

COUNTY GOVERNMENT OF KILIFI



THE COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

ENHANCING ECONOMIC TRANSFORMATION
FOR A SHARED PROSPERITY

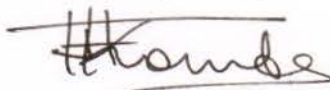
FEBRUARY, 2016

FOREWORD

This 2016 County Fiscal Strategy Paper, the third to be prepared by the County Government of Kilifi, is published in accordance with provisions of Section 117 of the Public Finance Management Act, 2012 and Public Finance Management (County Governments) Regulations, 2015. The paper details the strategic priorities and policy goals guiding the preparation of the FY 2016/17 budget and is aligned to the 2016, Budget Policy Statement (BPS), the second Medium Term Plan (MTP II), 2013-2017 of Vision 2030; County Integrated Development Plan, (CIDP) 2013-2017; Sectoral Plans (Departmental Strategic Plans); and the County administration development agenda. It examines the County's fiscal performance in FY 2015/16; develops the fiscal outlook for FY 2016/17 and provides details of priorities in every department.

The preparation of the 2016 CFSP has been a collaborative effort involving County departments who provided budget proposals useful for compiling the paper. Useful proposals were also provided by, among others, the Commission on Revenue Allocation (CRA) and the public as required by law. Public hearings on the 2016 CFSP were conducted in fourteen (14) of the County's thirty five (35) Wards thereby subjecting proposed strategies to the requirements of public participation for refinement. A Stakeholder's forum was also held for additional comments into the paper. A core team of the County Treasury spent substantial amount of time putting together this CFSP.

We are particularly grateful to every one of us for the contribution and effort that has gone into producing this paper to guide the preparation of the FY 2016/17 budget.



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Table of Contents

FOREWORD	2
ACRONYMS	4
LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY FISCAL STRATEGY PAPER	5
FISCAL RESPONSIBILITY PRINCIPLES FOR THE COUNTY GOVERNMENT.....	6
1. ENHANCING ECONOMIC TRANSFORMATION FOR A SHARED PROSPERITY	7
Overview.....	7
Recent Economic Developments.....	8
Structural Reforms	9
Outline of the CFSP	10
2. FISCAL PERFORMANCE IN FY 2015/16 AND EMERGING CHALLENGES	11
Implementation of FY 2015/16.....	11
FY 2015/16 Revised Estimates	13
3. BUDGET FOR THE FY 2016/17 AND THE MEDIUM TERM	16
Observing Fiscal Responsibility Principles	16
Fiscal Policy	18
2016/17 Budget Framework	19
Own-Revenue Projections	19
Expenditure Forecasts.....	19
Apportionment of the Baseline Ceilings.....	20
DETAILS OF SECTOR PRIORITIES.....	22
ANNEX:.....	35
CEILINGS FY 2016/17-FY2018/19	35

ACRONYMS

ADP	Annual Development Plan
BPS	Budget Policy Statement
CARPS	Capacity Assessment and Rationalization Public Service
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
EACC	Ethics and Anti-Corruption Commission
ECDE	Early Childhood Development and Education
ICT	Information, Communication and Technology
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
PBB	Programme Based Budget
PFM	Public Finance Management
WDP	Ward development Programme

LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY FISCAL STRATEGY PAPER

The County Fiscal Strategy Paper is published in accordance with Public Finance Management Act No. 18 of 2012, Section 117 which requires the County Treasury to:

1. Prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February of each year.
2. Align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3. Specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
4. 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. 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.

This Section of the law also requires that;

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 publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

FISCAL RESPONSIBILITY PRINCIPLES FOR THE COUNTY GOVERNMENT

In line with Article 201 of the Constitution of Kenya, 2010, the Public Finance Management Act, No. 18 of 2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The fiscal responsibility principles under Section 107 of the PFM Act, 2012 are:

- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
- (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- (c) 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;
- (d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- (e) The county debt shall be maintained at a sustainable level
+as approved by county assembly

1. ENHANCING ECONOMIC TRANSFORMATION FOR A SHARED PROSPERITY

Overview

1. This **2016 County Fiscal Strategy Paper (CFSP)** enhances the economic transformation agenda which the County Government of Kilifi has continued to implement in the two complete financial years since inception in March, 2013. Underlying the strategies outlined in this paper is consolidation of gains, efforts, interventions and investments made by the County Government of Kilifi and aligning them to the five pillar transformative agenda espoused in the 2016 Budget Policy Statement; the second Medium Term Plan (MTP II), 2013-2017 of Vision 2030; County Integrated Development Plan, (CIDP) 2013-2017; Sectoral Plans (Departmental Strategic Plans); and the County administration development agenda.

2. The strategic priorities and policy goals guiding the County Government in preparing the budget for FY 2016/17 and the medium term deliberately direct expenditure towards leveraging on ICT to operate County's investment such as tractors, ambulances, boats, and ICT centers and standardize service delivery across the County. This entails allocating adequate resources for operations aimed at realizing the benefits of development projects and enhancing service delivery to residents of Kilifi County.

3. The 2016 BPS, re-emphasizes the five pillar transformation program expected to bolster the Kenyan economy growth momentum; resilience to shocks and create opportunities for productive jobs and secure livelihoods of all Kenyans. These pillars are:

- i. Creating a conducive business environment for job creation by maintaining macroeconomic stability and enhancing security;
- ii. Investing in sectoral transformation to ensure broad based and sustainable economic growth with a major focus on agricultural

transformation to ensure food security; supporting manufacturing as a catalyst for moving the economy up the value chain; and solidify gains made on tourism recovery following the withdrawal of travel advisories by key tourist source countries;

iii. Investing in infrastructure in areas such as transport, logistics, energy and water;

iv. Investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce burden on households and promote shared prosperity; and

v. Further consolidating gains made in devolution in order to provide better services and enhanced economic development.

4. The strategies in this paper are also aligned to efforts towards reforming own-revenue administration in order to raise more revenue to fund budget programmes while deepening private and public sector development to spur economic growth and development.

Recent Economic Developments

5. The 2016 CFSP is framed against the backdrop of uneven and moderate global recovery and slower growth in Sub-Saharan Africa due to declining commodity prices, particularly oil as well as lower demand from China which is the largest single trade partner of the region.

6. However, Kenya's macroeconomic performance remains strong in the face of these headwinds. The economy grew by 5.3 percent in 2014 and is projected to rise to 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent over the medium term. This growth will be supported by continued investment in infrastructure, construction, mining, lower energy prices and improved agricultural production following improved rains.

7. Over the medium term, inflation is expected to remain within the single digit target; interest rates to remain low and stable and exchange rates competitive.

Structural Reforms

8. The priority economic policies and sectoral expenditure programmes articulated in this 2016 CFSP are anchored in the structural reform programmes aimed at entrenching good governance; transparency, accountability and public participation; expenditure rationalization and reducing the cost of doing business in the County. The County will achieve this by plugging-into programmes of concerned institutions such as Ethics and Anti-Corruption Authority (EACC) for corruption prevention; improving governance in priority areas like medical supplies, public works, revenue administration and procurement. To improve efficiency and effectiveness in public resource utilization, the County will re-train and re-deploy staff into fields of their competence as a stop gap measure of dealing with the growing wage bill and recruit additional staff on a need basis within the regulatory requirements. Concrete measures will be undertaken once the ongoing negotiations on handling the recommendations of the Capacity Assessment and Rationalization of the Public Service (CARPS) Programme are concluded.

9. Other initiatives will include; continued capacity building to overcome the challenges related to the implementation of e-procurement; entrench program budget; ensure effective public participation in financial matters; enforce performance benchmarks in the implementation of development projects of at least 80 percent by all departments; and strengthen the capacity for monitoring, evaluation, reporting and feedback.

Outline of the CFSP

10. The remaining sections of this paper present the fiscal performance in FY 2014/15 and Half FY 2015/16 and emerging challenges to form the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for FY 2016/17 and over the medium term. Details of sector priorities are also presented to focus strategic policy initiatives of the County administration towards enhancing economic transformation for a shared prosperity.

2. FISCAL PERFORMANCE IN FY 2015/16 AND EMERGING CHALLENGES

Implementation of FY 2015/16

11. The FY 2015/16 budget has progressed well despite earlier challenges resulting from approval and subsequent delays to assenting of the Appropriation Act, 2015 during the first quarter. This also coincided with the delayed disbursement of the County's equitable share of revenue raised nationally together with capacity issues from both ends of the supply chain following implementation of the e-procurement to militate against smooth flow of funds and execution of planned activities for the better part of the first quarter of FY2015/16. Budget implementation is back on track after appropriate and well-timed mitigating measures including deferring the use of e-procurement.

12. On the own-revenue front, collection has lagged behind set targets in the first half of FY 2015/16. In addressing the expected disruption of smooth flow of funds for general operations and development particularly towards the end of the fourth quarter of FY 2015/16, the County is finalizing the automation of revenue collection, enhancing supervision, compliance and enforcement.

13. Total expenditure for FY 2015/16 was projected at Ksh.11,520 million and total expected revenues were Ksh.11,520 million (including re-voted amount of Ksh.2,104 million from FY 2014/15). Development allocation constituted a total of Ksh.5,931 million representing 51.5 per cent and recurrent allocation was Ksh.5,588 million representing 48.5 per cent of the total allocation. The revenue collected from local sources is projected at Ksh.1,407 million; Facility Improvement Fund (FIF) Ksh.91 million; conditional allocation for free maternal health care Ksh.177 million; conditional allocation for compensation for user fees

forgone Ksh.25 million; conditional allocation for leasing of medical equipment Ksh.95; conditional allocation for Road Maintenance and Fuel Levy Fund Ksh.84 million; conditional allocation from World Bank loan to supplement financing of County Health facilities Ksh.66 million; conditional allocation from DANIDA grant to supplement financing of County Health facility Ksh.15 million equitable share of revenue raised nationally Kh.7,441 million.

14. Budget implementation progress in FY 2015/16 as at December, 2015, shows that total expenditure amounted to Ksh.2,617 million representing an absorption rate of 23 percent. The shortfall was largely a result of underperformance in development expenditures which stood at Ksh.604 million whereas recurrent expenditure nearly attained the half year pro-rated average at Ksh.2,012 million. Department of Health Services spent Ksh.1,001 million representing the highest absorption rate at 36 percent whereas the Department of Education, Youth Affairs and Sports had the lowest absorption at 7 percent having spent Ksh.119 million.

Table 1: Approved Budget Estimates for FY 2015/16 against Actual Expenditure as at December, 2015 (Ksh.)

Department	Approved Estimates FY 2015/16		Expenditure FY 2015/16 (As At December 2015)			Absorption Rate (%)
	Recurrent	Development	Recurrent	Development	Total	
County Assembly	802,824,932	276,817,114	145,141,775	72,913,690	218,055,464	20%
County Executive	376,227,014	-	149,491,032	1,192,312	150,683,344	40%
Finance and Economic Planning	564,966,256	581,500,000*	130,188,286		130,188,286	21%
Agriculture, Livestock and Fisheries	297,045,010	514,697,073	144,678,380	30,797,031	175,475,410	22%
Water, Environment, Natural Resources & Solid Waste Management	167,616,127	789,759,669	92,712,271	68,129,151	160,841,422	17%
Education, Youth Affairs and Sports	462,616,929	1,191,432,475	95,057,518	24,931,707	119,989,225	7%
County Health	1,935,162,409					36%

Department	Approved Estimates FY 2015/16		Expenditure FY 2015/16 (As At December 2015)			Absorption Rate (%)
	Recurrent	Development	Recurrent	Development	Total	
Services		818,810,000	926,378,351	74,775,270	1,001,153,620	
Roads, Transport and Public Works	213,823,651	987,034,138	42,814,145	241,248,333	284,062,478	24%
Lands, Physical Planning, Housing and Energy	103,850,316	277,760,000	54,067,411	55,007,501	109,074,912	9%
ICT, Culture & Social Services	86,067,952	97,490,862	33,171,779	7,220,696	40,392,474	22%
Trade, Industrialization, Cooperatives, Tourism and Wildlife	105,009,422	289,304,668	27,013,657	13,309,795	40,323,452	10%
County Public Service Board	48,270,000	-	8,382,764		8,382,764	17%
Devolution, Public Service & Disaster Management	424,902,310	107,200,000	163,584,350	14,965,088	178,549,438	34%
Grand Total	5,588,382,328	5,931,805,999	2,012,681,719	604,490,572	2,617,172,291	23%

**This allocation includes Ward Development Programme (WDP) of Ksh.525,000,000 which has been allocated to respective departments in the Supplementary Estimates.*

15. The national equitable share of revenue received by the County government as at January 2016 amounted to Ksh.3,162 million being 42.5 percent of the total estimates. County own revenue collection for the period up to November, 2015 was Ksh.125 million representing 9.0 percent of the annual target. The enactment of the Finance Act 2015, enhanced supervision, compliance and enforcement will address the challenge of low revenue collection for the remaining period and over the medium term.

FY 2015/16 Revised Estimates

16. The Supplementary budget FY 2015/16 has been prepared in line with Article 223 of the Constitution of Kenya, 2010 and Section 135 of the Public Finance Management (PFM) Act, 2012. The purpose of the revision is to redistribute Ward Development Programme (WDP) allocation and address unforeseen and unavoidable expenditure

requirements without disrupting implementation of ongoing programmes. WDP allocation was not distributed to respective departments because the list of projects had not been provided by the time the budget was submitted to the County Assembly for approval in April 2015. In addition, there is a considerable lapse of time between submission of expenditure estimates for approval and execution of programmes such that past assumptions need to be relaxed in a bid to incorporate recent economic developments and emerging priorities without shifting policy and service delivery initiatives.

17. This context forms the basis upon which no adjustment are made in own-revenue estimates on account of strong revenue effort to automate revenue collection; seal loopholes and make it easy for tax and rate payers to comply and make payments. In addition, revenue accountants have been deployed to trace and report revenues collected by departments in an effort to address underreporting. It is expected that these administrative measures together with the slowed contraction in the arrival of tourists in the country will translate into increased economic activities and higher returns in the remaining part of the financial year and over the medium term.

18. The county government also expects to receive the full allocation of the equitable share and other conditional grants in the financial year.

19. The development expenditure estimates have been increased from 43 percent in the original estimates to 45 percent in the Supplementary budget. This allocation is not only higher than the stipulated 30 percent but is in line with the policy aims of shifting more resources from recurrent to development outlays.

20. The 2015 County Budget Review and Outlook Paper (CBROP) noted that lower absorptive capacity particularly, for development funds arose from delays in sourcing contractors or service providers for projects. In every financial year, departments prepare new lists of development projects for approval by the County Assembly. The

procurement process initiated thereafter delays implementation of these projects much as project plans suggest completion period to be ninety (90) days. This in turn affects payments for projects within the financial year and results to re-voting. As such, in the financial years 2013/14 and 2014/15, complete payments for a good number of projects were made during the first half of the subsequent financial year. That is, complete payments for projects started in FY 2013/14 were made in the first half of FY 2014/15 and that complete payments for projects started in FY 2014/15 are being made in FY 2015/16.

21. To address this concern, and in line with the Medium Term Expenditure Framework (MTEF), allocation of funds to development projects has been spread to outer years. MTEF afford departments the opportunity to allocate funds to projects consistent with fiscal objectives and strategic priorities while increasing the degree of predictability on the availability of funds in subsequent financial years. This approach has unlocked funds for allocation to projects which were not re-voted to FY 2015/16 budget but were in the budget for previous financial years; undergoing due process for procurement; ongoing; or estimated to cost more than initial budgetary allocation. Further, funds were allocated to emerging priorities to ensure implementation of government priority projects left out due to limited funds when finalizing the FY 2016/17 budget.

3. BUDGET FOR THE FY 2016/17 AND THE MEDIUM TERM

Observing Fiscal Responsibility Principles

22. In preparing the budget for FY 2016/17 and the medium term, the County will observe the fiscal responsibility principles set out in the Public Finance Management (PFM) Act, 2012. That is:

- i. Over the medium term a minimum of 30% of the county budget shall be allocated to development expenditure. The county government is committed to reducing the recurrent expenditure and devotes more resources for development.
- ii. Expenditure on wages and benefits for public officers shall not exceed a percentage of the county government revenue as prescribed by the regulations. The County will remain within the prescribed thirty five (35%) of the County's equitable revenue share.
- iii. Over the medium term, the county government borrowing if any; shall be used only for the purposes of financing development expenditure and not for recurrent expenditure. It is the governments' policy to procure external financing only for development projects a practice which is in line with this principle.
- iv. Public debt obligations shall be maintained at sustainable level as approved by county assembly.
- v. Fiscal risks shall be managed prudently.
- vi. 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

23. The County will also observe the fiscal responsibility principles espoused in Section 25(1) of the Public Finance Management (County Governments) Regulations, 2015;

- i. The County Executive Committee Member with the approval of the County Assembly shall set a limit on the county government's expenditure on wages and benefits for its public officers;
- ii. The limit set above shall not exceed thirty five (35) percent of the county government's total revenue which does not include revenues that accrue from extractive natural resources including as oil and coal;
- iii. The county public debt shall never exceed twenty (20) percent of the county governments total revenue at any one time;
- iv. The county annual fiscal primary balance shall be consistent with the debt target stated in (iii) above;
- v. The approved expenditures of the County Assembly shall not exceed seven (7) percent of the total revenues of the county government or twice the personnel emoluments of the County Assembly, whichever is lower;
- vi. Pursuant to section 107(5) of the PFM Act, the county government actual expenditure on development shall be at least thirty percent in conformity with the requirement under section 107(2)(a) of the PFM Act;
- vii. If the county government does not achieve the requirement of regulation (vi) above at the end of the financial year, the County Executive Committee member for finance shall submit a responsibility statement to County Assembly explaining the reasons for the deviation and provide a plan on how to ensure actual expenditure outturns as well as medium term allocation comply with the provisions of Section 107(2) of the PFM Act and these regulations in subsequent years;

- viii. The compliance plan above shall be binding and the County Executive Committee member for finance shall ensure implementation.

Fiscal Policy

24. The fiscal policy for the County aims to scale up own-revenue collection efforts and directing spending to programmes that will enhance rapid development and ensure effective delivery of public goods and services in a sustainable manner. Specifically, the strategy underpinning the FY 2016/17 budget and over the medium term targets to raise the actual share of own-revenue collection to 10 percent of the annual budget estimates and containing the growth of total expenditure while shifting its composition from recurrent to capital investment so as to promote sustainable and inclusive growth.

25. Underpinning the fiscal program to review own-revenue estimates to a more realistic target in the FY 2016/17, are measures focusing on optimal collection from traditional sources by enhancing levy compliance; enforcement; training and automation of revenue collection to eliminate leakages while diversifying to more lucrative streams.

26. On the expenditure side, the county government will continue developing expenditure management systems aimed at improving efficiency and eliminate non-priority expenditure. This will be achieved through strengthened use of the Integrated Financial Management Information System (IFMIS); efficiency and improved productivity of expenditure while at the same time allocating adequate resources for operations and maintenance; increased uptake of development funds including spreading allocation of funds for projects to outer years and benchmarking absorption of resources allocated for development purposes from the current levels to over 80 percent. This will give the envisaged impetus to economic development and further improve the credibility of the County's budget. The County also re-affirms the

commitment to entrench programme based budgeting (PBB); embrace need-based staff recruitment in a bid to contain the wage bill and associated expenditure as well as promptly implement the recommendations of ongoing staff rationalization programme once concluded.

2016/17 Budget Framework

27. The FY 2016/17 budget framework is set in the backdrop of fiscal performance in FY 2015/16 and macroeconomic and fiscal policy outlined in the preceding chapters.

Own-Revenue Projections

28. In the FY 2016/17 budget, own-revenue collection is projected at 8.4 percent of the annual budget estimates which is a downward revision from the 14.9 percent in the FY 2015/16 budget. This revision is based on recent trends; measures instituted to expand the revenue base and eliminate revenue leakages; and the time taken to enact enabling legislations such as the Finance Bill in a bid to ensure that the set target is realized.

Expenditure Forecasts

29. Expenditure estimates in FY 2016/17 are expected to rise because FY 2015/16 is the final transition year as defined in the Sixth Schedule to the Constitution and the Transition to Devolved Government Act, 2012. The unbundling and transfer of functions such as Regional Development Authorities and Water Services Boards will have important implications on the County's budget because resources follow functions.

30. The County's wage bill was estimated at 31.5 percent of the county government's total revenue which is within the required threshold set in the PFM (County Governments) Regulations, 2015. However, it is noted that departments did not recruit personnel as they had estimated and

efforts will be made to ensure this regulatory requirement forms the basis for recruiting additional staff in the County.

31. Expenditure ceilings for goods and services for departments are based on funding allocation in the FY 2015/16 as the starting point. The ceilings are then adjusted to take into account one off expenditures in FY 2015/16 and then an adjustment factor is applied to cater for inflation. The ceilings for development expenditure is skewed towards support for critical infrastructure projects outlined in the CIDP, 2013-2017, Annual Development Plan (ADP), 2015 and Sectoral Plans and County flagship projects.

32. The budget submissions by departments will critically be reviewed with a view to remove any non-priority expenditure and shift the savings to the priority programmes. Specifically, the FY 2016/17 budget will focus on enhancing support to Social sectors and capital investments in Energy, Infrastructure and ICT sector and other development expenditure in general. In this regard, the Department of Health Services; Education, Youth Affairs and Sports; and Water, Environment, Natural Resources and Solid Waste Management will continue to receive a bulk of budgetary resources. To reflect the county government's commitment in improving infrastructure countywide, the department of Roads, Transport and Public Works will also receive a significant share of the resource envelope. Agriculture, Livestock and Fisheries will also be given priority in the allocation of resources to enhance productivity and food security in the County.

Apportionment of the Baseline Ceilings

33. The projected baseline ceilings for the FY 2016/17 budget and the medium term will be derived from the following variables:

- i. Revenue raised
- ii. Resource requirement
- iii. Resource utilization

iv. Ranking in order of priority of departments

v. Resources for personnel emoluments

34. The variable on revenue raised is intended to incentivize departments to collect more revenue as well as address issues of under reporting so as to contribute to increased revenue collection in the County.

35. The resource requirement factor considers the development projects in the CIDP, 2013-2017, ADP, 2015 and the development agenda of the county's administration. Departments are encouraged to cost their programmes so that when this factor is applied, adequate resources for development are set aside. On the recurrent requirements, personnel emoluments will be deducted before applying the formula. The recurrent expenditure imputed in the formula will be for use of goods and services and other recurrent expenditures.

36. The resource ceilings for department will also be determined by utilization of allocated funds in the previous financial year. This factor is intended to improve the absorption of funds by departments. To compute this factor, spending on personnel expenditure will be deducted and the formula will be applied on spending on operation and maintenance as well as development expenditure.

37. The priority of the goods and services offered by departments towards meeting the needs of the County residents is also used to determine resource ceilings. This variable is intended at enhancing meeting the needs of the residents of Kilifi County.

38. Personnel emoluments will be held as a constant. Computation of personnel emoluments will be based on regulatory ceilings of 35 percent of the County's total revenue. The personnel emoluments in the FY 2015/16 will be adjusted by the annual increment to determine the wage bill before proposals for additional staff can be considered.

DETAILS OF SECTOR PRIORITIES

Lands, Physical Planning, Housing and Energy

39. The goal of the department is to attain effective land management through planning and land use control; and security of land tenure by establishing of settlement schemes, adjudication sections and appropriate surveys; development and management of affordable and quality housing and the development and utilization of clean energy.

40. During the medium term (2013/14 to 2015/16) the department developed County valuation roll; County spatial plan; County resource mapping; land adjudication of various section and land settlement schemes such as Jimba, Petanguo, Tsangalaweni, Chakama, Mwele, Mleji and Kitengwani; planning and upgrading of various informal settlements including Kiwandani, Mabirikani and Makao.

41. During the MTEF FY 2016/17-2018/19, the department will continue implementing priority programmes focused on settlement schemes both formal and informal and adjudication sections to secure land tenure; development of physical development plans for the various urban centers; improvement and development of County houses; and improving access to clean energy, through management of energy resources. Energy projects will include installation of solar systems and biogas kits.

Education, Youth Affairs and Sports

42. The goal of the department of education, youth affairs and sports is to facilitate provision of quality pre-primary education; promote youth development and empowerment; and promote and manage sports.

43. Over the MTEF FY 2016/17-2018/19, the department will consolidate the gains made in implementing prioritized interventions to address challenges such as:

- Completion of model ECDE centers and equipping them with learning tools.

- Providing Ward Scholarship Funds to
- Recruiting more ECDE caregivers including those using sign language to help those with special needs.
- Promoting youth skills by establishing youth polytechnics and putting up workshops where individual talents can be developed
- Promote sports especially among the youth.
- School feeding program for ECDE centers

Trade, Industrialization, Cooperative Development, Tourism and Wildlife

44. The department aims at developing and managing trade and industrialization in the County; promoting the development of cooperative societies and promoting the development of local tourism.

45. The department will continue improving the business environment by developing wholesale and retail markets such as completion of Mtwapa and Charo wa Mae markets. The department will also ensure existing markets are operational through continuous maintenance and refurbishment. To catalyze and boost trade, the department will focus on advancing financial assistance to Micro and Small Enterprises (MSEs) in the entire County. It will also leverage on entrepreneurship training to equip MSEs with the necessary skills to manage their ventures.

46. Promotion of new co-operatives will be key in unlocking the potential inherent in the sector. The focus therefore will be on promoting new cooperatives while at the same time reviving dormant ones to enhance and maintain vibrancy in the sector. The department will promote good governance and accountability in cooperatives through continuous compliance audits. Cooperatives with inclination to value addition of agricultural produce will be prioritized in the FY 2016/17 and in the medium term.

47. To revamp local tourism the department will focus on identification and development of tourism attraction sites while at the

same time improving beach tourism experience through setting up of recreational facilities at our public beaches in Kilifi, Watamu, Mtwapa and Malindi. Capacity building of beach operators and community tour guides will be undertaken to improve tourism experience along our beaches and parks. Marketing of Kilifi County as a tourism destination will be enhanced through promotion materials, local and international trade fairs.

Agriculture, Livestock Development and Fisheries

48. The goal of the department is to attain food security by development of agriculture and agri-business; development of livestock and provision of veterinary services; and development and management of fisheries which is consistent with priority policy of second MTP (2013-2017) of Vision 2030 and departmental sectoral plan.

49. The department realized the following achievement in the medium term period, FY 2013/14-FY 2015/16;

- Enhanced livestock productivity and management through purchase of vaccines and conducting vaccination campaigns throughout the County; procuring artificial insemination (AI) equipment, liquid nitrogen gas, and bull semen;
- Enhanced fisheries production by procuring and distributing deep freezers and cooler boxes and fishing gears to Beach Management Units (BMUs) and stocking farmers ponds with fingerlings as well as construction of fish depots and mari-culture ponds in selected Wards within the county.
- Enhanced food security through mechanized agriculture by procuring more tractors to offer tilling services to farmers at a subsidized price; purchase and distribution of seeds to farmers in all Wards. In addition, the department carried out capacity building for farmers through Farmer Field Schools (FFS) in all Wards.

50. Some of the outstanding challenges that the department has to address over the medium term period FY 2016/17-FY 2018/19 include:

- Weak compliance to the law and regulations governing the fisheries sector;
- Global climate change scenarios bringing about unreliable weather patterns hence causing poor agricultural production;
- Poor extension service delivery due to low ratio of extension workers to farmers;
- High illiteracy levels which has contributed to low adoption of agricultural technologies and resistance to change by farmers;
- Uncoordinated linkages between research and extension services.

51. During the 2016/17-2017/18 MTEF period, focus will be directed towards enhancing food security; improving livestock productivity and management; enhancement of fisheries production framework; revival of cashew nut and coconut farming through adoption of new technologies and diversification of crops. These will be achieved through;

- Value addition, product development and marketing of agricultural products;
- Adoption of new technologies such as drip, furrow and basin irrigation both on a large scale and smallholder to increase crop production in the potential areas of Kaloleni, Malindi, Ganze and Magarini;
- Improving agricultural mechanization through acquisition of tractors for ploughing and specialized agricultural equipment for spraying, planting and harrowing
- Improving livestock market access through construction of milk collection and cooling centers
- Increasing access to fish markets through infrastructure development such as depots

- Establishment of a beef fattening unit through a PPP arrangement
- Modernizing fishing through the provision of modern fishing equipments and gears
- Establishment of a fruit trees development programme through provision of high quality planting material, rehabilitation of existing orchards and pest/disease control.
- Vaccination campaigns for improved livestock health and productivity
- Construction of grain storage facilities in each Sub county
- Mitigating climate change effects through soil and water harvesting techniques through water pan construction in Ganze, Rabai, Magarini and Kaloleni
- Creating an enabling policy and legal framework by formulating new bills;
- Improvement of efficiency and effectiveness in sector's institutions by recruiting more staff;
- Infrastructure development to enhance quality of products by constructing a modern slaughter house in Malindi.
- Infrastructural improvement at the Mtwapa ATC
- Sustainable utilization and management of the sector's resources through institutionalizing Farmer Field School for improved extension delivery system

Information, Communication and Technology (ICT), Culture and Social Services

52. The strategic focus of the department for the FY 2016/17 budget and over the medium term entail continuing leveraging on ICT by building ICT resource centers in Youth Polytechnics, interconnecting them to schools and interconnecting health facilities and hospitals to

share information including patient's data files for referral cases. The department will also set up a Bulky County SMS Portal to easy communication between county government and residents of Kilifi and improve on service delivery and operations of the County's investment.

53. The department will also set up radio station to enhance two-way communication as well as publish periodical magazines/newspapers and undertake betting control and licensing.

54. The department will develop a county Integrated Enterprise Resource planning (ERP), and an ICT incubation hub in conjunction with Pwani University for ICT innovation and development of software. Alongside this, the department will set up Wi-fi hot-spots in major towns like Malindi, Kilifi, Mariakani, Kaloleni and Mtwapa.

55. On the side of policy formulation, the department will develop a County Information Bill.

56. The sector will also focus on opening access to cultural/heritage sites to promote economic gains by rehabilitating Kayas; constructing Multi-Cultural Centre. The department will also rehabilitate empowerment center for persons living with disability (PLWD) and setup rehabilitation centers for Alcohol and drugs user.

Water, Environment, Forestry, Natural Resources and Solid Waste Management

57. The department aims to provide clean water; sustainable development, exploitation and management of the environment and natural resources and development of institutional capacity.

58. The department will continue with the program of expanding existing water infrastructure by;

- Harvesting water through drilling of water wells, boreholes and dams to supplement piped water infrastructure.

- Constructing water storage facilities like water tanks to ensure consistence in the supply of clean water. This will also be achieved through policies aimed at rain water harvesting
- Planting of trees to replace the ones which have been cut down due to deforestation.
- Beautification of the towns by planting trees along major roads which will also help in reducing air pollution.
- The department will establish tree planting programs which will be implemented on environmental days and in schools to encourage afforestation
- Waste management will be put in to consideration, garbage collection point and containers will be put in strategic places to avoid litter the environment.
- Construct and maintain drainage systems

Health Services

59. The mandate of the department is to promote and participate in the provision of integrated and high quality, promotive, preventive, curative and health care services to all.

60. The key achievements of this sector include the construction of health centers and staff quarters in various health facilities, maternity wings, storage facilities; purchasing of ambulance to ensure efficient transport of patients and purchase of equipments and drugs. Due to shortage of staff and public demand the department employed 219 health workers. This has led to smooth running of the facilities and minimize the referral cases.

61. In the FY 2016/2017 the main focus of the department is to make the existing hospitals functional and complete the construction of ICU complex. The main projects and activities to be undertaken will include equipping existing hospitals, staffing health facilities and improving health services offered to clients. The sector will also allocate funds to

construct a placenta pit in every health facility in order to improve cleanness. The sector will also train and facilitate community health workers. Other programs include equipping existing health facilities in order to provide good laboratory services, X-ray, scanning and offer radioactive services in all public hospitals to reduce referrals. Campaigns programs will also be undertaken to eradicate ring worms and bedbugs as well as provide anti-venoms against snake bites.

Finance and Economic Planning

62. The department aims at effectively managing public resources through transparent and accountable system; mobilize financial resources and developing and implementing sound economic policies and plans. This will be achieved through a participatory approach involving the public and key stakeholders in making decisions that affect them as envisaged in the Constitution of Kenya, 2010.

63. The key achievements of the department include growth in own revenue collection much as it has been below target. Further the department rolled-out use of the Integrated Financial Management Information System (IFMIS) which together with redeployment of accountants to departments reduced the turnaround time in processing of payments in the County. In line with the core values on transparency and accountability, the department engaged and involved the public and other stakeholders in making decisions on financial matters through forums such as public hearings on among others; the County Budget, County Fiscal Strategy Paper and Finance Bill.

64. In the FY 2016/17 and over the medium term, the Department requires funds to undertake the following key programmes: Public Financial Management; Economic Policy and County Fiscal Planning; and General Administration, Planning and Support Services. The activities under these programmes are tailored towards strengthening management of public finance through full adoption and use of automated financial management systems to transact; enhance own

revenue collection by developing and implementing cashless payment system for revenue collection to seal leakages by minimizing handling of cash; improving provision of advisory services and institute austerity measures to manage expenditure; entrenching monitoring, evaluation and reporting; institutionalizing asset management; establishing a fundraising unit with a view to bridge resource gaps; strengthening procurement systems and processes to reduce delays and enhance absorption of funds; and optimize the department's staff capacity through training and recruitment of additional staff in key functional sections such as budgeting and supply chain management.

65. During the MTEF FY 2013/14-2015/16, the department was allocated Ksh.824,439,933 in FY 2013/14; Ksh.640,265,258 in FY 2014/15 and Ksh.520,610,052 in FY 2015/16 to carry out the above programmes. The Department spent Ksh.758,693,807 in FY 2013/14 and Ksh.380,575,227 in FY 2014/15 while total expenditure as at December in FY 2015/16 was Ksh.130,188,286.

Roads, Transport and Public Works

66. The goal of the department is to develop and maintain an efficient, safe, secure and integrated transport system; and quality public works.

67. The department realized the following key achievements during the medium term 2013/14 – 2015/16 period:

- Opening of 543KM access roads.
- Rehabilitation and maintenance of County roads.
- Upgrading of 108km Earth roads to gravel;
- Rehabilitation of Kilifi and Malindi Storm Water Drainages.
- Installation of road furniture (bollards, road bumps installations).
- Installation of 239 solar streetlights.

- Rehabilitation and maintenance of streetlights.
- Installation of twenty (20) monopole high mast lights each thirty meters(30m) high;
- Rehabilitation of Mariakani Bus Park, Kaloleni Bus Park and Mariakani car park.
- Upgrading to bitumen 5.8km Kilifi Township roads and 2.8km Mtwapa roads.
- Formulation of bills; County Transport Bill 2014 presented to County Assembly; County Traffic Bill 2014 presented to County Assembly and County Transport Policy Presented to County executive.
- Supervision of the Construction of Pwani University Medical Lab and Library and Preparation of tender documents, Bills of Quantities (BQs) and Designs for; Health, Education, Agriculture & Fisheries, Trade as well as supervision of the buildings.

68. The strategic focus for the department is to capitalize on major infrastructure projects in the County; improve road and drainage systems; improvement and diversification of transport services; development and maintenance of appropriate public works services and strengthening of institutional capacity. During the FY 2016/17 funds will be directed towards;

- Upgrading and expanding County roads network including upgrading to bitumen or cabro standard of selected road in Malindi sub-county.
- Developing and managing efficient drainage systems
- Establishing an integrated transport management system

- Promoting private department involvement in the provision of transport services
- Providing adequate residential, non- residential accommodation and other public works
- Improving departmental systems and processes
- Strengthening human resource capacity
- Enhancing facilities and equipment

County Public Service Board

69. The department aims to provide skilled and competent human resources for effective and efficient public service. The Board has implemented various programmes aimed at achieving equity in employment, continuous improvement in service delivery and promotion of good governance. In undertaking these programmes the Board was guided by its vision, mission and the national values and principles of governance in Article 10 and values and principles of the public service in Article 232.

70. The strategic focus for the FY 2016/17 budget entail strengthening institutional capacity and development of the Board; strengthening human resources practices and systems for effective service delivery and enhancing public participation, accountability and compliance with the best human resource practice.

Devolution, Public Service and Disaster Management

71. The department is committed to the realization of the objects of devolution; ensure the County is well managed and delivers responsive, efficient, effective and quality services to the public.

72. The strategic objectives of the department are to provide executive leadership in the Governance and Development of the County; manage Public Service; institutional capacity development and management; develop, manage and disseminate County information to the public;

Management of external relation; and promotion of Kenyan Nationalism and citizen participation.

73. During the financial period 2016/17 the department will focus on capacity building through recruitment of necessary officers and training the existing ones to enhance skills; carry out periodical staff audits; ensure staff welfare is maintained through staff medical cover; establish a staff counseling centre. It will also focus on constructing County Headquarter Complex and completion and equipping of Sub County Offices namely Magarini, Ganze, Rabai, Kaloleni, Kilifi North and Kilifi South. The department will also purchase land for constructing offices for Ward Administrators to enhance devolution of services; provide ICT linkages at Sub- County offices to ease communication; introduce periodical magazines to disseminate information to the public and conducting civic education through barazas. The department will also promote peace building and conflict management by holding peace meetings through Sub-County and ward administrators as well as ensure the Village Administration Bill is passed and the County is mapped into villages to enhance devolution. The cash transfer for program for Orphans and Vulnerable Children and the elderly will also be implemented by the department.

CONCLUSION

74. The 2016 County Fiscal Strategy Paper has been prepared in accordance to statutory requirements and details the strategic priorities to be implemented in the FY 2016/17 budget and over the medium term. The fiscal framework put in place is aligned to the policy mix of a five pillar economic transformation agenda for a shared prosperity re-emphasized in the 2016 Budget Policy Statement. It is expected that budget programmes will be implemented according to the outlined policy goals and will in turn accelerate economic activities and transform the lives of Kilifi residents.

ANNEX:

CEILINGS FY 2016/17-FY2018/19

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
County Assembly	TOTAL	625,041,740	661,260,942	700,576,366	6.6 *
	PERSONNEL EMOLUMENTS	328,562,144	335,133,387	341,836,055	3.5
	O&M	195,090,317	214,599,349	236,059,284	2.1
	DEVELOPMENT	101,389,279	111,528,207	122,681,028	1.1
County Executive	TOTAL	398,871,434	426,207,641	456,026,449	4.2
	PERSONNEL EMOLUMENTS	156,886,711	160,024,445	163,224,934	1.7
	O&M	241,984,723	266,183,195	292,801,515	2.6

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
	DEVELOPMENT	-	-	-	-
	TOTAL	1,603,373,269	1,749,996,554	1,911,007,887	16.9
	PERSONNEL EMOLUMENTS	171,425,521	174,854,032	178,351,112	1.8
	O&M	707,497,334	778,247,067	856,071,774	7.5
Finance and Economic Planning	DEVELOPMENT	724,450,414	796,895,455	876,585,001	7.6
	TOTAL	632,924,557	680,835,833	733,230,614	6.7
	PERSONNEL EMOLUMENTS	192,264,743	196,110,038	200,032,239	2.0
	O&M	113,689,945	125,058,940	137,564,833	1.2
Agriculture, Livestock and Fisheries	DEVELOPMENT		359,666,856	395,633,541	3.5

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
		326,969,869			
Water, Environment, Natural Resources & Solid Waste Management	TOTAL	545,206,052	596,502,317	652,863,721	5.8
	PERSONNEL EMOLUMENTS	40,304,258	41,110,343	41,932,550	0.4
	O&M	132,012,335	145,213,569	159,734,925	1.4
	DEVELOPMENT	372,889,459	410,178,405	451,196,245	3.9
Education, Youth Affairs and Sports	TOTAL	913,662,715	988,898,854	1,071,336,005	9.6
	PERSONNEL EMOLUMENTS	201,626,652	205,659,185	209,772,369	2.1
	O&M	456,499,509	502,149,460	552,364,406	4.8
	DEVELOPMENT		281,090,209	309,199,230	2.7

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
		255,536,554			
	TOTAL	2,575,088,324	2,707,209,548	2,850,035,143	27.2
	PERSONNEL EMOLUMENTS	1,567,345,101	1,598,692,003	1,630,665,843	16.5
	O&M	518,352,957	570,188,253	627,207,078	5.5
County Health Services	DEVELOPMENT	489,390,266	538,329,293	592,162,222	5.2
	TOTAL	718,581,294	783,808,541	855,425,894	7.6
	PERSONNEL EMOLUMENTS	82,886,034	84,543,755	86,234,630	0.9
	O&M	74,597,430	82,057,173	90,262,890	0.8
Roads, Transport and Public Works	DEVELOPMENT		617,207,613	678,928,374	5.9

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
		561,097,830			
Land, Housing, Physical Planning and Energy	TOTAL	269,819,824	294,286,160	321,148,817	2.8
	PERSONNEL EMOLUMENTS	31,445,581	32,074,493	32,715,982	0.3
	O&M	94,037,500	103,441,250	113,785,375	1.0
	DEVELOPMENT	144,336,743	158,770,417	174,647,459	1.5
ICT, Culture and Social Services	TOTAL	195,331,289	213,533,866	233,530,089	2.1
	PERSONNEL EMOLUMENTS	16,631,901	16,964,539	17,303,830	0.2
	O&M	57,441,339	63,185,473	69,504,020	0.6
	DEVELOPMENT		133,383,854	146,722,239	1.3

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
		121,258,049			
Trade, Industrialization, Cooperatives, Tourism and Wildlife	TOTAL	241,789,189	263,916,941	288,216,444	2.6
	PERSONNEL EMOLUMENTS	25,639,587	26,152,378	26,675,426	0.3
	O&M	49,198,967	54,118,864	59,530,750	0.5
	DEVELOPMENT	166,950,635	183,645,699	202,010,268	1.8
County Public Service Board	TOTAL	56,125,454	59,748,571	63,694,211	0.6
	PERSONNEL EMOLUMENTS	24,867,856	25,365,213	25,872,517	0.3
	O&M	31,257,598	34,383,358	37,821,694	0.3
	DEVELOPMENT	-	-	-	-

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
Devolution, Public Service & Disaster Management	TOTAL	697,915,877	755,822,821	819,282,767	7.4
	PERSONNEL EMOLUMENTS	148,558,041	151,529,202	154,559,786	1.6
	O&M	373,771,075	411,148,183	452,263,001	3.9
	DEVELOPMENT	175,586,761	193,145,437	212,459,981	1.9
GRAND TOTAL	TOTAL	9,473,731,018	10,182,028,589	10,956,374,407	100.0
	PERSONNEL EMOLUMENTS	2,988,444,130	3,048,213,012	3,109,177,273	31.5
	O&M	3,045,431,029	3,349,974,132	3,684,971,545	32.1
	DEVELOPMENT	3,439,855,859	3,783,841,445	4,162,225,589	36.3

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
REVENUE ESTIMATES					
Equitable Share		8,029,167,703			84.8
Compensation for User Fees Forgone		25,867,884			0.3
Free Maternal Healthcare		177,160,000			1.9
Road Maintenance Levy Fund		123,368,108			1.3
Leasing of Medical Equipment		95,744,681			1.0
Loans and Grants		122,422,642			1.3
Own Revenue		800,000,000			8.4
FIF					1.1

EXPENDITURE ESTIMATES	CATEGORY	FY 2016/17	PROJECTIONS		CEILINGS
		CEILINGS	FY 2017/18	FY 2018/19	FY 2016/17 (%)
		100,000,000			
Total		9,473,731,018			100.0

**County Assembly allocation is at 6.6 percent of the county government's total revenue excluding conditional grants*

