio-economic improvements in the County. These include among others: Development of feedlots to promote commercial ranching; Establishment of modern abattoirs; Promotion of greenhouse technology and value addition; Development of commercial irrigation and modernization of bus and lorry-parks.

CHAPTER THREE: FISCAL FRAMEWORK AND COUNTY STRATEGIC PRIORITIES FOR 2017/18 AND THE MEDIUM TERM

Overview of the 2014/15 -2016/17 Budget Framework

In the FY 2014/15 the total actual county resource envelop amounted to Kshs 3.6 Billion with Kshs.2.8 Billion from the equitable share and Kshs.216 Million from local revenue.

During the FY 2015/16, the actual resource envelop realized was Kshs 3.7 Billion out of the budgeted total resource envelope of Kshs 4.16 Billion. This represented at least 89% of the budgeted revenue for FY 2015/16. The amount realized consisted of Kshs 3.3 Billion from the equitable share, Kshs. 160 Million from local revenue collection and Kshs 223 Million from conditional funds directed to specific sectors.

In the FY 2016/17, the budgeted revenue stands at Kshs 4.65 Billion comprising of Kshs.3.57 Billion from equitable share and Kshs 355 Million from local revenue. The amount also consists of Kshs 241 Million balance brought forward from FY 2015/16 and Kshs 484 Million from development partners and other conditional grants.

2017/18 FISCAL FRAMEWORK AND POLICY

Fiscal Policy

The 2017/18 Medium term policy re-emphasizes the socio-economic transformative agenda adopted in 2016 CFSP. These agenda is aimed at; ensuring continued improvement of access to water in both urban and rural areas; Increasing agricultural and livestock production for food security and wealth creation; improving access to quality social services-including Health care and education; increasing access to credit for youth employment; reducing the cost of doing business and attracting investments through development of key infrastructure.

Over the medium term, the Government will pursue Fiscal policies aimed at streamlining recurrent expenditure while at the same emphasizing on capital investment. Some of the policies and strategies to be adopted include:

Expenditure side

1. Completion of all ongoing projects and programmes as well as off-setting of all pending bills will be given the highest priority in FY 2017/18.
2. Departments are urged to plan for their capital projects in phases to ensure efficiency in funding and implementation considering the limited resource basket.
3. Non-priority expenditures should be avoided while funding to areas with high impact is intensified. This ensures improved efficiency in resource utilization and reduction of wastage.
4. To address the high wage bill, the county will implement the recommendations contained in the Capacity Assessment and Rationalization Programme (CARPS) and

Job Evaluation reports to ensure optimal level of staff and at the same time increasing efficiency.

5. Further to streamline expenditure, there is need to strengthen monitoring, evaluation and reporting at the project/programme, department and county levels.
6. To link planning and budget formulation it is imperative that the Sector working Groups (SWGs) be revamped. The SWGs should be empowered to spearhead sectors' public hearings and reporting on sectors' priorities and budget proposals.

Revenue side

1. Full automation of revenue collection with a manual back-up
2. Carrying out a baseline survey to determine the County's potentiality of revenue and pursue new revenue streams
3. Ensuring that revenue targets are set by the revenue generating departments/sections with a reward mechanism for good performance(A certain agreed percentage to be allocated/ring-fenced to the department/section)
4. The County Government extends its partnerships with Kenya Revenue Authority (KRA) and Kenya Commercial Bank (KCB) to increase efficiency in revenue management.
5. Promotion of Private-Public Partnerships (PPPs) and reaching out to donors to enhance resource mobilization
6. Educating the public on the need to pay their fees and rates
7. Strengthening of resource mobilization unit

2017/18 Revenue Projections

The Total resource envelope for the FY 2017/18 budget is estimated at Kshs 4. 1 Billion. A total of Kshs 3.88 Billion is expected from the National government as equitable share. A further Kshs 290 Million is expected as conditional grants to specific sectors. Own-source revenue (OSR) target for FY 2017/18 has been reviewed downwards from Kshs 355 Million in FY 2016/17 to Kshs 338 Million.

Table 6: Comparative Fiscal Framework for FY 2013/14-2017/18

	ACTUAL	ACTUAL	ACTUAL	BUDGETED	PROJECTED
	2013/14	2014/15	2015/16	2016/17	2017/18
Equitable share	2,420,750,540	2,887,455,925	3,309,568,191	3,571,066,305	3,888,770,080
Local Revenue	147,253,830	216,680,956	172,765,505	355,587,656	338,465,449
Conditional Grants		50,376,504	222,995,845	238,344,028	290,499,973
Development Partners			12,400,000	245,901,101	
Balance B/F		508,409,335	42,958,485	241,413,021	
	2,568,004,370	3,662,922,720	3,760,688,026	4,652,312,111	4,517,735,502

The county expects to receive Kshs 5 Million as compensation for user fee forgone and Kshs29 Million for free maternity. Kshs 95 Million will further be used for leasing of medical equipment. In the roads sector, Kshs 102 Million will be used under the Roads Maintenance and Fuel Levy Fund.

Table 7: 2017/18 Resources Envelop

SOURCE	AMOUNT
Equitable share	3,888,770,080
Own-Source Revenue	338,465,449
	4,227,235,529
<u>Conditional Grants</u>	
Compensation for user fee forgone	5,296,305
Free Maternity	29,579,040
Road Maintenance & Fuel Levy Fund	102,375,000
Leasing of Medical Equipment	95,744,681
Loans and Grants	57,504,947
	290,499,973
Total Resource Envelop	4,517,735,502

2017/18 Expenditure Projections

Based on the county's fiscal policy and in compliance with the fiscal responsibility principles outlined above, the county's expenditure for the budget period in 2017/18 is projected as follows:

Recurrent Expenditure

Recurrent expenditure is projected at 70% of total expenditure. This will however be spent to support capital expenditure in line with the programme based budgeting framework. This will go a long way in supporting robust economic growth in the County while ensuring prudence and caution in the application of resources.

The County's wage bill continues to exert undue pressure on the recurrent vote and this could undermine development if not mitigated. In the FY 2017/18 and the medium term, the compensation to employees is expected to account for 44% the total budget. Restraining the growth of the county's wage bill is a priority in the medium term in order to sustain growth. This will be achieved through the following measures:

1. Containing wages and salaries of public entities by limiting the size of the public service.
2. Carrying out a job evaluation exercise in the county.
3. Realigning the existing staff with the functions of the county government as entrenched in the constitution to avoid duplication of roles in the departments.

Development Expenditure

Development expenditure in 2017/18 and the medium term is projected at 30% of total expenditure. This is consistent with the objective of progressively allocating more resources for critical capital projects. Highest priority for FY2017/18 will be directed towards completion of on-going and rolled over projects. Priority will also be given to the offsetting of all pending bills incurred since FY 2013/14

The projection is based on the assumption that there will be high absorption capacities for the spending agencies for development funds and that there will be continued implementation of the county government's development agenda by investment in high impact initiatives and other projects as outlined in the CIDP.

County's Strategic Priorities for 2017/18 and the medium term

The County Government will continue implementing its transformative agenda outlined in the last CFSP. Priority will however be given towards completion of ongoing projects with high impact for socio –economic development. Special consideration will also be given to payment of all pending bills that have accrued over time as outlined in the County Debt Management Strategy Paper. The priority areas that will continue to be pursued in 2017/18 and the medium term include:

1. Sound environmental management and increasing access to water for domestic, livestock and irrigation use. This will be achieved through conserving water towers, mapping of water scarce areas and completion of key projects to meet the diverse needs.
2. Ensuring food security and wealth creation through increased investment in value addition. This will target the productive sectors of the economy including Agriculture, Livestock, fisheries Production, land planning and mining.
3. Investing in quality, accessible and affordable health care services.
4. Ensuring quality education through development of ECDE and Library services
5. Empowerment of Youth, women, and vulnerable members of the community through strengthening of the social safety net.
6. Investing in physical infrastructure including ICT with an aim of reducing the cost of doing business thereby attracting investors.
7. Promotion of tourism, trade and industry
8. Further decentralization for improved access and provision of services
9. Enactment of enabling institutions (Policies and legal framework)
10. Prudent financial and Resources Management

CHAPTER FOUR: MEDIUM TERM EXPENDITURE ESTIMATES AND DEPARTMENTAL CEILINGS

The sectoral allocation for the 2017/18 financial year and the medium term are influenced by the necessity to finance projects that directly support economic growth and reduce poverty. Attention has been given to projects that improve the quality of life of the residents in the county. The allocations are informed by the county goals and peoples aspirations as captured in the County Integrated Development Plan (CIDP) 2013-2017.

Given that the sectoral demands for funds are very high while the available resources are limited it was important to come up with a fair way of distributing allocations. The following criterion has been used in the proposed 2017/18 departmental allocations.

1. In the recurrent expenditure category non-discretionary expenditures/Statutory obligations such as salaries take first priority.
2. Citizens prioritization during the CFSP Budget hearings and the CIDP 2013-2017.
3. Projects and programme with moderate costs implications but with high impact on transforming lives and employment creation
4. On-going and Critical infrastructure improvement projects
5. The baseline estimates also reflects the current departmental spending levels- Current absorption rates

Details of Departmental Priorities and Baseline Ceilings

Based on the resource envelop projected above and the broad county priorities, County departments have been allocated funds as discussed below and detailed in Annex 1.

Water and Irrigation

During the 2016/17-2018/19 the Strategic Priorities to be implemented for Water and Irrigation for include:

1. Increasing access to portable water in rural areas and urban centers
2. Provision of water for livestock
3. Promote water harvesting and modern irrigation methods
4. Secure and conserve water catchment areas
5. Management of storm water and convert it to useful water.

In order to implement its prioritised programmes the department has been allocated a total of Kshs 285Million accounting for 6.76% of the total County budget.

Agriculture

The major goal of the department is to attain food and nutritional security. During the 2016/17-2018/19 MTEF the department has lined up priority projects and programmes which include: Crops, pests and diseases control, Promotion of Drought tolerant crops, revitalization of Horticultural Production Centres (HPC), Rice Production and milling and Value addition.

In order to implement these priorities the department has been allocated a total Kshs.182 Million representing 4.31% of the county budget

Livestock, Veterinary and Fisheries

The department has lined up the following priorities and programmes for 2016/17-2018/19 MTEF

1. Range rehabilitation and water improvement for livestock in the ranches;
2. Maintenance of facilities at livestock multiplication centres in Bachuma and Mwatate
3. Maintenance and Improvement of facilities for livestock Holding Grounds;
4. Purchase of livestock feed milling equipment, Auction Rings and sale yards
5. Promotions of livestock value addition ventures such as milk and leather processing.
6. Promotion of sustainable utilization of inland capture fisheries through: strengthening the BMUs; Control of fishing effort and strengthening of enforcement of fisheries legislations;
7. Enhancing fish safety, quality assurance, value addition and marketing;
8. Promotion of appropriate fish handling and preservation technologies and Promotion of value addition and marketing of fish and fishery products.

To implement these prioritised programmes, the department has been allocated a total of Kshs 154 Million accounting for 3.65% of the total county budget.

Health Services

The department has lined up the following priorities and programmes for 2016/17-2018/19 MTEF:

1. Provision of specialised services at Moi County Referral Hospital
2. Provision of essential health care in all health facilities
3. Establishment of Kenya Medical Training College(KMTC) branches(Voi and Taveta

The department has lined up completion of all ongoing projects as its highest priority. Other capital projects include: Establishment of critical care Services at Moi County referral Hospital, equipping of all new health facilities and refurbishment of existing health centres.

To implement these priority projects, the department has been allocated a total of Kshs 1.008 Billion accounting for 23.8% of the county budget. This amount excludes conditional grants from the National Government comprising of: compensation for user fees forgone; free maternal health care and leasing of medical equipment

Trade and Community Affairs

The department will continue to implement its core mandate by pursuing the following Strategic Priorities for 2017/18: Sports Development; Cooperatives Development; Trade and markets Development; Youth Development and Social Development.

Some of the projects lined up for implementation include: Construction/ rehabilitation of 1 Stadium; construction of Wundanyi YEC, Rehabilitation of cultural sites and construction/ rehabilitation of 4 markets.

The department will also spearhead activities aimed at addressing Gender based Violence and establishment recreation facilities for youth

To implement these priority programmes, the department has been allocated a total of Kshs 213 Million accounting for 5.05% of the county budget.

Education and Library Services

The key priorities for 2017/18 and the medium-term will include:

1. Construction of County Centre for Early Childhood Development and Education(COCECE)
2. Promotion of access, retention and completion rates for secondary and tertiary institutions This will be done through provision of bursaries meals during exams and sanitary towels
3. Youth Polytechnic ICT infrastructure, workshop tools and provision of equipment
4. ECDE infrastructure (Classrooms, Teaching and Learning facilities) and ECDE capitation fund
5. Subsidized Youth Polytechnic Tuition Fund
6. Enhancing good performance in National examinations
7. Mobile library service stocking.

To implement these prioritised programmes and projects the department has been allocated a total of Kshs 476 Million accounting for 11.27% of the county budget.

Tourism, Environment and Natural Resources

The department intends to pursue the following Strategic Priorities for 2017/18 among others:

1. Promotion of domestic tourism, marketing and Diversification of tourism products
2. Rehabilitation of degraded sites and Improve management of waste and pollution
3. Improved management and protection of county forests as well as value addition of forestry products
4. Protection and conservation of biodiversity hotspots

The department has been allocated a total of Kshs 115 Million accounting for 2.73% of the county budget.

Public Works and infrastructure

The department will implement the following priorities:

1. Improvement of existing roads network
2. New road formation
3. Improvement of housing
4. Provision of technical infrastructure

These priorities will be implemented with a total allocation of Kshs 202 Million accounting for 4.8% of the county budget. The amount excludes conditional grants expected from the Roads Maintenance and Fuel Levy Fund(RMFLF)

Lands and Mining

The department will undertake to achieve the following priority areas:

1. Ensuring the security of land tenure- Provision of titles
2. Tapping employment and revenue streams in mining at Wananchi Scheme
3. Socio-economic development and enhancement of revenue through growth of towns ie Town Planning

The department has been allocated a total of Kshs 59 Million accounting for 1.42% of the total county budget.

Industrialization, energy, Research and ICT

In 2016/17-2018/19 MTEF the department intends to implement the following priorities: County ICT infrastructure-MPLS installation; Networking of county offices and CCTV installation; ERP-Automation; County WiFi Programme and Resource Identification and mapping.

The department has been allocated a total of Kshs 52.5 Million accounting for 1.24% of the county budget. The department will also handle the ICT budgets and requirements for the entire county executive. The budgets for the same are expected to be consolidated under the IIER department in the 2017/18 budget estimates.

Administration and Devolution

The department is planning to implement the following strategic priorities:-

1. Promote Public Participation in Decision-Making and Development Process
2. Promote Effective Service Delivery through well Coordination of service provision
3. The Promote peace, security and more resilient communities to disaster in the county
4. Promotion of inter-governmental Relations

The department has proposed the Completion of 1 Sub-County Headquarters Offices; Construction of 4 Ward Administration Offices and Renovation of 16 ward administration offices

To undertake its prioritised projects/programmes, the department has been allocated a total of Kshs 181 Million accounting for 4.29% of the county. The department will also handle all salary items for the entire county executive for ease of pay roll management. All salaries for other departments will be consolidated under the Administration and Devolution department in the 2017/18 budget estimates.

Finance and Planning

The department's Strategic Priorities for 2016/17-2018/19 MTEF include:

1. Prudent financial management: through strengthening of controls; development of sound policies and laws; Automation of accounting and procurement processes,
2. Economic development Planning: through coordination of the preparation of County Intergrated Development Plan, County annual Development Plans and other planning and budgeting documents,
3. Resource Mobilization: Through automation of revenue management, Statistics and documentation: through strengthening of data collection and analysis; establishment of a statistics framework for the county
4. Monitoring and evaluation: Strengthen the continuous tracking of progress in the implementation of programmes

To implement its mandate, the department has been allocated a total of Kshs 494 Million representing 11.69% of the county budget. The amount is inclusive of statutory obligations such as County staff mortgage, building insurance and county staff gratuity and County Emergency fund.

Governor and Deputy Governor's Office

In 2017/18 the major priority to be pursued will be the construction and completion of County Government Headquarters at Mgeno in Mwatate sub-county and continued provision of leadership and coordination of county government business. The office will also coordinate provision of legal services and promote activities of County Budget and Economic Forum.

To implement its priorities during the FY 2017/18, the Gubernatorial has been allocated a total of Kshs 210 Million accounting for 4.98% of the county budget.

County Public Service Board(CPSB)

In 2017/18 the CPSB's key priorities will be:

1. Promotion of Ethics and Discipline in the County Public service and the general;
2. Provision of human Resource Capacity to the County government and Provision of adequate administration services to the Board and its stakeholders.

The major capital project earmarked is Development of a human Resource Information system with a records management system and an online application system.

To implement its priorities, the Board has been allocated a total of Kshs 52 Million accounting for 1.25% of the county budget.

County assembly

The County Assembly has earmarked the expanding of the current chambers to include a Press gallery, a Public gallery and a Media Centre. This has been necessitated by the current lack of space to accommodate the public and the press during the passing of crucial bills as well as debates.

The assembly also intends to undertake the construction of committee rooms and extra staff offices in an effort to create more space for conducting of committee meetings as well as accommodating staff as they perform their day to day operations.

To implement its mandate effectively, the County assembly has been allocated a total of Kshs 536 Million accounting for 12.70% of the county budget.

County Pending Bills

By 31st October 2016, the County government had a total debt amounting to Kshs.774.6 Million comprising of Kshs. 694.8Million as pending bills incurred by County executive and Kshs. 10.4 Million by the County Assembly. A further Kshs 27.6 Million is outstanding debts inherited from the now defunct Local authorities and Kshs. 41.6 owed to other creditors. The Government will prioritize the payment of pending bills as outlined in the 2016 Debt Management Strategy Paper.

Risks to implementation of 2017/18 priorities

1. The county has been facing Low local revenue collection which might persist in the medium term. This will however be mitigated through diverged strategies to increase revenue which include: exploiting new revenue streams, revamping

revenue collection systems and civic education on the importance of paying rents and rates.

2. Increase in wage bill which might be occasioned by salary increment by the Salaries and Remuneration Commission (SRC). This is however going to be mitigated through staff rationalization
3. Unfavourable national and regional policies and agreements which allow free movement of goods within the region
4. In the event the County Government is compelled to settle all its liabilities (pending bills) the budget execution will be greatly affected. This can be mitigated through a supplementary budget, staggering the re-payments and negotiating with creditors.
5. The 2017/18 budget implementation will start with a new County administration. This might affect implementation in case there is need for a supplementary budget. This will be mitigated through prior planning.
6. The County governments have also not taken up some devolved functions like Gambling and Casinos and control of cultural activities. In case these functions are taken up, the County will prepare the necessary legislation and structure.
7. Irregular disbursement of funds from the National exchequer also poses a risk to the implementation of these priorities. This might also create other problems such as accruing pending bills. This will be mitigated by ensuring that departments come up with proper cash flow projections

Annex 1: Proposed medium term departmental baseline Ceilings

	DEPARTMENT	ESTIMATES	CBROP	CFSP CEILINGS				PROJECTIONS		
		FY 2016/17	FY 2017/18	WAGEBILL	OPERATIONS	DEVELOPMENT	TOTAL	% SHARE	2018/19	2019/20
1	County Assembly	631,000,000	570,000,000	324,147,305	199,573,995	13,222,570	536,943,870	12.70	563,791,063	591,980,616
2	Governor and Deputy Governor	225,137,622	213,500,000	75,144,904	98,471,547	36,950,024	210,566,474	4.98	221,094,798	232,149,538
3	County Public Service Board	51,810,349	55,600,000	32,902,926	19,747,917	-	52,650,843	1.25	55,283,385	58,047,554
4	Administration and Devolution	172,742,846	189,200,500	118,515,819	34,977,058	27,872,984	181,365,860	4.29	190,434,153	199,955,861
5	Health Services	1,054,417,918	926,481,000	751,066,756	90,068,257	167,391,867	1,008,526,879	23.86	1,058,953,223	1,111,900,885
6	Agriculture	221,120,000	182,310,500	78,371,220	6,598,743	97,368,890	182,338,853	4.31	191,455,796	201,028,585
7	Livestock & Fisheries	88,841,878	154,509,000	52,967,765	14,525,064	86,774,496	154,267,324	3.65	161,980,690	170,079,725
8	Tourism, Environment and Natural Resources	70,560,001	116,200,000	43,613,567	13,737,167	58,028,771	115,379,505	2.73	121,148,480	127,205,904
9	Trade & Community affairs	202,185,065	215,800,000	33,412,016	26,006,787	153,910,012	213,328,816	5.05	223,995,256	235,195,019
10	Water & Irrigation	452,990,103	287,800,000	38,229,225	18,057,500	229,658,195	285,944,920	6.76	300,242,166	315,254,275
11	Lands & Mining	40,700,000	62,000,000	8,432,221	29,369,313	22,131,887	59,933,421	1.42	62,930,092	66,076,597
12	Education & Library Services	569,892,000	517,181,000	271,746,601	86,227,047	118,282,607	476,256,255	11.27	500,069,067	525,072,521
13	Public works& Infrastructure	296,126,399	202,700,000	40,144,682	18,740,960	144,060,403	202,946,044	4.80	213,093,346	223,748,014
14	Industrialization, Energy, ICT & Research	40,240,001	53,480,000	18,814,501	5,733,666	28,038,305	52,586,471	1.24	55,215,795	57,976,585
15	Finance & Planning	534,547,929	415,000,000	213,517,678	277,182,316	3,500,000	494,199,993	11.69	518,909,993	544,855,492
	TOTAL	4,652,312,111	4,161,762,000	2,101,027,184	939,017,337	1,187,191,009	4,227,235,529	100.00	4,438,597,305	4,660,527,171
				50%	22%	28%	100%			

NOTE:

1. For ease of pay roll management, all salaries for the executive will be administered through the department of Administration and Devolution.
2. The allocations exclude any conditional grants/transfers expected from the National Government or development partners.
3. The total development expenditure including conditional grants is expected to be 32% of the total budget.

Annex 2: First Quarter Local Revenue Performance by Departments

FIRST QUARTER ACTUAL REVENUE PERFORMANCE 2016-2017					
REVENUE TYPE	DEPARTMENT	2016-2017	QUARTERLY BUDGET	ACTUAL 1ST Q	VARIANCE
		YEARLY	TARGETS	PERFORMANCE	
IMPOUNDING CHARGES	ADM & DEVOLUTION	680,039	170,010	41,300	(128,710)
LIQUOR LICENCES	ADM & DEVOLUTION	7,585,015	1,896,254	-	(1,896,254)
ADMINISTRATIVE SERVICE FEES	ADM & DEVOLUTION	57,246	14,311	-	(14,311)
CLAMPING & DECLAMPING FEES	ADM & DEVOLUTION	295,014	73,753	93,400	19,647
<i>SUB TOTAL</i>		<i>8,617,314</i>	<i>2,154,328</i>	<i>134,700</i>	<i>(2,019,628)</i>
SISAL CESS	AGRICULTURE, LIVESTOCK & FISHERIES	4,405,252	1,101,313	583,500	(517,813)
SLAUGHTER HOUSES ADMINISTRATION	AGRICULTURE, LIVESTOCK & FISHERIES	3,537,787	884,447	286,290	(598,157)
LIVESTOCK AND VETERINARY	AGRICULTURE, LIVESTOCK & FISHERIES	2,240,598	560,150	123,800	(436,350)
FISHERIES	AGRICULTURE, LIVESTOCK & FISHERIES	117,926	29,482	-	(29,482)
<i>SUB TOTAL</i>		<i>10,301,563</i>	<i>2,575,391</i>	<i>993,590</i>	<i>(1,581,801)</i>
SAND CESS	ENVIRONMENT	5,963,754	1,490,938	454,710	(1,036,228)
ENVIRONMENT & REFUSE COLLECTION	ENVIRONMENT	989,988	247,497	306,300	58,803
PUBLIC TOILET FEES	ENVIRONMENT	4,127,418	1,031,854	483,430	(548,424)
NATURAL RESOURCES EXPLOITATION	ENVIRONMENT	8,730,981	2,182,745	1,959,272	(223,473)
EXHAUSTER SERVICES	ENVIRONMENT	2,358,525	589,631	40,000	(549,631)
MILEAGE-EXHAUSTER	ENVIRONMENT	4,717,049	1,179,262	-	(1,179,262)
APPLICATION FOR EXHAUSTER	ENVIRONMENT	147,028	36,757	-	(36,757)
<i>SUB TOTAL</i>		<i>27,034,742</i>	<i>6,758,685</i>	<i>3,243,712</i>	<i>(3,514,973)</i>
SALE OF TENDER DOCUMENTS	FINANCE	228,983	57,246	-	(57,246)
GENERAL CESS	FINANCE	34,570,743	8,642,686	2,827,174	(5,815,512)
INTEREST & REVENUES FROM FINANCIAL INVESTMENTS	FINANCE	12,972	3,243	-	(3,243)
OTHER LOCAL LEVIES	FINANCE	5,562,461	1,390,615	741,155	(649,460)
<i>SUB TOTAL</i>		<i>40,375,158</i>	<i>10,093,790</i>	<i>3,568,329</i>	<i>(6,525,461)</i>
HEALTH-HOSPITALS	HEALTH	67,645,234	16,911,309	8,552,751	(8,358,558)
PUBLIC HEALTH	HEALTH	20,799,435	5,199,859	1,338,660	(3,861,199)
<i>SUB TOTAL</i>		<i>88,444,669</i>	<i>22,111,167</i>	<i>9,891,411</i>	<i>(12,219,756)</i>
LAND RATES	LANDS AND MINING			1,325,539	

		39,503,552	9,875,888		(8,550,349)
GROUND RENT	LANDS AND MINING	5,563,706	1,390,926	831,235	(559,691)
RATES CLEARANCE CERTIFICATE	LANDS AND MINING	3,537,787	884,447	25,500	(858,947)
PLOT TRANSFER FEES	LANDS AND MINING	1,393,830	348,457	51,000	(297,457)
OPENING OF FILES	LANDS AND MINING	-	-	-	-
SURVEY AND MAPPING	LANDS AND MINING	117,926	29,482	7,600	(21,882)
PHYSICAL PLANNING	LANDS AND MINING	235,852	58,963	-	(58,963)
MINING CESS	LANDS AND MINING	-	-	-	-
ANNUAL LEASE FEES	LANDS AND MINING	1,070,180	267,545	-	(267,545)
PLOT RENTS	LANDS AND MINING	12,213,470	3,053,368	329,830	(2,723,538)
<i>SUB TOTAL</i>		<i>63,636,304</i>	<i>15,909,076</i>	<i>2,570,704</i>	<i>(13,338,372)</i>
BUS PARK FEES	PUBLIC WORKS & HOUSING	19,216,508	4,804,127	3,066,180	(1,737,947)
TAXI,LIGHT TRANSPORT&TUKTUK CABS	PUBLIC WORKS & HOUSING	2,473,095	618,274	-	(618,274)
MOTORCYCLE CURB	PUBLIC WORKS & HOUSING	2,610,437	652,609	-	(652,609)
DAILY PARKING FEES(PARKING SLOTS)	PUBLIC WORKS & HOUSING	6,768,573	1,692,143	895,500	(796,643)
RESERVED PARKING FEES	PUBLIC WORKS & HOUSING	-	-	-	-
HOUSE RENT	PUBLIC WORKS & HOUSING	9,970,191	2,492,548	1,387,650	(1,104,898)
HIRE OF COUNCIL'S EQUIPMENT	PUBLIC WORKS & HOUSING	33,365	8,341	-	(8,341)
ADVERTISEMENT/PROMOTION	PUBLIC WORKS & HOUSING	2,358,525	589,631	-	(589,631)
APPROVAL OF BUILDING PLANS	PUBLIC WORKS & HOUSING	6,901,427	1,725,357	937,635	(787,722)
RENOVATION FEES	PUBLIC WORKS & HOUSING	81,619	20,405	-	(20,405)
RENEWAL OF BUILDING PLANS	PUBLIC WORKS & HOUSING	170,386	42,597	-	(42,597)
DRAWING PLANS FEES	PUBLIC WORKS & HOUSING	462,265	115,566	272,600	157,034
PLOT FENCING FEES	PUBLIC WORKS & HOUSING	232,185	58,046	-	(58,046)
BURIAL SITE FEES	PUBLIC WORKS & HOUSING	162,511	40,628	-	(40,628)
TECHNICAL SERVICES FEES	PUBLIC WORKS & HOUSING	-	-	-	-
SIGNBOARDS	PUBLIC WORKS & HOUSING	4,122,465	1,030,616	698,850	(331,766)
<i>SUB TOTAL</i>		<i>55,563,552</i>	<i>13,890,888</i>	<i>7,258,415</i>	<i>(6,632,473)</i>
WEIGHT & MEASURES	TRADE & COMM	1,179,262	294,816	-	(294,816)
APPLICATION FOR SBP/RENEWAL	TRADE & COMM	961,718	240,430	1,178,600	938,170
HIRE OF TOWN HALL CHAMBERS	TRADE & COMM			50,000	

		388,126	97,032		(47,032)
MARKET STALLS/SLABS	TRADE & COMM	1,179,262	294,816	-	(294,816)
SOCIAL SERVICES	TRADE & COMM	884,447	221,112	-	(221,112)
SOCIAL PREMISES USE CHARGES	TRADE & COMM	2,358,525	589,631	346,900	(242,731)
SINGLE BUSINESS PERMITS	TRADE & COMM	36,249,521	9,062,380	2,159,830	(6,902,550)
HIRE OF STADIUM	TRADE & COMM	199,053	49,763	47,500	(2,263)
MARKET FEES	TRADE & COMM	17,957,194	4,489,299	8,199,547	3,710,248
<i>SUB TOTAL</i>		<i>61,357,108</i>	<i>15,339,277</i>	<i>11,982,377</i>	<i>(3,356,900)</i>
WATER SUPPLY ADMINISTRATION	WATER AND IRRIGATION	57,246	14,311	-	(14,311)
<i>SUB TOTAL</i>		<i>57,246</i>	<i>14,311</i>	<i>-</i>	<i>(14,311)</i>
GRAND TOTAL		355,387,656	88,846,914	39,643,238	(49,203,676)
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