Annex I

COUNTY GOVERNMENT OF KITUI

COUNTY MINISTRY OF FINANCE AND ECONOMIC PLANNING

County Fiscal Strategy Paper (2014/2015)

FOUNDATIONS FOR SUSTAINED SOCIAL ECONOMIC GROWTH AND DEVELOPMENT

JULY, 2014

Foreword

This 2014 County Fiscal Strategy Paper is the first to be prepared under the devolved governance structure sets out the priority programs to be implemented in the Medium Term Expenditure Framework (MTEF) by Kitui County Government. It is framed against the backdrop of improving national and global economic prospects, underpinned by gradual strengthening of the advanced economies and sustained robust growth in Sub-Saharan Africa. Renewed investor confidence following peaceful March 4, 2013 general elections further reinforces the hope for accelerated economic growth prospects and creation of more jobs.

The county, which mirrors on the resilience and strength of the country's economy has remained stable over the years despite several economic shocks, largely on account of sound economic policies and structural reforms implemented by the national government over the last decade. Strong and stable growth environment have been anchored on prudent economic policies undertaken by the national government over the years. These achievements are not without challenges, which hold back the speed of the county to achieve even higher feat. This County Fiscal Paper is designed to address such challenges while building the successes achieved over the last decade.

The strategy for laying the foundation for sustained economic growth and development is anchored on five pillars namely;

i. Ensuring business environment is conducive. This will enable the private sector conduct their business and attract investment across the county.
ii. Investing in agricultural transformation and food security through irrigation and appropriate technology to expand food supply.
iii. Investing in infrastructural development such as roads network, energy and water supply to improve on the ease of doing business and attract private investors as well as reducing the cost of our products.
iv. Investing in quality and accessible health care services and quality education as well as social safety nets to reduce the burden on the households.
v. Cascading devolution to the lower units of governance for better service delivery and enhance rural development.

The county fiscal strategy paper therefore sets out priority programs for economic transformation to be implemented in the Medium Term Expenditure Framework for 2014/15 – 2016/17. The implementation of these programs is expected to accelerate sustained economic growth and transform our county economy into a food secure.

MR. SIMON MUNDU
CECM, FINANCE AND ECONMIC PLANNING,
KITUI COUNTY GOVERNMENT

Acknowledgement

This 2014 county fiscal strategy paper has been prepared through a collaborative process where, information used to prepare this paper was obtained from county ministries and other agencies. We are grateful for the contribution made by these ministries and agencies. We also want to acknowledge the contribution of the national treasury through the training of our county staff on the budget process and county strategy fiscal paper and the county budget review outlook paper, who were very instrumental in the preparation process. Information provided by Commission on Revenue Allocation (CRA) was very vital to determine sector ceilings for the 2014/15 budget period.

Special gratitude goes to the entire Cabinet and Chief Officers of Kitui County Government for their invaluable contribution, His Excellency the Governor Dr Julius Makau Malombe who provided enviable leadership and guidance in developing the County Fiscal Strategy Paper.

A dedicated team in the county treasury spent significant amount of time putting together this county fiscal strategy paper. In particular, we are grateful to Mr Fidhelis Mwaniki, Deputy Director: Budgeting and Economic Planning, Mr Joel Muyanga: Assistant Director, Economic Planning, Mr Solomon Kitheka, Assistant Director: Policy, Planning and Evaluation and many other departmental staff for their invaluable input into this report.

MRS. GRACE MUIMI
CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING

Table of Contents

Foreword i

Acknowledgement ii

Abbreviations v

I. FOUNDATIONS FOR SUSTAINED SOCIAL ECONOMIC GROWTH AND DEVELOPMENT 4

Overview 4

Policies and Programs for achieving economic prosperity 5

II. RECENT NATIONAL AND COUNTY ECONOMIC DEVELOPMENTS 8

Overview of recent economic developments 8

Macroeconomic stability (Inflation, Interest rates, Exchange rates) 8

Stock markets 9

Major developments likely to impact on Kitui County 9

III. NATIONAL AND COUNTY ECONOMIC OUTLOOK 10

Overview of Economic Outlook 10

Risks to County Economic Outlook 12

IV. FISCAL FRAMEWORK AND STRUCTURAL MEASURES 13

Fiscal Structural Reforms 14

2014/15 Budget Framework 14

V. RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION 15

Introduction 15

Departmental Budgeting 15

Resource Envelope 15

Budget Allocation among County Ministries 17

Details of County Ministries Spending Priorities 18

Criteria for Resource Allocation 19

Budget Allocation among County Ministries 24

Fiscal Discipline 27

Capacity Enhancement for County Ministry Staff 27

Expenditure Framework for 2014/15 27

CONCLUSSION 27

List of Tables

Table 1:Revenue Streams and Projections 15
Table 2: Resource Envelope 17
Table 3: Budget Allocation among Ministries 17
Table 4: Allocation between PEs, O&M and Development 25

Abbreviations

AD	Assistant Director
AIA	Appropriation-In-Aid
AMS	Agricultural Mechanization Services
BPS	Budget Policy Statement
CAATs	Computer Aided Audit Tools
CECM	County Executive Committee Member
CFAs	Community Forest Associations
CFSP	County Fiscal Strategy Paper
CG	County Government
CLIPD	Community Level Infrastructure Projects Development programme.
CO	Chief Officer
CoK 2010	Constitution of Kenya 2010
CRA	Commission for Revenue Allocation
CT	County Treasury
DD	Deputy Director
ECDE	Early Childhood Development Education
EZs	Economic Zones
GDP	Gross Domestic Product
GIS	Geographical Information System
IDCs	Industrial Development Centres
IFMIS	Integrated Financial Management Information System
KES	Kenya Shilling
KEWI	Kenya Water Institute
KMTC	Kenya Medical Training College
KTTC	Kitui Teachers Training College
LAN	Local Area Network
LAPSSET	Lamu Port South Sudan Ethiopia Transport (Corridor)
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NCD	Non Communicable Diseases
REA	Rural Electrification Authority
SEKU	South Eastern Kenya University
SGR	Standard Gauge Railway
SRC	Salaries and Remuneration Commission
VPN	Virtual Private Network

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 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 28th 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 their budget both 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 of revenue allocation;
   (b) the public;
   (c) the interested persons or groups;
   (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 amendments.

7) The County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.

8) The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

Fiscal Responsibility Principles for the National and County Governments

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM act, 2012, (Section 15) states that:

1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure
2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
3) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.
4) Over the medium term, the national and County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the County Assemblies for the County Governments.
6) Fiscal risks shall be managed 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 tax reforms that may be made in the future.

I. FOUNDATIONS FOR SUSTAINED SOCIAL ECONOMIC GROWTH AND DEVELOPMENT

Overview

1. The 2014 Kitui County Fiscal Strategy Paper (CFSP) is the first to be prepared after the promulgation of Constitution of Kenya 2010 which created devolved governance structures. As such, it sets out the priorities of the county to be implemented both in the short and medium terms.

2. The national development together with renewed investor confidence will accelerate growth prospects in the county creating more jobs. This will lead to creation of more assets hence sustainable development will be achieved.

3. Economic growth prospects remain high as the county continues to invest in infrastructural development. The county's economy is mainly agricultural based and continued investment in the sector will increase levels of income and employment opportunities.

4. Despite the bold economic reforms undertaken at the national level, the county is still experiencing development challenges which may hamper development growth as we move forward. Such challenges include; insecurity, inadequate and high cost of energy, inappropriate agricultural practices, undeveloped and poorly maintained road network, inadequate water supply, high poverty levels, and huge medical costs.

5. The county will ensure that the objectives of devolution are achieved through better service delivery and rapid local socio-economic development as well as jobs creation. However, this can only occur if the fiscal discipline in the use of devolved resources is entrenched and national macroeconomic environment remains stable. There is therefore great need to lay a strong economic foundation that will generate the resources for the entire county.

6. Over the medium term period, the county will undertake programs aimed at accelerating inclusive growth that will lead to jobs creation for the youth, women and the disabled. The growth, so achieved, will result in poverty reduction and wealth accumulation. This will be achieved through five key pillars, namely;

- **Pillar I:** Ensuring a conducive business environment. This will enable the private sector conduct their business and attract investment across the county and into the planned six economic and investments zones (EZs).
- **Pillar II:** Investing in agricultural transformation and food security through irrigation and appropriate technology to expand food supply.
- **Pillar III:** Investing in infrastructural development such as roads network, energy and water supply to improve on the ease of doing business and attract private investors as well as reducing the cost of our products.

- **Pillar IV:** Investing in quality and accessible health care services and quality education as well as social safety nets to reduce the burden on the households.
- **Pillar V:** Cascading devolution to the lower units of governance for better service delivery and enhance rural development.

Policies and Programs for achieving economic prosperity

This County Fiscal Strategy Paper therefore, articulate priority economic policies and structural reforms as well as sectoral expenditure programs to be implemented under the Medium Term Expenditure Framework (MTEF) 2014/15 – 2016/17 in order to achieve the county development goals of laying foundation for economic prosperity. The County Government will use the strategies outlined below to achieve objective of each pillar as outlined.

Pillar I: Ensuring a conducive business environment

7. Whereas the national government retain the sole responsibility of maintaining macroeconomic stability, the county government will initiate structural reforms necessary to take advantage of the stable macroeconomic environment to deliver desired growth and transform the economy. To this end, the county government will implement structural reforms aimed at improving efficiency and effectiveness in service delivery to facilitate private sector growth including service charter

8. The County government will encourage development of cottage industries through provision of working sites, plant and equipment. It will also develop commodity exchange and marketing information systems.

9. The county has vast number of tourists' attraction sites ranging from historical, heritage, acclaimed cultural attraction, wildlife and scenic and national reserves namely Mwingi north and South Kitui. The county shall develop a tourism strategic plan and promote branding and signage of tourism sites. The County Government will continue to improve the investment climate by addressing any bottlenecks on the ease of doing business

10. In line with the Vision 2030 objective to create a vibrant and globally competitive financial sector that will promote high level of savings to finance county's overall investment needs, the County Government will continue to implement key reforms in the fiscal regime along the dimensions of access, efficiency, and stability. These dimensions are mutually reinforcing and each needs to be addressed to ensure sustainable development in the county.

11. In order to improve the financial literacy of the citizens, create and nurture the culture of savings for investment, the county will continue to build the financial capability of the citizens through groups and cooperatives. This will be necessary for the mobilisation of financial resources for investment in small and medium enterprises.

12. The County will facilitate roll out of mobile telephony network connectivity to improve security and communication. Improved communication shall increase mobile money transfers into the County thereby increasing purchasing power

13. The County will design and roll out programmes aimed at the youth, women and persons living with disability that encourage savings and enterprise development.

Pillar II: Investing in agricultural transformation and food security

The County will strive to promote a paradigm shift in agriculture from a purely subsistence sector to a commercially oriented innovative industry by; enhancing agricultural technology transfer, promotion of agricultural/farm mechanization by embracing mechanization in farming and value addition in crops, fisheries and Livestock products; support improved access to farm inputs, Improved pasture/fodder availability, promote effective control of Crops, fisheries and livestock pests and diseases; focus on mitigation of climate change effects through promotion of drought tolerant and escaping crops, promotion of irrigated agriculture through improved availability and accessibility to water, promotion of kitchen gardens; creation of supportive policy and legal environment for water development and supply, agriculture, fisheries and livestock/veterinary services. The county will also improve collaboration and partnerships with stakeholders. The ultimate goal is to improve food and water security and hence improve the livelihood of the people of Kitui County.

Pillar III: Investing in infrastructural development such as roads network, energy and water supply

14. Of necessity in the coming year is to continue with the momentum on investment in infrastructure expansion and rehabilitation, particularly the road network, targeted support to small and medium enterprises, and support to the Youth, the Women and the Disabled to enable them generate the much needed jobs. The County Government will continue to invest in community level infrastructure development programme (CLIDP) to facilitate access to markets by farmers and business people.

15. In order to drive economic growth over the medium term, create jobs and wealth for the county, the focus will be improvement of infrastructure mainly roads and water for irrigation projects. In particular, expansion of infrastructure includes improvement of local roads to facilitate faster movement of goods and services across and outside the county as well as putting plans in place to open up major roads connecting the county to outside markets.

16. The county faces stiff shortage of housing, more pressure being generated by the devolution and the recent influx of institutions of higher learning. To address this pressure, the county government will need to prepare a development

master plan for all its major towns to avoid the development pitfalls facing other major cities in Kenya today.

17. Additionally, the county government will improve access to clean water and electricity, and will provide adequate allocation to programmes that will deal with food shortages in the county. The county will ensure that all the trading centres, public institutions are either connected to the national grid or other sources of power installed by partnering with Rural Electrification Authority (REA). It will also provide walkways for non-motorized traffic (people) in our major urban centres. Provision of adequate lighting along our streets and estates in major urban areas will be prioritized.

18. In providing water both for irrigation and domestic use, the County shall use various methods including building dams, pans, sinking boreholes etc.

Pillar IV: Investing in quality and accessible health care services and quality education as well as social safety nets

19. Access to affordable health care services is vital for economic development. The need for well-equipped and adequately functioning health care facilities need not be over-emphasised. To achieve the MDGs 3, 4, 5 and 6, services delivery in health facilities has to be improved, distance to the nearest facilities reduced and health care professional to population ratio substantially reduced. The county will need to reduce, over the medium term, the number of deliveries not attended by skilled health professional and increase the proportion of children completing immunisation as required.

20. To achieve these noble goals, the county will structure its health care infrastructure around the identified economic zones forming a cluster of facilities around each level four facility. To support these level four facilities, the county plans to upgrade Kitui and Mwingi Hospitals to level 5 status to reduce referral cases to Machakos and Embu Hospitals and support referral services for all the facilities in the county. The county will promote reproductive health, behaviour change and mental health. The ambulance services will be available in each sub county, operated and coordinated from a central command. Emphasis will be put to ensure completion of all on-going and reviving of stalled projects.

21. The South Eastern Kenya University plans to establish a medical school. The county government will enter into arrangement with the University to use Kitui Hospital for internship as they train medical doctors. The County will also continue cooperating with the Kenya Medical Training College (KMTC) to extend its services from Kitui Hospital to Mwingi Hospital and other hospitals in the County.

22. The county will ensure ECDE, home craft, childcare centres, and youth polytechnics are fully functional with teachers/ instructors, infrastructure and equipment. The County Government is well aware of the challenges the youth are facing and will create link between education and employment driven by knowledge and technology.

23. In order to achieve the Medium Development Goals (MDGs) and pursue post 2015 development agenda, the Government with the support of Development Partners will direct substantial resources to economic and social sectors such as agriculture, infrastructure, health and education. The targeted social safety net programmes include pro-poor support programme, infrastructure savings and investment programme, emergency fund among others.

Pillar V: Cascading devolution to the lower units of governance for better service delivery and enhance rural development

24. The County is in the process of recruiting staff to serve as Ward and Village administrators to support the County development and administrative agenda at grassroots including public participation forums.

25. The county government will ensure that the accounting officers understand and cascade downwards the principles of the PFM Act 2012 through adequate capacity building. It will also ensure that the principle of inclusiveness in the constitution is implemented e.g. through public participation in decision making and ensuring the one third gender rule is adhered to.

II. RECENT NATIONAL AND COUNTY ECONOMIC DEVELOPMENTS

Overview of recent economic developments

26. The national economy is very much integrated to the global outlook, with volatilities in the global economy impacting negatively on the local economy. The crisis of 2009 that started in the US quickly spread to other advanced economies and eventually caught up with the developing economies. The recent crises in the US and the Euro zone have greatly affected the performance of the national economy. Recent trends have shown that the recovery of the euro zone is underway and the US has also signalled some hope for recovery from serious crisis.

27. At the national level, the economy has continued to show improvement from the previous years. During 2012, the economy grew at 4.6% compared with 4.4% in 2011, mainly driven by expansion in agriculture, transport and communication, wholesale and retail, and manufacturing which contributed the largest share of GDP. With growth recorded in the first three quarters of 2013 averaging 4.6%, the fourth quarter growth is projected at 5.1%, which also takes into account the other three quarters. This will be an improvement from 4.6% recorded in 2012.

28. Over the last three years, the performance of the county economy has continued to be poor largely because rainfall received was low, resulting in most areas of the county recording crop failure and death of livestock. Heavy dependence of the county on agriculture as the main driver of the economy is likely to change with the diversification to other investment sectors like service industry, mining and increasing investment in tertiary education institutions that are expected to support research and development.

Macroeconomic stability (Inflation, Interest rates, Exchange rates)

29. Though the management of these variables is the sole responsibility of the national treasury, their impact on the economy is of great concern to the counties as the national treasury itself. The inflation rate over the medium term improved

significantly from a high of about 20% in December 2011 to a low of 7.2% in December 2013. It is expected that this decline will be sustained over the medium term period to achieve a target level of 5%. Sustaining inflation rates at this or even lower level is critical for the nation and the county to achieve its fiscal objective, given that inflationary pressures have had adverse budgetary effects in the past.

30. The interest rates have declined significantly over the medium term. Central Bank of Kenya base lending rate has been declining since June 2012 from 18% to 8.5%. The average interbank rate came down from 17.1% in June 2012 to 8.98% in December 2013. This has the effect of stimulating private credit that is required to accelerate private development. This will be important for the county since the main target of the county will be private investors who may need to raise funds either from commercial banks or the stock exchange.

Stock markets

31. The performance of our stock exchange has been satisfactory, recently outperforming most of its peers in the continent. The NSE 20 share index improved from 4,133 points in December 2012 to 4,885.9 points in December 2013, representing an increase of 18.2 per cent. Market capitalisation (measures shareholders wealth) improved from 1,272.4billion to 1,900.7billion over the same period. This development is important for the county as stable capital markets are necessary for financing private sector investments.

Major developments likely to impact on Kitui County

32. The Kitui County is home to the Mui Coal Basin, which is divided in to four blocks; namely A, B, C and D. The government of Kenya has signed an agreement with Fenxi Mining Company, a Chinese firm to start mining of coal in zones C and D. This agreement also envisages other infrastructural projects to the zone that will spur economic growth for the county including a T-junction of the Mombasa- Nairobi standard gauge railway at Kibwezi, roads and a 12 inch water pipe.

33. The construction of the recently launched Standard Gauge Railway (SGR) from Mombasa to Nairobi is another development likely to have a transformative impact on Kitui County. The design includes a T-Junction to connect Mui coal basin through the southern part of the county which is endowed with mineral deposits like limestone, iron ore and gemstones.

34. The Lamu Port Southern Sudan Ethiopia Transport (LAPSSET) corridor is also another mega project that is being implemented by the national government that will greatly impact on the economic growth of Kitui County. This project which is planned to have a highway, a railway and a pipeline passes to the north of the county, and could provide a major economic opportunity for the county such as the export of livestock to the Middle East.

35. It is anticipated that the Kibwezi-Mutomo-Kitui-Mwingi-Usueni road will be tarmac by the national government to unlock the potential of the County

36. Kitui County is host to one fully fledged university (South Eastern Kenya University, SEKU) and two university campuses i.e. Kenyatta University and University of Nairobi. Other middle level colleges that have started operation in Kitui County include Kenya Medical Training College (KMTC), Kitui Teachers Training College (KTTC) and Kenya Water Institute (KEWI). The emergence of institutions of

higher learning is expected to provide the much needed research support to investors in mining and other sectors of the economy through an appropriate collaboration. Already, SEKU is looking into the possibility of partnering with Kitui hospital to start training doctors.

III. NATIONAL AND COUNTY ECONOMIC OUTLOOK

Overview of Economic Outlook

37. Kenya's economy continued to record slow growth in 2012, primarily driven by financial intermediation, tourism, construction and agriculture. The first half-year GDP growth rate in 2012 was an estimated 3.4 %, compared to an annual real GDP growth rate of 4.4% in 2011 and 5.8% in 2010. The estimated growth of 4.2% in 2012 was mainly curtailed by a slowdown in most economic sectors. Agriculture – the mainstay of Kenya's economy – recorded suppressed activity, while tourism, manufacturing and construction sectors did not reach the anticipated growth levels.

38. Real GDP growth is expected to increase to 4.5% in 2013 and 5.2% in 2014. Similarly, consumer price index inflation is expected to remain in the single-digit range over the same period.

39. At the national level, the economy has continued to show improvement from the previous years. However, some sectors like tourism and financial sectors (stock exchange) are very volatile and responsive to political climate. The recent general elections attracted a baited breath for both investor and tourist alike, occasioning some capital flight and loss of revenue through cancelled bookings in the tourism sector.

40. Kitui County being a semi-arid area, her economic base is mainly agriculture and livestock production. During the November – December short rains season, low crop yield was realized due to inadequate rainfall; low pasture formation has led to low animal production and loss of animal weight which has led to low market prices for the animals.

41. The economic and transformation agenda of the County is premised on the Kitui Vision for Socio – economic development based on the six economic& investments zones outlined below;

i. **Mui Basin Economic Zone**

The driver of this economic zone will be the mining of coal deposits which is along the Mui Coal Basin. The basin is divided into 4 exploration blocks (A,B, C and D). Blocks A and B are majorly in Kitui East Sub County while block C and D are in Mwingi Central Sub County. This zone will produce coal; an ingredient for generating power for industrial and domestic consumers. It is expected that cost of production will come down, and electricity generation will reduce outages and the associated production costs. The National government will create a T-junction of the Mombasa-Nairobi standard gauge railway at Kibwezi through the Tsavo east national park to Mui basin and also connect a 12 inch water pipe to the Mui basin.

ii. **Ikutha- Mutomo –Kanziko Economic Zone**

The economic enablers in this zone like the Mui basin is premised on the mining and processing of the main mineral deposits found in the area; Iron ore and limestone. These deposits are estimated to be commercially viable to warrant establishment of processing plants in those areas. There is also the Tsavo East Game Park and South Kitui game Reserve, which attract tourists. Envisaged developments in these areas include factories, services industries, hotels, health care facilities. Infrastructural development such as roads, airstrips, and water and sanitation systems will need to be designed well in advance to achieve seamless development. All this is expected to create employment and other associated benefits to the residents.

iii. Kanyangi -KwaVonza-KanyonyooEconomic Zone

The economic enablers in this zone are education institutions located in that area i.e. Kenyatta University Campus and the South Eastern Kenya University (SEKU). It is envisaged that Kwa Vonza will grow to be the 3rd town in Kitui County after Kitui and Mwingi towns, on account of increased influx of people attending training at the education facilities around the area. There are huge deposits of raw materials for concrete production along the Yatta plateau. The Thwake dam will provide water for irrigation and facilitate construction of a commodity market at Kanyoonyoo.

It is envisage that improvement of social amenities like water, construction of hostels and roads will attract real estate investors to reap on the expected surge in demand for better housing, shopping malls, entertainment centres etc. The county is expected to partner with these institutions for research in various development areas of interest to the county. SEKU is also planning to expand to other urban towns like Kitui and Mwingi.

iv. Kyuso-Tseikuru Economic Zone

The enabler of this economic zone is the Tana River since the river is permanent, wide and deep. It will be implemented by introducing irrigation schemes to support food security objective and reduce the level of poverty in those parts of the County. Discussions between the Cabinet Secretary in charge of Agriculture and Kitui County Political leadership have resolved that sufficient funds will be allocated to revitalize Wikithuki Irrigation Scheme. This scheme is around 13,000 hectares and is envisaged to feed the whole County with agricultural produce.

v. Mwingi Town Economic Zone

Mwingi town is trade and commercial hub area of the County, given its location on the Nairobi – Garissa highway, proximity to Mui basin and the proposed LAPSSET transport corridor. Envisaged opportunities here include retail and wholesale business as well as hotel services. The County Government will improve the social amenities and infrastructure of that economic zone. The major economic drivers in this economic zone will be ripple effects of the Mui coal basin and the Garissa road because these activities are likely to generate employment and spur economic growth of the County.

vi. Kitui Town Economic zone

This is the seat of the County Government, it is the County Headquarter. The main enablers in this zone are the investors who will invest at the county headquarters. The headquarters hosts several institutions like Kitui Medical Training College, Kitui Teachers Training College, Kitui Water Institute and Kitui High School (National School). It is envisaged that hospitality industry will thrive in this zone. The zone will be a hub of many economic activities and this will assist in employment creation. There are plans to upgrade Kitui Hospital to level 5 in order to serve as a referral for the entire County. Kitui town has transport networks to the major travel destinations in Kenya like Nairobi, Garissa, Embu, Meru and Mombasa. This will be sufficiently improved when the proposed Kibwezi-Kitui-Mwingi road is tarmacked. Kitui town will also benefit from the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor Project.

42. The service sector in the county is expected to serve as a driver to economic growth of the county. The banking industry that provides credit to the business community is expected to play a vital role in financing the expansion and growth of construction sector that will be fuelled by rising institutional as well as individual demand for residential and commercial properties. Expansion and improvement of some road networks to all weather roads is envisaged to reduce post-harvest waste, cost of doing business by improving connectivity, accessibility and reduced lead times. The rising number of tertiary institutions opening campuses in the county will serve to build the capacities for local residents necessary for research, as well as provision of much needed jobs for youths and skilled personnel.

Risks to County Economic Outlook

43. Public expenditure pressures especially recurrent expenditures, mainly salaries and other emoluments pose fiscal risks. The wage bill in particular may limit the amount of funds available to development, curtailing the ability of the county to expand its infrastructure and fulfil other developments as outlined in the budget.

44. The county is so dependent on the rain fed agriculture. Erratic weather pattern that is so characteristic in our county may derail our development agenda with substantial resources channelled to emergency relief services. This is so real given that the December rain did not do well in most parts of the county.

45. A delay in exploitation of the mining potential in the county will have adverse effect in the economic take off of the county. The planned mining of coal in Mui basin block C&D is expected to earn revenue to the county which would be invested in the key sectors to fast track economic growth for the county. Compensation negotiation, land adjudication, surveying, titling as well as other litigation issues that result in delay in start of operations may occasion huge loss of revenue to the county, thereby derailing the projected economic growth.

IV. FISCAL FRAMEWORK AND STRUCTURAL MEASURES

The 2014 County Fiscal Strategy Paper emphasizes on:

46. Fiscal consolidation while ensuring that the resources in the county are adequate to promote growth and improve the living standards of the people of Kitui. The County Government of Kitui is committed to a reduction in the recurrent expenditure to devote more resources to development.

47. Continued reforms in expenditure management and levy administration will be accelerated. This will increase revenue and create fiscal space for spending on infrastructure and other development programmes.

48. Efficiency and improvement of productivity of expenditure while ensuring that adequate resources are available for operations and maintenance of the decentralized county government structures. The County Government recognizes that the fiscal stance it takes today will have implications into the future.

49. Section 107 (1) of the Public Finance Management (PFM) Act of 2012 stipulates that, a County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out and shall not exceed the limits stated in the regulations. Sub section 2 of PFM Act of 2012 lists the fiscal responsibility principles that a County Treasury is supposed to enforce, a few are:

- The county government's recurrent expenditure shall not exceed the county government's total revenue;
- Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue;
- The fiscal risks shall be managed prudently; and
- A reasonable degree of predictability with respect to level of tax rates and tax bases shall be maintained.

50. Therefore, the principle of sharing the burdens and benefits of the use of resources and public borrowing between the present and future generation implies that we have to make responsible and prudent policy decisions today so that we do not impose unwarranted fiscal burden to our future generations

51. Fiscal responsibility has become even more important pursuant to Article 43 of Constitution of Kenya 2010 on economic and social rights of an individual. This requires the Government to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. For spending to increase on a sustainable basis to meet these basic needs, Kitui County is prepared to match the increased expenditure demands with a corresponding increase in

revenue yield through efficient collection, widening of levy bases, and reasonable rates. All these efforts will be done in a sustainable manner.

Fiscal Structural Reforms

52. To address structural reforms on County Budgeting, the following will be implemented over fiscal cycle;
The expenditure side of the County budget, the County Government will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM Act, 2012. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) to cover the expenditures of the 11 County spending units.

The County will encourage proper and transparent use of resources and encourage quality service delivery to the people of Kitui.

53. The County Government will institute measures to contain the public wage bill and other unnecessary expenditures. This will result in balances which will be surrendered for development funding. These measures would include payroll cleansing, staff rationalization and streamlining expenditures to county priorities.

2014/15 Budget Framework

The County government strategic objectives, which the 2014/15 budget framework is based, are proposed in the County Integrated Development Plan (CIDP).

54. On Revenue Projections, The County Government is expected to institute measures to expand revenue base and eliminate leakages. The modernization of revenue collection from manual to electronic, as is proposed in the CIDP 20132017 and the recruitment of staff to support the function is expected to simplify levy collection and enhance the revenue yield. As such, total revenue including Appropriation-in-Aid (A-I-A) is expected to be KES. 0.65 Billion in the year 2014/2015.

55. Expenditure Forecast is key in budgeting, just revenue is. The key policy document guiding the County Government's expenditure decisions is the first CIDP (2013-2017), which provides the updated development priorities of the County. In 2014/15, overall development expenditures are projected at 42per cent of all the funds allocated and collected.

56. Recurrent expenditures are expected to increase from the current 56.7 per cent of total budget in 2013/14 to an estimated 58per cent in 2014/15, on account of increased PE costs as a result of full year costs on recruitments to support county operations.

57. Moreover, on budget allocations, the minimum for development expenditures including grants is 30 per cent of the total revenue in 2014/15. This is consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure (roads, energy and

transport). This is expected to support critical infrastructure that will crowd in private sector investment.

58. Lastly, with improvement in advance procurement planning and staff capacity, the absorption capacity of project funds is expected to increase resulting in a higher investment level in infrastructure activities. This will support the delivery of services and encourage investment by the private sector.

V. RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

Introduction

The 2014 County Fiscal Strategy Paper is being prepared at a time when significant progress has been made in establishing and operationalizing the financial and procurement systems in the county. Nevertheless, there have been a few challenges in planning and budgeting as well as the execution and reporting on budgets.

59. The County application for some functions to be devolved and its eventual gazettement in August 2013, had implications on 2013/2014 budgets based on the premises that the County Government had finalised its budget. Payment of salaries to staff of the devolved functions had to be reimbursed to the National Government.

60. The county has continued to address the capacity gaps through training on IFMIS, budgeting and PPOA. Training of staff will continue on all issues that will facilitate efficiency and effectiveness in resource management.

Departmental Budgeting

61. The County Executive Committee Member in charge of Finance and Economic Planning issued guidelines to the County Ministries on the preparation of 2014/15 budget. Each department is expected to plan, formulate and execute their budgets. The 2014/15 budget for the county will be prepared in line with the Public Finance Management Act, 2012.

Resource Envelope

62. The revenue side of the budget contains the resources which will be received from the equitable share and own county generated revenue. The table below show county generated revenue projected for the next three years.

Table 1: Revenue Streams and Projections

REVENUE STREAMS AND PROJECTIONS

		2013/2014	2014/2015	2015/2016	2016/2017
		PROJECTION	PROJECTION	PROJECTION	PROJECTION
			45.55%GROWTH	10%GROWTH	5%GROWTH
		KSH	KSH	KSH	KSH
1	SINGLE BUSINESS PERMITS	75,145,438.00	109,371,190.76	120,308,309.84	126,323,725.33
2	LAND RATES	21,119,641.00	30,738,795.94	33,812,675.54	35,503,309.31

3	**HOUSE & STALLS RENT**	5,202,947.00	7,572,682.04	8,329,950.25	8,746,447.76
4	**MARKET FEES**	41,458,784.00	60,341,608.15	66,375,768.96	69,694,557.41
5	**CESS**	52,273,269.00	76,081,660.15	83,689,826.16	87,874,317.47
6	**PARKING FEES**	13,445,835.00	19,569,877.08	21,526,864.79	22,603,208.03
7	**STREET PARKING**	6,727,090.00	9,791,011.45	10,770,112.59	11,308,618.22
8	**SIGN BOARD & ADVERTISING**	3,693,094.00	5,375,151.16	5,912,666.28	6,208,299.59
9	**TRANSFER FEES**	292,250.00	425,358.23	467,894.05	491,288.76
10	**SLAUGTER FEES**	3,757,985.00	5,469,597.43	6,016,557.17	6,317,385.03
11	**TRANSPORTATION FEES**	3,169,760.00	4,613,459.38	5,074,805.32	5,328,545.58
12	**IMPOUNDING CHARGES**	597,860.00	870,161.41	957,177.55	1,005,036.43
13	**APPLICATION FEES**	1,977,195.00	2,877,728.54	3,165,501.39	3,323,776.46
14	**REGISTRATION FEES**	2,437,300.00	3,547,393.03	3,902,132.34	4,097,238.95
15	**CONSENT/CERTI. CHARGES**	118,627.00	172,656.87	189,922.56	199,418.69
16	**MINING PROSPECTING FEES**	7,746.00	11,273.99	12,401.39	13,021.46
17	**SURVEY FEES**	112,220.00	163,331.74	179,664.91	188,648.16
18	**APPROVAL OF BULDING PLANS**	2,415,103.00	3,515,086.18	3,866,594.80	4,059,924.54
19	**SALE OF TENDER DOCUMENTS**	5,536,530.00	8,058,198.81	8,864,018.69	9,307,219.62
20	**SALE OF SEEDLINGS**	22,330.00	32,500.43	35,750.47	37,537.99
21	**WATER CHARGES**	4,800.00	6,986.21	7,684.83	8,069.07
22	**ALTERATION OF B/PLANS**	15,645.00	22,770.67	25,047.74	26,300.13
23	**LEASE CHARGES**	20,000.00	29,109.20	32,020.12	33,621.13
24	**BURIAL CHARGES**	18,400.00	26,780.47	29,458.51	30,931.44
25	**SALE OF LEGAL DOCUMENTS**	9,000.00	13,099.14	14,409.06	15,129.51
26	**WAY LEAVE CHARGES**	3,000.00	4,366.38	4,803.02	5,043.17
27	**MILK CESS (KITUI AGRI. T. INST.)**	30,248.00	44,024.76	48,427.23	50,848.60
28	**ACCO. , MEALS &CONFER. "**	531,550.00	773,649.84	851,014.83	893,565.57
29	**SEARCH FEES**	2,600.00	3,784.20	4,162.62	4,370.75
30	**STORAGE CHARGES**	2,870.00	4,177.17	4,594.89	4,824.63
31	**TOILET FEES**	324,660.00	472,529.69	519,782.66	545,771.80
	TOTAL	**240,473,777.00**	**350,000,000.51**	**385,000,000.56**	**404,250,000.58**

NB

It is envisaged that the increase in revenue collection in 2014/2015 financial year will be as a result of the following efforts initiated by the County Government;

i. Automation of revenue collection – this will eliminate revenue leakages
ii. Staff training – the staff in revenue collection will be capacity build in order to foster attitude change towards revenue collection and public relation/ communication skills. It will serve as morale booster to the collectors
iii. Operationalization of finance bill 2013 – since the local authorities become defunct, revenue collection has not been backed by law. The finance bill, 2013 will bridge that gap and expand the revenue base of the county

iv. Logistical support – keen interest will be employed to the repair and service of the revenue collection vehicles. Furthermore vehicles will be assigned to the revenue department to ease collection. The department in charge of infrastructure to ensure that feeder roads are continuously maintained to ease mobility to revenue collection points and markets

63. The table below shows the county resource envelope for 2014/ 2015 is available for the 12 spending units of the county. The sources of revenue for County budgets are summarized in the table 1 below;

Table 2: Resource Envelope

S/No	Source	Expected Amount in Kshs.
1	Equitable share	6,187,437,952
2	Grants Kenya Municipal Programme	299,716,518
	Rural electrification (REA)	204,611,443
3	Own resource Former local authorities	350,000,000
	County ministries	300,000,000
	TOTAL	**7,341,765,913**

The Conditional grant of Kshs. 504,327,961 is meant for specific projects in Health, Lands, Infrastructure and Urban Development and energy sectors, hence not subject to sharing among spending entities.

Budget Allocation among County Ministries

The Table 2 provides estimates of revenue allocation among County Ministries for financial year 2013/2014 and 2014/15. The allocations comprise of the recurrent and development expenditure.

Table 2: Revenue Allocation for Each County Ministry in 2013/2014 and 2014/2015 Financial Years.

Table 3: Budget Allocation among Ministries

S/No	County Ministry/ Institution	Allocation 2013/2014	% Allocation	Allocation 2014/2015	% Allocation
1	Agriculture, Water & Irrigation	769,476,114	11.75	840,499,120	11.4
2	Basic Education, Training and Skills Development	312,796,760	4.78	409,596,793	5.6
3	Lands, Infrastructure, and Urban Development	1,336,211,137	20.41	1,319,170,716	18.0
4	Health & Sanitation	957,866,709	14.63	1,550,791,986	21.1

5	Trade, Industry, ICT & Co-Operatives	179,030,521	2.73	326,656,373	4.4
6	Culture, Youth, Sports and Social Services	177,292,178	2.71	133,805,778	1.8
7	Environment, Energy & Minerals Investments Development	190,567,768	2.91	222,972,989	3.0
8	Tourism & Natural Resources	62,680,000	0.96	54,435,778	0.7
9	Finance & Economic Planning	246,164,904	3.76	157,328,241	2.1
10	Administration & Coordination of County Affairs	314,999,349	4.81	489,470,068	6.7
11	Office of The Governor	1,251,256,032	19.14	1,005,975,633	13.7
12	County Assembly	714,904,769	10.92	775,808,578	10.6
13	County Public Service Board	35,000,000	0.5	55,253,860	0.8
	Total	**6,548,246,241**	**100**	**7,341,765,913**	**100**

The County government has allocated approximately 50.5% of its budget to the ministries of health and Sanitation (21.1%), Lands, Infrastructure, And Urban Development (18.0%) and Agriculture, Water & Irrigation (11.4%) reflecting the county broad priorities.

The county ministry allocation is based on the following; Resource envelope, Fixed personnel emolument per spending unit and Ministries with operation and maintenance.

Details of County Ministries Spending Priorities

64. The County Government has ten Ministries as per the requirements of the Constitution to have a lean and effective government. The county human resource will be rationalized for effective service delivery. This will remove duplications and overlaps and ensure resources are utilized more efficiently and productively towards county development priorities.

65. In the Fiscal Year 2014/15, the County Government expects to receive support from the National Government so as to improve on service delivery as envisaged in the constitution. In addition, the County Government will ensure that the funds are prudently managed in line with the fiscal responsibility principles under

the Public Finance Management Act 2012. There will be need to invest in capacity building at the County Government.

66. There is need to prioritize resource allocation to the priority areas of economic development while ensuring that debt levels are sustainable. The Integrated Financial Management System (IFMIS) Platform that is currently being used by the County Governments will eliminate manual payments systems and save funds that have otherwise been getting lost through manual paper work.

67. The Salaries and Remuneration Commission (SRC) will in the medium term continue to set the salaries of state officers and recommend salaries of public officers that will ensure fiscal sustainability, among other key public finance principles.

68. The IFMIS has been implemented at the county level. As a step to ensure integrity of the system, the County Treasury will in the year 2014/15 conduct an audit to ensure that it is operating as initially intended.

The County Integrated Development Plan for 2013– 2017 ensures continuity in resource allocation based on prioritized project and programmes which has been aligned to the Vision 2030 and strategic policy initiatives of the County Government to accelerate growth, employment creation and poverty reduction.

Criteria for Resource Allocation

In 2014/2015 financial year, the budget ceilings justifications for different spending entities are listed below:

County Ministry/ Spending Entity	**Justification**
1.Agriculture, Water& Irrigation	This is a production ministry and a foundation for social economic development. 51% of the Ministry allocation is on development vote, 34% Personnel Emoluments and 15 % on O & M. The development vote will be used to implement projects in Agriculture, water, Irrigation, Livestock, Veterinary and Fisheries. In 2014/ 2015 the county ministry plans to do the following: • Promotion of technology transfer; • Rehabilitate rock catchment areas where fish farming is carried on. • Improve agricultural productivity through provision of extension services, pests and diseases control, provision of certified seeds, reduction of post-harvest loss, promotion of kitchen gardening, seed bulking and purchase of farming machineries (tractors and ploughs); Improve access to water through drilling of bore holes, construction of dams (earth dams, sand/sub-surface dams) and Construction of pipeline extensions. (Purchase of drilling rigs and crawlers is expected to speed up this process); The proportion of population facing food poverty in the County is high, mainly

County Ministry/ Spending Entity	Justification
	due to inadequate rainfall to support food production. Provision of certified seeds to the farmers on time, alongside irrigation farming is expected to improve food production and reduce food insecurity. Once the boreholes and earth dams are done, the distance to the nearest water points will reduce this will effectively result in increasing the man hour available in doing other productive activities.
2.Basic Education, Training & Skills Development	This is a social sector ministry which includes ECDE, youth training and skill development. Most of its allocation (69%) will be spent as personnel emoluments to pay wages for ECDE teachers. In 2014/15 financial year, the allocation on development (22%) will be spent on the following projects areas: • Improve the learning environment in our youth polytechnics through renovations and equipping; • Improve learning environment in ECDE through training of 900 Pre-school teachers Early childhood education is the foundation of education in the County. If the ECDE teachers are retained by paying their wages and constructing the ECDE centres education of the pupils will be enhanced. Investment in youth training will increase skilled labour force in the County and reduce dependency.
3.Lands, Infrastructure, & Urban Development	This is an enabler in socio economic development. The ministry covers public works, land adjudication, Survey and mapping, Physical Planning, Housing, and Urban Development. Personnel emoluments is 29% (the PE includes salaries of defunct local Authorities staff), development 62 % and O&M 9%. Most of the development will go towards roads improvement and urban development. In 2014/15 financial year, the County ministry will undertake the following: • Expansion and improvement of road network in the county (major and access roads); • Improvement of town infrastructure such as storm water drains and parking areas as well as construction of department offices and store yards; • To purchase graders, tipper lorries, rollers, low loader, shovels, and water boozers that will be used for road works instead of contracting for road works. • Acquisition of necessary tools and equipment and software (digitization equipment, workshop tools, planning equipment etc.) and construction of related networks (Geodetic Control Network); Construction of roads will open some areas of the County by linking them to market centres. Road grading will enhance ease of doing business in the County. This will also reduce insecurity especially along the grazing corridors. Injecting funds in land adjudication will ensure land ownership (title deeds) which will provide collateral to affordable credit to the people.

County Ministry/ Spending Entity	Justification
4. Health & Sanitation	The ministry is service oriented and most of its allocation (56%) will be spent as personnel emoluments to pay salaries for staff, recurrent allocation of 29% will be used for O&M and to purchase ambulances, mobile clinics and wagons to fast-track beyond Zero campaign. In 2014/2015 financial year, the allocation on development (15%) will be spent on the following projects: • Upgrading of Kitui and Mwingi District Hospitals to level 5 (Complete Kitui this financial year and phase Mwingi upgrading in two years) • Completion of stalled health projects in various facilities across the county (Amenity & maternity wards, theatres, maternity units etc.) and facilities that were started by LATF and CDF across the County where there are no encumbrances to improve service delivery. • Construction of new maternity wards, theatres, and general wards in various facilities across the county to improve service delivery and reduce referral burden to Mwingi and Kitui hospital. • The ministry will also procure ambulances to ease and ensure fast referral system for patients from lower health facilities to Kitui and Mwingi hospitals. Kitui County has 250 operational health facilities spread across the County which cover over 30,000Km^2. Designing efficiency centred programmes and investing money where more impact is expected will be critical. Promoting preventive rather than curative approach is also expected to have positive impact. The County will prosper if its people are health.
5. Trade, Industry, IT & Co-operatives	This is an enabler in socio economic development. The ministry covers weights & Measures, Information Technology, Internal Trade & Markets, Industrialisation, Enterprise and Cooperatives. 77% of the Ministry allocation is on development vote, which will be utilised to undertake the following projects and programmes in the financial year 2014/15: • The ministry is planning to spearhead improvement in mobile telephony connectivity (in conjunction with providers). • The ministry will also assist farmers to establish value addition agro-processing industries (refineries, fruit processing, cooler and packing machine etc.) • To fund construction and equipping of at least I computer learning units in existing youth polytechnics. • The ministry will assist the youth, through completion and equipping of Constituency Industrial Development Centres (CIDCs) in various sub counties as well as construction of market sheds; • Expansion of fibre network at County Headquarter and installation of LAN infrastructure at the Sub Counties Commerce in the County will encourage income generating activities (jobs) and ensure cash flow and financial exposure to the people, pulling resources together to form cooperatives will encourage collective bargaining and local industry. Value addition to local products will ensure higher prices in the market.

County Ministry/ Spending Entity	Justification
6. Culture, Youth, Sports & Social Services	The Ministry comprises of the following departments; Culture, Gender & social Development, Youth, Probation, Children and Sports. 18% will be PE, 27% O&M and 55% development. In the financial year 2014/15, the ministry will undertake the following projects and programmes: • Improve sports facilities in the county (construction of sports stadia across the county); • Construction of Youth Resource Centres, initially at various identified areas; • Youth Investment Savings and Investment Programme; and • Maintenance of monuments and recreational parks). Promotion of people's culture facilitates heritage and traditional knowledge transfer. Investment in sport facilities for the youth will ensure talent identification and subsequent nurturing leading to improved human capital productivity.
6. Environment, Energy & Minerals Investments Development	This is an enabler in socio economic development. The Ministry covers Environment, Energy, and Minerals Investment development. 10% will be PE, 11% O&M and 79% development. The development vote will be utilised to undertake the following projects and programmes in the financial year 2014/15: • County Tree planting project; • Development of County environmental action plan; • County waste management programme; • Environmental Education project; • Connecting Electricity to needy Institutions; • To increase access to alternative energy sources; • Creation of awareness and capacity building in mining area communities; and • Construction and equipping of county mineral centre. People should live in a clean and secure environment, and funds injected towards environment will ensure proper waste management. Improving power connectivity in the County will create youth employment and reduce insecurity
8. Tourism & Natural Resources	This is an enabler in socio economic development. The Ministry covers Tourism and Natural resources. 28% will be PE, 31% on O&M and 41% development. The development vote will be utilised to undertake the following projects and programmes in the financial year 2014/15: • Improve tourists attraction sites in order to increase the number of tourists visiting our county • Initiate research and studies on various sites for establishment of tourists sites; and • Purchase of Certified Seeds (Purchase of tree Seeds for CFAs; Purchase of tree seedlings for institutions). Promotion of tourism activities will enhance revenue base of the County. Tree planting will increase forest cover in the County hence promoting environmental conservation.
9. Finance & Economic Planning	This is a facilitative Ministry which comprise of Accounting, Revenue, Internal Audit and Economic Planning departments. 12% of the Ministry's allocation will be spent on development. The O&M allocation of 49% will be used on purchase

County Ministry/ Spending Entity	Justification
	of accountable documents and facilitate for revenue collection. The ministry plans to undertake the following projects and programmes in the financial year 2014/15: • Revenue automation (e-revenue); • Develop Kitui Vision for Social Economic Transformation; and • Connection of county treasury to fibre optic cable. Once information technology system is installed and used in the County Treasury, financial reporting will be faster. Accountable documents are vital because they promote fiscal responsibility.
10. Administration & Coordination of County Affairs	This is a facilitative Ministry which comprise of Administration and Coordination departments. Most of its allocation (56%) will be spent on personnel emoluments to pay salaries for Sub County, Ward and Village administrators. The development vote (14%) will be used to: • Purchase land and construction of Sub County Headquarters and ward offices; County administration and coordination of decentralised units is vital for smooth flow of activities. Injecting funds in administration will strengthen the function.
11. Office of The Governor	This spending entity has a coordination and administrative role. Most of the allocation (63%) will be used for development; 28% will be spend on recurrent to facilitate among others, intergovernmental activities, Council of Governors activities, Council of Elders activities, Economic and Budget Forum, Stakeholders Forums, task forces and consultancies. The development vote will be used as outlined below: • Expansion of Pro-Poor Programme and Community Level Infrastructure development Programmes; • Construction of County Headquarters, Governor Residence and associated civil works. • Disaster Management and Emergency Response; • County Headquarters IP Communication System. This is the Central office in the County. It is the link between the executive arm of the County Government and the external world. It is the liaising unit of the County which coordinates projects and programmes that cuts across sectors and have a widespread impacts to the people.
12. County Public Service Board	This spending entity is responsible for recruitment, appointments, promotion, staff discipline and advise the County Government on human resource management and development. Most of its allocation will be spend on personnel emoluments (34%) and recurrent (66%).
13. County Assembly	This is a legislative arm of the County Government and 10.6% of the total resource envelope is allocated for its functions. O&M vote is 54% including car loan and mortgage facility amounting Kshs.174M while the balance of 46% is for personnel emoluments.

Budget Allocation among County Ministries

Table 3 provides estimates of revenue allocation for each ministry among County Ministries for financial year 2014/15. The allocations comprise of Personnel Emoluments, Operations & Maintenance and Development expenditure.

According to Article 175 of the Constitution of Kenya 2010, County Government shall be based on democratic principles and separation of powers.

Pursuant to County Governments Act 2012, Section5 (1), the County Assembly has legislative and oversight roles.

In section 36 (1) (a) of the County Governments Act, the County executive shall supervise the administration and delivery of services in the county and all decentralised agencies. In order to achieve this, the executive shall plan; implement the budgets, monitor and report.

In every County spending entity the allocation will be shared between personnel emoluments (PE), operation and maintenance (O&M) and development (D). The following table gives a tentative share percentage in every County spending entity.

Table 4: Allocation between PEs, O&M and Development

County Ministry/ Institution	Emoluments	% of Total Ceiling	O&M	% of Total Ceiling	Development	% of Total Ceiling	Total Ceiling	% Allocation of resource envelope
Agriculture, Water & Irrigation	283,554,533	34	129,205,187.40	15	427,739,400	51	840,499,120	11.4
Basic Education, Training And Skills Development	283,616,021	69	35,216,289.20	9	90,764,483	22	409,596,793	5.6
Lands, Infrastructure, and Urban Development	383,732,276	29	119,107,528.00	9	816,330,912	62	1,319,170,716	18.0
Health & Sanitation	875,699,237	56	455,872,749.00	29	219,220,000	15	1,550,791,986	21.1
Trade, Industry, ICT & Co-operatives	42,219,854	13	32,807,249.00	10	251,629,270	77	326,656,373	4.4
Culture, Youth, Sports and Social Services	23,621,962	18	36,683,816.50	27	73,500,000	55	133,805,778	1.8
Environment, Energy & Minerals Investments Development	22,939,895	10	23,853,883.00	11	176,179,211	79	222,972,989	3.0
Tourism & Natural Resources	15,077,934	28	16,857,844.00	31	22,500,000	41	54,435,778	0.7
Finance & Economic Planning	61,747,300	39	76,580,941.00	49	19,000,000	12	157,328,241	2.1
Administration & Coordination of County Affairs	271,824,502	56	146,795,566.00	30	70,850,000	14	489,470,068	6.7
Office of The Governor	88,004,921	9	279,970,712.00	28	638,000,000	63	1,005,975,633	13.7
County Assembly	357,103,878	46	418,704,700.00	54	-	-	775,808,578	10.6

County Public Service Board	18,738,150	34	36,515,710.00	66	-	-	55,253,860	0.8
Total	**2,727,880,463**		**1,568,615,400**		**3,045,270,051**		**7,341,765,913**	**100**
	37		**21**		**42**			**100**

*Personnel Emoluments of County Ministry of Lands, Infrastructure, And Urban Development includes salaries and wages of defunct local authorities staff

The total Personnel Emoluments as percentage of total budget is 37 per cent while the proportion of O&M costs constitutes 21 per cent. The balance of 42 per cent has been allocated to development.

Fiscal Discipline

69. The County will pursue prudent management of resources as outlined in the PFM Act, 2012. With ministerial and itemised budget, delivery of goods and services in the county will be hastened. This will be made possible by full adoption of IFMIS procedures/modules and ensuring efficiency in procurement procedures. This will majorly entail planning county activities in advance.

Capacity Enhancement for County Ministry Staff

70. Evidence shows that the county departments are experiencing challenges in the planning and budgeting as well as in the execution and reporting on their budgets. The CEC for Finance and Economic Planning will continue to provide the necessary support and organising training/capacity building programmes for the County personnel. There is need to deploy requisite professionals to County ministries to give support in planning and budget making and implementation.

Expenditure Framework for 2014/15

71. Allocation from the equitable share from the Commission of Revenue Allocation will finance over 84 per cent of the county budget. County generated revenue is expected to finance the difference. The county will endeavour to attract the private sector through PPP to fund some of the development activities during the year 2014/15.

CONCLUSSION

72. The 2014 MTEF is marked by moderate growth in overall expenditure, taking into account the need to stimulate county economic growth. Expansion in infrastructural investment is priority while maintaining reasonable growth in social development. Allocations to county ministries reflect county development priorities.