

THE COUNTY GOVERNMENT OF TAITA TAVETA



MEDIUM TERM

2018 COUNTY FISCAL STRATEGY PAPER

“Accelerated socio-economic Transformation for all DATUZENS and residents
of Taita Taveta County”

FEBRUARY 2018

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FOREWORD

The 2018/19 County Fiscal Strategy Paper (CFSP) is the first to be prepared under this second County Government's administration. This is an annual paper that outlines the priority policies and strategies to be employed by the County government to meet its overall objective of improving the livelihoods of its citizens. The priorities contained in this document have been drawn from the draft second generation County Integrated Development Plan (CIDP) 2018-2022, Medium Term Plan (MTPIII) as well as from the manifesto of H.E the Governor Granton Graham Samboja.

The County Government has set out a robust and comprehensive programme of creating an industrious and wealthy society benefiting from optimal exploitation of natural resources. This will be achieved through the implementation of deliberate strategies geared towards establishment of responsible enterprises and value addition in agriculture, ranching and tourism.

The key areas of focus aimed at actualizing these broad objectives are highlighted below:-

1. Increasing access to clean, quality and potable water for all households, schools and health facilities.
2. Improved food security and community resilience through provision of adequate water for irrigation and livestock throughout the County.
3. Improved income and livelihood through value addition, marketing and establishment of fruits, tomatoes, beef and dairy processing plants.
4. Investing sufficiently in quality, accessible and affordable health care services including provision of prerequisite equipment, drugs and health personnel.
5. Ensuring quality education through development of ECDE and Library services, equipping of schools and enhanced bursaries allocation
6. Provision of quality infrastructure including improved roads network, ICT, quality housing and adoption of alternative sources of energy
7. Employment and wealth creation through provision of conducive environment necessary for the establishment of cottage and small and medium industries.
8. Preservation and promotion of Taita Taveta cultural heritage through establishment of cultural centres and branding of our culture and artefacts.
9. Environmental protection and conservation for sustainability and posterity.
10. Empowerment of Youth, women, and vulnerable members of the community through establishment of small scale cooperatives, talents identification and nurturing and improved access to cheap and affordable credit.

The second County government has inherited from the previous regime, numerous structural, fiscal and human resources related challenges. These include:

1. Very low own source revenue generation thus hindering development expenditure.
2. Huge amounts of pending bills on projects, stalled and abandoned projects as a result of poor budgeting and expenditure management; disregard to the provisions of the PFM Act,2012
3. Corruption and pilferage of public funds
4. Low human resource productivity due to lack of motivation and unconducive work environment

The County government will continue to engage with the National Government and various Donor agencies to bridge the financial gap especially in critical areas of water, health and infrastructure.

This strategic paper is divided into 4 chapters:

Chapter 1 gives the general overview and rationale for preparation of this document. It also highlights the major achievements made and challenges faced by the county government under during the implementation of the first County Integrated Development Plan(2013-2017). The chapter outlines the fiscal performance of the county interms of revenue generation and expenditure analysis.

Chapter 2 outlines the economic context in which the 2018/19MTEF budget will be prepared. It provides an overview of the recent economic development and macro-economic outlook covering the national and county scene. It further provides a basis for the projections of revenue and expenditure for FY 2018/19 and the medium term.

Chapter 3 outlines the fiscal framework underwhich the 2018/19 budget and the medium term is based. It briefly highlights the county's resource envelop for 2018/19 and further presents the spending priorities for the next budget.

Chapter 4 finally presents the sectors and departmental spending ceilings for 2018/19 budget and the medium term.

Hon Dr Vincent Masawi

COUNTY EXECUTIVE COMMITTEE MEMBER-FINANCE AND PLANNING.

ACKNOWLEDGEMENTS

The drafting and finalisation of this 2018 County Fiscal Strategy Paper (CFSP) has been a collective effort of various stakeholders with H.E The Governor Granton Graham Samboja taking the leadership mantle.

We extend our most sincere gratitude to H.E The Governor, Granton Graham Samboja, Deputy Governor- H.E Majala Mlagui and the CECM for Finance and Economic Planning Hon. Dr Vincent Masawi for their leadership in the entire process. Special appreciation goes to all the County Executive Committee Members role and guidance as team leaders during the public participation phase and sector leads during the integration phase. The role played by the County Budget and Economic Forum (CBEF) is also equally appreciated having just been inaugurated recently.

We give gratitude to the CIDP 2 and 2018 CFSP technical secretariat lead by Mr. Matthew Njoroge-Special Programmes. The other members of the technical secretariat whose contribution in this paper is immense include; Rhodah Mwashigadi- Ag.Chief Officer for Trade, Benjamin Odago-Planning and Budgeting, John Mwakima- Deputy Sub-County administrator for Wundanyi and Dan Githira- Physical Planning. Others include: Laban Kinyai- Budget Officer and Phillip Kidelo- Budget Officer. Others Include Wallace Mwaruma and Stanley Maigacho from Special Programmes, Francis Rongaine- Public service and Kenneth Ndungu- UNDP Volunteer

We remain grateful to all Sub-county and Ward Administrators for coordinating and moderating the public participation forums at ward levels.

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

Joyce Kambe
County Chief Officer, Finance and Planning

Table of Contents

| | |
|---|-----------|
| FOREWORD..... | 3 |
| ACKNOWLEDGEMENTS..... | 5 |
| Legal Basis for the Publication of the County Fiscal Strategy Paper | 8 |
| Fiscal Responsibility Principles in the Public Finance Management Law..... | 9 |
| CHAPTER ONE: ACCELERATED SOCIO -ECONOMIC DEVELOPMENT FOR THE COUNTY’S PROSPERITY10 | |
| Broad medium term priorities | 10 |
| County’s Fiscal Performance for 2013/14 -2017/18 | 14 |
| Revenue Analysis | 14 |
| Expenditure | 15 |
| CHAPTER TWO: RECENT NATIONAL ECONOMIC DEVELOPMENT AND POLICY OUTLOOK..... | 18 |
| <i>Recent National Economic Developments and Outlook</i> | <i>18</i> |
| National economic development pillars in the Medium Term..... | 18 |
| CHAPTER THREE: FISCAL FRAMEWORK AND COUNTY STRATEGIC PRIORITIES FOR 2018/19 AND THE MEDIUM TERM 19 | |
| Overview of the 2014/15 -2018/19 Budget Framework | 19 |
| 2018/19 FISCAL FRAMEWORK AND POLICY | 19 |
| Fiscal Policy | 19 |
| Revenue side | 20 |
| Expenditure side | 20 |
| 2018/19 Revenue Projections..... | 21 |
| 2018/19 Expenditure Projections | 21 |
| Summarized County Developmental Challenges | 22 |
| County’s Strategic Priorities for 2018/2019 and the medium term | 23 |
| CHAPTER FOUR: MEDIUM TERM EXPENDITURE ESTIMATES AND DEPARTMENTAL CEILINGS..... | 24 |
| Details of Sectoral and Departmental Priorities and Baseline Ceilings..... | 24 |
| Risks to implementation of 2018/2019 priorities | 28 |
| Annex 1: Proposed medium term departmental baseline Ceilings | 29 |
| Annex 2: Own Source Revenue performance and Projections..... | 30 |

LIST OF ACRONYMS AND ABBREVIATIONS

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

Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is prepared in accordance with section 117 of The Public Finance Management Act, 2012 which stipulates that:

1. The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval.
2. The County Treasury shall submit the approved County Fiscal Strategy Paper to the county Assembly by the 28th February in each year.
3. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
4. In preparing the County Fiscal Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
5. The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
6. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of:-
 - a) The Commission on Revenue Allocation
 - b) The public
 - c) Any interested persons or groups; and
 - d) Any other forum that is established by legislation
7. Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the County Assembly shall consider and may adopt it with or without amendments.
8. The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been adopted by the county assembly.

Fiscal Responsibility Principles in the Public Finance Management Law

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

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

CHAPTER ONE: ACCELERATED SOCIO -ECONOMIC DEVELOPMENT FOR THE COUNTY'S PROSPERITY

Overview

This 2018 County Fiscal Strategy Paper (CFSP) is the first to be prepared under the second government in Taita Taveta. It is prepared in accordance with the provisions of the Public Financial Management Act, 2012 cap 117 and aligned to the 2018 Draft Budget Policy Statement by the National Treasury. In line with the provisions of the law, the CFSP presents the fiscal objectives for the FY 2018/19 and medium term. It further highlights the broad strategic priorities and policy goals that will guide the County government in preparing its 2017/18 budget and the medium term.

Broad medium term priorities

These broad objectives will be achieved through the eleven county priorities highlighted below:-

1. Increasing access to clean, quality and potable water all households, schools and health facilities.
2. Improved food security and community resilience through provision of adequate water for irrigation, livestock and wildlife throughout the County.
3. Improved income and livelihood through value addition, marketing and establishment of fruits, tomatoes, beef and dairy processing plants.
4. Investing sufficiently in quality, accessible and affordable health care services including provision of prerequisite equipment, drugs and health personnel.
5. Ensuring quality education through development of ECDE and Library services, equipping of schools and enhanced bursaries allocation
6. Provision of quality infrastructure including improved roads network, ICT, quality housing and adoption of alternative sources of energy
7. Employment and wealth creation through provision of conducive environment necessary for the establishment of cottage and small and medium industries.
8. Preservation and promotion of Taita Taveta cultural heritage through establishment of cultural centres and branding of our culture and artefacts.
9. Environmental protection and conservation for sustainability and posterity.
10. Empowerment of Youth, women, and vulnerable members of the community through establishment of small scale cooperatives, talents identification and nurturing and improved access to cheap and affordable credit.

Increasing access to clean water for domestic, livestock and irrigation

The department of water and irrigation has been assigned the storm water management, provision of water services and development of irrigation infrastructure.

The department was allocated Kshs. 164.9 Million in FY 2013/14 of which Kshs.23.1 Million was for recurrent expenditure and Kshs. 141.8 Million for the development budget. In the FY 2014/15 budget the department was allocated Kshs. 395.8 Million accounting for 9.5% of the total county budget. The budget for FY 2015/16 indicates that the department was allocated Kshs. 317.9 Million accounting for 8.6% of the total County budget. The 2016/17 allocation comprised of Kshs 298.4 Million and Kshs. 21.4 Million for development and recurrent expenditures respectively. In FY 2017/18 the water department has been allocated a total of Kshs 352 Million to execute its mandate.

The department of Water and Irrigation has completed over 80 projects since 2014 and is undertaking implementation of 150 projects spread all over the county. Major focus of the projects include rehabilitation of existing pipelines, purchase of water tanks, drilling and equipping of boreholes construction of dams and wells and protection of water catchments. The department has also rehabilitated irrigation infrastructure bringing approximately 5700 acres of land under Irrigation.

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

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

During the FY 2013/14, the department was allocated Kshs 119.8 Million of which Kshs 73.1 million was for recurrent expenditure and Kshs 46.7 Million for development. In the FY 2014/15 the total allocation to the department was Kshs 131 Million for both recurrent and development expenditures. The FY 2015/16 indicates a departmental allocation of Kshs 281.5 Million accounting for 1.5% of the total county budget. This amount comprised of Kshs 130.5 Million and Kshs 151 Million for recurrent and development expenditures respectively. In the FY 2016/17, the department was allocated Kshs 309.9 Million of which Kshs 146.2 Million for recurrent expenditures and Kshs 163.7 Million for development. In FY 2017/18, the department has been allocated a total of Kshs. 175 Million

In Agriculture sub sector (crop development section) the completed projects were as follows;

- 32.5 tonnes of assorted seed for both drought tolerant and high value seed were procured and distributed to farmer beneficiaries.
- 8000 Tissue culture banana plantlets were distributed,
- 6.5 tonnes of seed potato was introduced to farmer beneficiaries in Wundanyi and Mwatate sub counties.
- 3000 Macadamia seedlings were distributed to farmer beneficiaries in Werugha and Wundanyi wards.
- 8 Green houses were procured and installed for technology transfer.
- 5 farm tractors and 4 hand drawn were procured and distributed to improve Agricultural mechanization services and demonstrations.
- 8 water pumps and 40 pipes procured
- 4 Drip kits for a quarter of an acre procured
- Procurement of 3 Motorized solo pumps
- Procurement of assorted maize seed varieties (10 Tons)
- Procurement of Farm Yard Manure (14 lorries @ 7 tons)
- Tomato processing and packaging machine (1) was procured
- Procurement of 0.5 Tons assorted seed for Horticulture
- Rehabilitation of Sagalla fruit tree nursery through production and grafting of 9000 citrus seedlings
- Excavation of Water pans for crop production

In the livestock sub-sector, completed projects are the purchase and distribution of 38 breeding Boran and Sahiwal stock ; purchase and distribution of 125 Galla goats to small

scale farmers to improve goat meat production. Other key projects are rehabilitation and routine maintenance of Mwatate livestock farm and Bachuma Livestock multiplication centres; establishment of 4 AI centres construction of one fish banda at Lake Jipe and restocking of Lake Jipe and Ngerenyi Dam with tilapia fingerlings.

Investing in quality, accessible and affordable health care services

In FY2015/16, the department was allocated Kshs.1.2 Billion comprising of normal allocation and conditional grants. The allocation which was 30.87% of county budget marked an increase of Kshs 793 Million (195%) compared to FY 2014/15 which was Kshs. 406 Million and 9.8% of county budget .In the 2015/16 allocation Ksh.100 Million (84%) is to support recurrent activities while ksh198 Million (16%) development. In the FY 2016/17 the department was allocated Kshs 1.04 Billion comprising of Kshs 840 Million recurrent and Kshs 214 Million development. The department of health has been allocated a total of Kshs 357 Million.

Improving access to ECDE, Polytechnics and Library services.

The county education sector comprises the early childhood education support services, youth training and library services. The county also supports education of needy students in secondary and college through provision of bursaries and Loans.

In the FY 2013/14, the department was allocated a total of Kshs 201.2 Million comprising of Kshs 137.3Million for recurrent expenditures and Kshs 63.9 Million for development activities. The department's total allocation for FY 2014/15 amounted to Kshs 372.5 Million accounting for 9.0% of the total county budget. The FY 2015/16 budget allocation to the department stands at Kshs 466.5 Million. The FY 2016/17 budget allocation to the department was Kshs 569.8 Million where the recurrent expenditure was Kshs 399.7 Million and development expenditure Kshs 170 Million. In the FY 2017/18, the department has been allocated a total of Kshs 313 to execute its mandate.

Some of the milestones achieved by the department include: Rolling out of ECDE feeding Program to marginalized ECDE centres (program rolled out in 67 ECDE centres across the county); Rolling out of County Mobile Library Services Project to students in identified educationally marginalized Zones (Kimorigo, Tausa, Rong'e and Wumingu Zones); Training of school librarians in the identified zones was done (two linguistic teachers in each Secondary, Primary, Youth Polytechnic and ECDE supervisors in the 4 zones); Established a county education fund for needy students at secondary and tertiary level and construction of Twin workshop at Chumvini in Taveta, Tausa, Ronge Juu and Mwangafwa Youth Polytechnics. The Department has also supported both the KCPE and KCSE candidates through provision of:- Sanitary Towels to Girls Candidates and Food for the Candidates in public secondary and primary schools.

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

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

In the FY 2013/14, the department was allocated a total of Kshs 153.3 Million comprising of Kshs 49.1 Million for recurrent expenditure and Kshs 104.2 Million for development activities. The budgetary allocation for 2014/15 was Kshs 181.7 Million. In the FY 2015/16 the department has a total allocation of Kshs 156.7 Million for both development and recurrent expenditure. In the FY 2016/17, the department was allocated a total of Kshs 202 Million comprising of Kshs 57.8 Million for recurrent expenditure and Kshs 144 Million for development activities. In FY 2017/18 the total allocation stands at Kshs 212 Million.

In this sub-sector, 51 projects have been initiated with the key initiative including establishment of a Biashara Business Centre. Other projects include those geared towards strengthening the cooperative societies, sports, trade development, culture and support to youth development activities.

Land planning, management and mining

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

The land management activities comprises of functions allocated to county government and spearheaded by department of lands and mining. In the FY 2014/15, the lands and physical planning department was allocated a total of Kshs 18.5 Million for both recurrent and development expenditures. The FY 2015/16 budgetary allocation, to the Lands and Mining is Kshs 19.1 Million comprising of Kshs 8.9 Million for recurrent expenditure and Kshs 10.2 Million for development expenditure. The FY 2016/17 budgetary allocation, to the Lands and Mining is Kshs 40.7 Million comprising of Kshs 37.4 Million for recurrent expenditure and Kshs 3.3 Million for development expenditure. The department has been allocated a total of Kshs 71 Million

Investing in physical infrastructure including ICT and Promotion of Energy and industry

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

County's Fiscal Performance for 2013/14 -2017/18

Revenue Analysis

The County Government has two major sources of county revenue to fund its operations; equitable share from National government and local revenue. Over the years the equitable share from the national government has accounted for over 85 percent of the County's resource envelope.

In the FY 2013/14 a total of Kshs 2.4 Billion was received as equitable share while Kshs 147 Million was raised as local revenue. A total of Kshs 2.8 Billion was received as equitable share in FY 2014/15 while Kshs 216 Million was generated as local revenue. In FY 2015/16 the county Government received Kshs 3.3 Billion from the equitable share while Kshs 3.6 Billion was received in FY 2016/17. In FY 2017/18, the county expects equitable share amounting to 3.89 Billion.

In terms of Own Source revenue, there was a significant decline from Kshs 216 Million in FY 2014/15 to Kshs 171 Million in FY 2015/16 and Kshs 172 Million in FY 2016/17.

During the first half of FY 2017/18 (Jul-Dec 2017) the County received Kshs 1.96 Billion as exchequer releases.

Table 1: Flow revenue from the exchequer per Month

| MONTH | 2015/16 | 2016/17 | 2017/18 |
|--------------|----------------------|----------------------|----------------------|
| JULY | 264,765,455 | 285,685,304 | 272,706,000. |
| AUGUST | 297,861,138 | 321,395,967 | 272,706,000 |
| SEPTEMBER | 264,765,455 | 285,685,304 | 350,622,000 |
| OCTOBER | 281,313,296 | 303,540,636 | 370,101,000 |
| NOVEMBER | 297,861,137 | 321,395,967 | 389,580,000 |
| DECEMBER | 264,765,455 | 285,685,304 | 311,664,000 |
| TOTAL | 1,671,331,936 | 1,810,793,482 | 1,967,379,000 |

Local Revenue Analysis

The total local revenue collected during the 1st half of FY 2017/18 is Kshs 57.8 Million compared to Kshs 74.4 Million and Kshs 93.9 Million during a similar period in FY 2016/17 and FY 2015/16 respectively.

Table 2: First Half Local revenue collection per month

| | 2014/16 | 2015/16 | 2016/17 | 2017/18 |
|-----------------|------------|--------------|--------------|---------------|
| Budgeted Amount | | 155,202,663 | 169,000,000 | 169,232,755 |
| Actual Amount | 93,965,545 | 71,930,954 | 74,485,557 | 57,847,885 |
| Variance | | (83,271,709) | (94,514,443) | (111,384,870) |

The total own Source revenue generation fell short of the target by 67 percent of the budgeted amount. Agriculture, Livestock and Fisheries was the leading department in terms of meeting the half year target with a variance of 44 percent while Health Services fell short of the target by 85%.

Table 3: Departmental Half Year targets and actual performance

| DEPARTMENT | First Half Targets | Actual Half Collection | % Variance |
|--|--------------------|------------------------|--------------|
| Administration and Devolution | 4,308,656 | 2,321,320 | -46% |
| Agriculture, Livestock and Fisheries | 5,150,782 | 2,901,555 | -44% |
| Tourism, Environment and Natural Resources | 13,517,370 | 3,078,365 | -77% |
| Finance and Planning | 20,187,580 | 8,136,892 | -65% |
| Health services | 44,222,334 | 6,547,532 | -85% |
| Lands and Mining | 31,818,152 | 9,657,856 | -70% |
| Public works and Infrastructure | 27,781,776 | 12,872,252 | -54% |
| Trade and Community affairs | 30,678,554 | 12,332,113 | -60% |
| Water and Irrigation | 28,622 | ~ | |
| TOTAL | 177,693,826 | 57,847,885 | ~ 67% |

The leading sources of local revenue during the period under review were: General cess (6.9 Million); Market fees (5.7 Million); Hospitals (4.6 Million); House rent (4.1 Million), Land rates (3.8 Million) and Single Business Permits (3.7 Million.)

Expenditure

In the first half FY 2017/18, the total expenditure for the County amounted to Kshs 1.43 Billion. This comprised of Kshs 1.39 Billion as recurrent expenditure accounting for 97 percent of the total expenditure and Kshs 41.6 Million as development expenditure representing 3 percent of the total expenditure. The low expenditure on the development vote in the period under review can be attributed to non-disbursement of development funds by the exchequer.

Table 4: Total expenditure per department

| DEPARTMENT | RECURRENT | | DEVELOPMENT | | TOTAL EXPENDITURE | A/RATE |
|---|------------------------|---------------------------|--------------------------|-----------------------------|----------------------|-------------|
| | Recurrent expenditure. | Recurrent Absorption rate | Development expenditure. | Development Absorption rate | | |
| County Assembly | 199,630,828 | 14% | 0 | 0% | 199,630,828 | 14% |
| Public Service and Administration | 898,318,252 | 65% | 4,500,000 | 11% | 902,818,252 | 63% |
| Governors and Deputy Governor's office | 52,726,719 | 4% | 0 | 0% | 52,726,719 | 4% |
| Finance and Planning | 140,864,325 | 10% | 0 | 0% | 140,864,325 | 10% |
| Agriculture livestock and Fisheries | 6,180,947 | 0% | 0 | 0% | 6,180,947 | 0% |
| Water and Irrigation | 4,294,314 | 0% | 14,022,955 | 34% | 18,317,269 | 1% |
| Education and Library Services | 38,960,570 | 3% | 13,265,160 | 32% | 52,225,730 | 4% |
| Health Services | 26,767,389 | 2% | 538,530 | 1% | 27,305,919 | 2% |
| Trade and Cooperative Development | 5,640,783 | 0% | 1,029,800 | 2% | 6,670,583 | 0% |
| County public service board | 7,021,870 | 1% | 0 | 0% | 7,021,870 | 0% |
| Public works and Infrastructure | 3,638,533 | 0% | 4,540,534 | 11% | 8,179,067 | 1% |
| Lands, Environment and Natural Resources | 4,078,038 | 0% | 0 | 0% | 4,078,038 | 0% |
| Industrialization, Energy, Mining, Research and ICT | 2,420,380 | 0% | 3,640,071 | 9% | 6,060,451 | 0% |
| Tourism, Environment and Natural Resources | 1,638,225 | 0% | 0 | 0% | 1,638,225 | 0% |
| Total | 1,392,181,174 | 100% | 41,637,050 | 100% | 1,433,818,224 | 100% |

Analysis of Development Expenditure

Water and irrigation, Education, Public service and Public works had the highest development expenditures at 34, 32, 11 and 11 percent of the total development expenditure respectively.

Analysis of Recurrent expenditure

The high expenditure in the Public service and Administration department is as a result of payment of all County salaries that is done Human resource section of the department for ease of management. The County assembly, Finance and Planning, education and health registered notable expenditures at 14, 10, 3 and 2 percent of the total expenditure respectively.

Table 5: Major Recurrent Expenditure items per Department

| Department | Personnel emoluments | Foreign travel | Domestic travel | Hospitality ,conferences & catering | Training | Printing and advertising | Others | T/Recur exp. | A/rate |
|-----------------------------------|----------------------|-------------------|--------------------|-------------------------------------|-------------------|--------------------------|-------------------|----------------------|-------------|
| County Assembly | 136,905,245 | 19,081,130 | 30,062,857 | 4,740,700 | 1,674,000 | 164,022 | 7,089,739 | 199,630,829 | 14% |
| Admin and Devolution | 889,171,997 | 303,150 | 3,010,715 | 1,280,200 | 1,442,950 | 117,160 | 3,003,394 | 898,329,566 | 65% |
| Governor's Office | 4,244,400 | 4,818,072 | 15,099,575 | 6,476,984 | 5,535,409 | 5,740,272 | 10,812,007 | 52,726,719 | 4% |
| Finance and Planning | 36,011,562 | 33,073,461 | 38,488,712 | 5,934,815 | 3,835,000 | 5,825,361 | 17,695,414 | 140,864,325 | 10% |
| Agriculture | | 835,540 | 2,634,986 | 198,885 | 408,783 | 216,060 | 1,886,993 | 6,180,947 | 0% |
| Water and Irrigation | | 892,825 | 1,640,212 | 1,060,850 | 500,273 | | 200,154 | 4,294,314 | 1% |
| Education and Library | | 2,037,040 | 743,400 | 1,008,400 | 33,090,120 | 330,400 | 1,751,330 | 38,960,400 | 4% |
| Health Services | | 2,237,049 | 6,177,710 | 823,000 | | 1,007,470 | 16,522,160 | 26,767,389 | 2% |
| Trade and community Affairs | | | 2,355,783 | 932,605 | 88,328 | | 2,264,067 | 5,640,783 | 0% |
| County Public Service Board | | 1,437,400 | 1,999,800 | 466,000 | 582,800 | 262,000 | 2,273,870 | 7,021,870 | 0% |
| Infrastructure and Public works | | | 1,374,177 | 104,340 | 903,965 | | 1,256,051 | 3,638,533 | 1% |
| Lands physical planning | | | 1,775,839 | 302,200 | | | 2,000,000 | 4,078,039 | 0% |
| Environment and Natural Resources | | | 531,845 | 141,280 | 206,400 | 48,000 | 710,700 | 1,638,225 | 0% |
| Total | 1,066,333,204 | 64,745,429 | 106,535,822 | 23,731,109 | 48,394,367 | 15,186,943 | 67,254,299 | 1,392,181,173 | 100% |
| % of Total | 77% | 5% | 8% | 2% | 3% | 1% | 5% | 100% | |

CHAPTER TWO: RECENT NATIONAL ECONOMIC DEVELOPMENT AND POLICY OUTLOOK

Recent National Economic Developments and Outlook

According to the National Treasury's 2018 Budget Policy Statement (BPS), Kenya's Real GDP is projected to expand by 5.3 percent in FY 2017/2018, 5.9 percent in FY 2018/2019, 6.3 percent in FY 2019/2020 and 6.8 percent by FY 2020/21. This growth will be supported by sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant services sector, continued recovery in tourism, increased investor and consumer confidence, and macroeconomic stability.

In addition, measures being undertaken by the Government under "The Big Four" Plan are to boost the manufacturing sector; enhance food security and nutrition; create affordable housing; and achieve Universal Health Coverage are expected to boost growth, create jobs and ultimately promote inclusive growth.

Inflation is currently within set target and is expected to remain so in the medium term underpinned by prudent monetary policy, favourable weather outlook, relatively lower international oil prices, and a stable exchange rate which is expected to dampen any risks of imported inflation. The interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions.

Kenya's external position is projected to strengthen over the medium term supported by a narrower current account deficit. The improvement in the overall balance reflects lower petroleum products import bill reflecting lower international oil prices and improved performance of tea and horticulture exports; strong diaspora remittances; recovery in tourism, and increased foreign direct investment in infrastructure.

National economic development pillars in the Medium Term

The National Treasury's 2018 Budget Policy Statement (BPS) indicates that the national government will implement the "Big Four" economic Strategy. This strategy aims at:-

1. Supporting value addition and raising the share of the Manufacturing sector to GDP to 15% by 2022 ;
2. Enhancing food and Nutrition security to all Kenyans;
3. Providing universal health coverage to guarantee quality and affordable health care to all Kenyans;
4. Provision of affordable and decent housing for all Kenyans; and
5. Further consolidate gains made in devolution in order to provide better service delivery and enhanced economic development.

CHAPTER THREE: FISCAL FRAMEWORK AND COUNTY STRATEGIC PRIORITIES FOR 2018/19 AND THE MEDIUM TERM

Overview of the 2014/15 -2018/19 Budget Framework

The total actual county resource envelop for the county has been slightly increasing annually. This can be attributed to the marginal yearly increase in the amounts the County receives from the national treasury as its equitable share. It is however notable that Own Source Revenue has experienced an up and down trend over the years.

In FY 2014/15 the resource envelop for the County amounted to Kshs 3.6 Billion comprising of Kshs.2.8 Billion from the equitable share and Kshs.216 Million raised as Own Source Revenue.

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

FY 2016/1, saw the actual resource envelop realized increasing to Kshs 3.9 Billion out of the budgeted amount of Kshs 4.66 Billion, representing 82 percent of the budgeted revenue. The amount realized consisted of Kshs 3.6 Billion from the equitable share, Kshs. 172 Million as Own Source Revenue and Kshs 140.2 Million as conditional grants directed to specific sectors including health services and roads. A total of Kshs 36 Million with respect to World Bank HSSF meant for FY 2016/17 was however received on 30th July 2017 (FY 2017/18).

For the first half (July-December) of FY 2017/18 the County has received a total of Kshs 1.96 Billion from the exchequer inclusive of Kshs 57 Million as Own Source Revenue.

2018/19 FISCAL FRAMEWORK AND POLICY

Fiscal Policy

The major policy thrust of the FY 2018/19 and the medium term for this second County Government is accelerated socio-economic transformation with special emphasis to food security and wealth creation. This agenda is aimed at;

- a) Improvement of access to clean and potable water for both urban and rural areas
- b) Increasing agricultural and livestock production for food security and wealth creation;
- c) Improving access to quality and affordable social services-including quality Health care and education
- d) Socio-economic empowerment of the youth, Women and PWDs through employment creation and ease of access to credit
- e) Reduction in the cost of doing business and attracting investments through development of key infrastructure including roads network and energy.

Over the medium term, the Government will pursue Fiscal and management policies aimed at streamlining recurrent expenditure while at the same emphasizing on capital investment.

Some of the policies and strategies to be adopted include:

1. Feasibility studies and other related initial studies before commencing a project should be made mandatory for all proposed projects. Technical reports should be given to form the basis of project conceptualization and implementation.
2. Planning, approval and implementation of projects should be based on viability and sustainability of the same
3. For huge capital projects the planning and implementation should be in phases to ensure efficiency considering the limited resource basket per disbursement.
4. The county should enhance its local revenue collection to supplement the funds received from the Exchequer.

Revenue side

1. Improved collection and efficiency in Own Source Revenue including full automation and restructuring of systems. The County should avoid over relying on the equitable share for development expenditure.
2. There is need to urgently carry out a baseline survey to determine the County's potentiality in-terms of revenue and new revenue streams.
3. There is need to have a new and up dated valuation roll with a view of enhancing revenue collection.
4. Ensuring that revenue targets are set by the revenue generating departments/sections with a reward mechanism for good performance(A certain agreed percentage to be allocated/ring-fenced to the department/section)
5. Promotion of Private-Public Partnerships (PPPs) and reaching out to donors to enhance resource mobilization
6. Educating the public on the need to pay their fees and rates
7. Strengthening the capacity of the resource mobilization unit

Expenditure side

1. The completion of all critical and viable ongoing programmes and projects should be given the first priority in funds allocation.
2. The County government should develop a policy on Projects management that will ensure prioritization of high impact quick win projects. This policy will discourage the thin spreading of resources with little or no corresponding benefit.
3. On the issue huge pending bills (expenditure arrears, the County will set up a pending bills committee to verify the authenticity of all pending bills and formulate strategies to eliminate all arrears.
4. Non-priority expenditures should be avoided while funding to areas with high impact intensified.
5. To address the high wage bill, the county will implement the recommendations contained in the Capacity Assessment and Rationalization Programme (CARPS) and Job Evaluation reports to ensure optimal level of staff and at the same time increasing efficiency.
6. Further to streamline expenditure, there is need to strengthen monitoring, evaluation and reporting at the project/programme, department and county levels.
7. To link planning and budget formulation it is imperative that the Sector working Groups (SWGs) be revamped. The SWGs should be empowered to spearhead sectors' public hearings and reporting on sectors' priorities and budget proposals.

2018/19 Revenue Projections

The Total resource envelope envisaged for the FY 2018/19 budget is Kshs 5.4 Billion. A total of Kshs 4.01 Billion is expected from the National government as equitable share. The projected Own Source Revenue stands at Kshs 300 Million.

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

| SOURCE | ACTUAL | ACTUAL | BUDGETED | BUDGETED | PROPOSED | PROJECTED | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
| Equitable share | 2,887,455,925 | 3,309,568,191 | 3,571,066,305 | 3,888,770,080 | 4,011,871,626 | 4,210,110,124 | 4,420,220,340 |
| Local Revenue | 216,680,956 | 172,765,505 | 355,587,656 | 398,465,449 | 300,000,000 | 320,000,000 | 340,000,000 |
| Conditional Grants | 50,376,504 | 222,995,845 | 238,344,028 | 290,499,973 | 290,500,000 | 300,000,000 | 305,000,000 |
| Development Partners | | 12,400,000 | 245,901,101 | | 359,389,189 | 400,000,000 | 400,000,000 |
| Loans and Grants | | | | | 450,000,000 | | |
| Balance B/F | 508,409,335 | 42,958,485 | 241,413,021 | | | | |
| | 3,662,922,720 | 3,760,688,026 | 4,652,312,111 | 4,517,735,502 | 5,411,817,060 | 5,230,110,124 | 5,465,220,340 |

The county expects to receive Kshs 5 Million as compensation for user fee forgone and Kshs106 Million will be used under the Roads Maintenance and Fuel Levy Fund.

Table 7: 2018/19 Resources Envelop by Type

| SOURCE OF REVENUE | AMOUNT (Kshs.) |
|--------------------------------------|----------------------|
| Equitable share | 4,011,871,626 |
| Own-Source Revenue | 300,000,000 |
| | 4,311,871,626 |
| <u>Conditional Grants</u> | |
| Compensation for user fee forgone | 5,296,305 |
| Rehabilitation of Youth Polytechnics | 48,823,936 |
| Road Maintenance & Fuel Levy Fund | 106,648,770 |
| Leasing of Medical Equipment | 129,787,234 |
| Loans and Grants | 359,389,189 |
| Other Loans and Grants | 450,000,000 |
| | 1,099,945,434 |
| | |
| Total Resource Envelop | 5,411,817,060 |

2018/19 Expenditure Projections

Based on the county's fiscal policy and in compliance with the fiscal responsibility principles outlined above in the PFM Act 2012, the county's expenditure for the budget period in 2018/2019 is projected as follows:

Recurrent Expenditure

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

The County's wage bill continues to exert undue pressure on the recurrent vote and this could undermine development if not mitigated. Restraining the growth of the county's wage bill is a priority in the medium term in order to sustain growth. This will be achieved through the following measures:

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

Development Expenditure

Development expenditure in 2018/2019 and the medium term is projected at 30% of total expenditure. This is consistent with the objective of progressively allocating more resources for critical capital projects.

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

Summarized County Developmental Challenges

The draft CIDP 2018-2022, has identified some key development challenges that continue to prevail and which lead to the high poverty levels that stand at 57%. Some of these major developmental challenges facing the county and which should be addressed include:

1. High levels of unemployment especially among the youthful and productive population that accounts for 70% of the total population. The unemployment is due to lack of technical and business skills, insufficient capital to venture into business, stringent conditions to accessing commercial credit, and lack of an entrepreneurial culture due to lack of information.
2. Low agricultural and livestock production and productivity due to low adoption of improved crop and livestock husbandry.
3. High levels of illiteracy levels compounded by the high levels of poverty faced by the community members continue to impede development. This requires additional funding for bursaries and scholarships.
4. Drought occasioned by Climate change has continued place a heavy strain on the county's economy. Frequent failure of rains have affected food security situation in the county. An estimated 70,000 members of the community across the county continue to be supported through relief programmes.
5. Human-wildlife conflict is another challenge that is on the increase due to wildlife invading the farming areas in search of water and the effect are crop destruction and predation of livestock. There is also low awareness on the benefits that can accrue from the Tsavo ecosystem.
6. Poor road networks have increased the cost of doing business and therefore negatively impacted the competitiveness of local products. The poor roads have also made it very expensive for the County Government to provide goods and services such as health, livestock and agriculture extension, and water services.
7. The health sector has been characterized by inadequate capacity in terms of staffing levels, inadequate health equipment, insufficient medical commodities, and a host of

conditions such as the upsurge of Non-Communicable Diseases (NCDs), HIV/AIDS and alcohol and substance abuse. As a result; people incur high costs seeking health services in private hospitals in and outside the county and country.

8. Tenure on land, which is a key factor of production, is faced with many challenges. Most schemes have been finalized however the beneficiaries are yet to collect their titles. Some rural and urban areas are unplanned, making them unattractive to investors. The unclear land regimes, coupled with a growing population, have led to encroachment of water catchment areas, forests, biodiversity hotspots and wildlife areas. In the urban areas there has been growth of informal settlements and invasion of private and public lands.

County's Strategic Priorities for 2018/2019 and the medium term

The County Government will implement its accelerated transformative agenda. Priority will be given towards projects with high impact for socio –economic development. The priority areas that will continue to be pursued in 2018/2019 and the medium term include:

1. Increasing access to clean, quality and potable water all households, schools and health facilities.
2. Improved food security and community resilience through provision of adequate water for irrigation, livestock and wildlife throughout the County.
3. Improved income and livelihood through value addition, marketing and establishment of fruits, tomatoes, beef and dairy processing plants.
4. Investing sufficiently in quality, accessible and affordable health care services including provision of prerequisite equipment, drugs and health personnel.
5. Ensuring quality education through development of ECDE and Library services, equipping of schools and enhanced bursaries allocation
6. Provision of quality infrastructure including improved roads network, ICT, quality housing and adoption of alternative sources of energy
7. Employment and wealth creation through provision of conducive environment necessary for the establishment of cottage and small and medium industries.
8. Preservation and promotion of Taita Taveta cultural heritage through establishment of cultural centres and branding of our culture and artefacts.
9. Environmental protection and conservation for sustainability and posterity.
10. Empowerment of Youth, women, and vulnerable members of the community through establishment of small scale cooperatives, talents identification and nurturing and improved access to cheap and affordable credit.

CHAPTER FOUR: MEDIUM TERM EXPENDITURE ESTIMATES AND DEPARTMENTAL CEILINGS

The sectoral allocation for the FY 2018/2019 and the medium term are influenced by the necessity to finance projects that directly support economic growth and reduce poverty. Attention will be given to projects that improve the quality of life of the residents in the county. The allocations are informed by the county goals and peoples aspirations as captured in the draft County Integrated Development Plan (CIDP) 2018-2022.

Given that the sectoral demands for funds are very high while the available resources are limited it was important to come up with a fair way of distributing allocations. The following criterion has been used in the proposed 2018/2019 departmental allocations.

1. In the recurrent expenditure category non-discretionary expenditures/Statutory obligations such as salaries take first priority.
2. Citizens prioritization during the CIDP 2018-2022 and 2018 CFSP public participation forums.
3. Projects and programme with moderate costs implications but with high impact on transforming lives and employment creation
4. On-going and Critical infrastructure improvement projects
5. The baseline estimates also reflects the current departmental spending levels-Current absorption rates

Details of Sectoral and Departmental Priorities and Baseline Ceilings

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

1. ENVIRONMENTAL PROTECTION, WATER AND NATURAL RESOURCES SECTOR

a. Water and Irrigation sub-sector

During the FY 2018/19 and the medium term, the Strategic Priorities to be implemented for Water and Irrigation for include:

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

In order to implement its prioritised programmes the department has been allocated a total of Kshs 410 Million accounting for 8 % of the total County budget.

b. Lands, Environment and Natural Resources sub-sector

The department's mission is to provide an enabling Environment for the sustainable land, Environment and Natural Resource utilization through appropriate policy environment, effective support service, appropriate innovation, linkages and sustainable natural resources management for increased productivity social economic development and industrialization.

The Lands, environment and natural resources subsector has been allocated a total of Kshs 179 Million accounting for 4% of the total county budget.

2. AGRICULTURE, RURAL AND URBAN DEVELOPMENT SECTOR

a. Agriculture sub-sector

The major goal of the department is to attain food and nutritional security. During the FY 2018/19 and the medium term, the department has lined up priority projects and programmes which include: Crops development, pests and diseases control, Promotion of Drought tolerant crops, revitalization of Horticultural Production Centres (HPC), Promotion of macadamia and avocado, sorghum and cotton development, Rice Production, milling and value addition, Strengthening extension services, Enhancing accessibility to affordable inputs and credit, promotion of banana value chain, Promotion of sustainable land use practises - Soil and water management, Soil fertility management, rehabilitation of gullies and protection of water catchment and wetlands, Rehabilitation of seed farms, Revitalization of agriculture mechanization services, Promotion of Agro – forestry, and Provision of Agriculture Development fund

In order to implement these priorities the department has been allocated a total Kshs.205.6 Million representing 5% of the county budget.

b. Livestock, Veterinary and Fisheries sub-sectors

The department has lined up the following priorities and programmes for FY2018/19 and the medium term:

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

To implement these prioritised programmes, the department has been allocated a total of Kshs 168 Million accounting for 4% of the total county budget.

3. HEALTH SERVICES SECTOR

Establishment of critical care Services at Moi County referral Hospital, equipping of all new health facilities and refurbishment of existing health centres are some of the priority programmes earmarked for FY 2018/2019.

To implement these priority projects, the department has been allocated a total of Kshs 1.05 Billion accounting for 20% of the county budget. This amount excludes conditional grants from the National Government comprising of: compensation for user fees forgone; free maternal health care and leasing of medical equipment

4. GENERAL ECONOMIC AND COMMERCIAL AFFAIRS

TRADE, TOURISM AND COOPERATIVE DEVELOPMENT

The department will continue to implement its core mandate by pursuing the following Strategic Priorities for 2018/2019. These include: Tourism promotion; Cooperatives Development; Trade and Markets Development.

To implement these priority programmes, the department has been allocated a total of Kshs 220 Million accounting for 4% of the county budget.

5. EDUCATION AND LIBRARY SERVICES SECTOR

The key priorities for FY 2018/2019 and the medium-term will include:

1. Promotion of access, retention and completion rates for secondary and tertiary institutions through enhancement of education fund to adequately address the demand for scholarships, loans and bursaries, mentorship and career guidance and Scholarship for specialised courses.
2. Strengthen early childhood education through Infrastructure improvement, staffing, grants, community sensitization, feeding program, growth monitoring, teaching/learning materials and graduation.
3. Increase enrolment in VTC through Rebranding, capitation grants, bursaries, infrastructure improvement, and employment of instructors, expansion on courses, increase of examination centres and community sensitization on vocational skills
4. Enhancing good performance in National examinations through provision meals and sanitary during examination period
5. Promote reading culture and access to reading materials through library infrastructure improvement, Mobile library services and community sensitization
6. Promote total child development through improved Childcare facilities

To implement these prioritised programmes and projects the department has been allocated a total of Kshs 585 Million accounting for 12 % of the county budget.

6. ENERGY, INFRASTRUCTURE AND ICT SECTOR

Public Works and infrastructure

The department will implement the following priorities:

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

These priorities will be implemented with a total allocation of Kshs 249 Million accounting for 5% of the county budget. This amount excludes conditional grants expected from the Roads Maintenance and Fuel Levy Fund(RMFLF)

7. PUBLIC ADMINISTRATION AND INTERGOVERNMENTAL RELATIONS SECTOR

a. Public Service and Administration

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

1. Promote Public Participation in Decision-Making and Development Process
2. Promote Effective Service Delivery through well Coordination of service provision
3. The Promote peace, security and more resilient communities to disaster in the county
4. Human Resource management and Performance management system

To undertake its prioritised projects/programmes, the department has been allocated a total of Kshs 267 Million accounting for 6 % of the county.

b. Finance and Planning

The department's Strategic Priorities for 2018/19 and the medium term include:

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

To implement its mandate, the department has been allocated a total of Kshs 405 Million representing 7.7% of the county budget. The amount is inclusive of statutory obligations such as County staff mortgage, building insurance and county staff gratuity and County Emergency fund.

c. Governor and Deputy Governor's Office

In 2018/2019 the major priority to be pursued will be provision of leadership and coordination of county government business. The office will also coordinate special programmes, service delivery and promote activities of County Budget and Economic Forum.

To implement its priorities, the Gubernatorial has been allocated a total of Kshs 419 Million accounting for 8 % of the county budget. The amount includes Kshs 200 Million for the proposed construction of the Governors official residence.

d. County Public Service Board (CPSB)

In 2018/2019 the CPSB's key priorities will be:

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

To implement its priorities, the Board has been allocated a total of Kshs 45 Million accounting for 1% of the county budget.

e. County Assembly

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

To implement its mandate effectively, the County assembly has been allocated a total of Kshs 760 Million accounting for 13 % of the county budget. The amount includes the 200 Million for the proposed construction of the speaker's official residential

8. SOCIAL PROTECTION, RECREATION & CULTURE

The sector covers of sports development, youth development, social development, and Culture Development.

a) Vision: "A County where Social protection ignites the passion to participate and express pride in our cultural diversity, where our athletes perform honorably and consistently and where all residents are treated equally."

b) Mission: "To mobilize, sensitize and provide direction for all Taita Taveta citizens to participate in Community development and social affairs for recreation, good health, cohesion, competition, career development."

In FY 2018/19, the priorities for the sector include:

- Sports promotion and development
- Gender and Youth development and empowerment
- Art and Culture development

To execute its mandate, the sector has been allocated Ksh. 234 Million accounting for 5% of the total county budget.

Risks to implementation of 2018/2019 priorities

1. The county has been facing Low local revenue collection which might persist in the medium term. This will however be mitigated through diverged strategies to increase revenue which include: exploiting new revenue streams, revamping revenue collection systems and civic education on the importance of paying rents and rates.
2. Unfavorable national and regional policies and agreements which allow free movement of goods within the region
3. The County governments have also not taken up some devolved functions like Gambling and Casinos and control of cultural activities. In case these functions are taken up, the County will prepare the necessary legislation and structure.
4. Irregular disbursement of funds from the National exchequer also poses a risk to the implementation of these priorities. This might also create other problems such as accruing pending bills. This will be mitigated by ensuring that departments come up with proper cash flow projections

Annex 1: Proposed medium term departmental baseline Ceilings

| | | 2018/19 CFSP CEILINGS | | | | | | | | PROJECTIONS | |
|----|--|-----------------------|----------------------|----------------------|----------------------|---------------|---------------|---------------|----------------|----------------------|----------------------|
| | DEPARTMENT | WAGE BILL | OPERATIONS | DEVELOPMENT | REVISED TOTAL | Wage Bill % | O and M % | DEV % | % TOTAL SHARE | 2019/20 | 2020/21 |
| 1 | County Assembly | 319,083,741 | 240,916,259 | 200,000,000 | 760,000,000 | 15.4% | 19.5% | 10.0% | 14.33% | 798,000,000 | 837,900,000 |
| 2 | Governor and Deputy Governor | 100,291,679 | 94,538,674 | 225,000,000 | 419,830,353 | 4.8% | 7.6% | 11.3% | 7.92% | 440,821,871 | 462,862,964 |
| 3 | County Public Service Board | 36,921,791 | 8,078,209 | - | 45,000,000 | 1.8% | 0.7% | 0.0% | 0.85% | 47,250,000 | 49,612,500 |
| 4 | Public Service and Administration | 125,324,211 | 67,654,000 | 75,000,000 | 267,978,211 | 6.1% | 5.5% | 3.8% | 5.05% | 281,377,122 | 295,445,978 |
| 5 | Health Services | 628,626,982 | 106,716,088 | 315,147,030 | 1,050,490,100 | 30.4% | 8.6% | 15.8% | 19.81% | 1,103,014,605 | 1,158,165,335 |
| 6 | Agriculture | 88,966,178 | 33,231,434 | 83,540,014 | 205,737,626 | 4.3% | 2.7% | 4.2% | 3.88% | 216,024,507 | 226,825,733 |
| 7 | Livestock & Fisheries | 53,342,000 | 58,001,434 | 87,001,800 | 198,345,234 | 2.6% | 4.7% | 4.4% | 3.74% | 208,262,496 | 218,675,620 |
| 8 | Lands, Environment and Natural Resources | 92,100,000 | 22,100,000 | 68,210,000 | 182,410,000 | 4.4% | 1.8% | 3.4% | 3.44% | 191,530,500 | 201,107,025 |
| 9 | Trade, Tourism and cooperative Developme | 68,337,567 | 41,897,432 | 110,000,000 | 220,234,999 | 3.3% | 3.4% | 5.5% | 4.15% | 231,246,749 | 242,809,086 |
| 10 | Water & Irrigation | 35,318,432 | 74,681,568 | 300,000,000 | 410,000,000 | 1.7% | 6.0% | 15.0% | 7.73% | 430,500,000 | 452,025,000 |
| 11 | Youth, Gender, Sports and Culture | 16,100,000 | 18,750,000 | 200,000,000 | 234,850,000 | 0.8% | 1.5% | 10.0% | 4.43% | 246,592,500 | 258,922,125 |
| 12 | Education & Library Services | 317,534,424 | 150,000,000 | 118,282,607 | 585,817,031 | 15.3% | 12.1% | 5.9% | 11.05% | 615,107,883 | 645,863,277 |
| 13 | Public works& Infrastructure | 51,080,425 | 18,000,000 | 180,000,000 | 249,080,425 | 2.5% | 1.5% | 9.0% | 4.70% | 261,534,447 | 274,611,169 |
| 14 | Mining | 5,000,000 | 53,124,777 | 10,000,000 | 68,124,777 | 0.2% | 4.3% | 0.5% | 1.28% | 71,531,016 | 75,107,567 |
| 15 | Finance & Economic Planning | 131,781,966 | 249,085,043 | 25,000,000 | 405,867,009 | 6.4% | 20.1% | 1.3% | 7.65% | 426,160,359 | 447,468,377 |
| | TOTAL | 2,069,809,397 | 1,236,774,917 | 1,997,181,451 | 5,303,765,765 | 100.0% | 100.0% | 100.0% | 100.00% | 5,568,954,054 | 5,847,401,756 |
| | | 39% | 23% | 37.7% | | | | | | | |

Annex 2: Own Source Revenue performance and Projections

| REVENUE TYPE | DEPARTMENT | 2017-18 TARGET | 2017-18 1ST HALF | ACTUAL 1ST HALF | VARIANCE | FY 2018/2019 |
|--|------------------------------------|----------------|------------------|-----------------|--------------|--------------|
| | | YEARLY | BUDGET TARGETS | PERFORMANCE | | |
| IMPOUNDING CHARGES | ADM & DEVOLUTION | 121,065 | 60,533 | 20,720 | (39,813) | 111,065 |
| LIQUOR LICENCES | ADM & DEVOLUTION | 12,106,510 | 6,053,255 | 2,072,000 | (3,981,255) | 12,506,510 |
| ADMINISTRATIVE SERVICE FEES | ADM & DEVOLUTION | 1,305,598 | 652,799 | 223,450 | (429,349) | 505,598 |
| CLAMPING & DECLAMPING FEES | ADM & DEVOLUTION | 30,091 | 15,045 | 5,150 | (9,895) | 30,091 |
| SISAL CESS | AGRICULTURE, LIVESTOCK & FISHERIES | 8,776,197 | 4,388,099 | 1,502,025 | (2,886,074) | 8,976,197 |
| SLAUGHTER HOUSES ADMINISTRATION | AGRICULTURE, LIVESTOCK & FISHERIES | 5,123,823 | 2,561,912 | 876,930 | (1,684,982) | 5,123,823 |
| LIVESTOCK AND VETERINARY | AGRICULTURE, LIVESTOCK & FISHERIES | 2,998,289 | 1,499,145 | 513,150 | (985,995) | 2,998,289 |
| FISHERIES | AGRICULTURE, LIVESTOCK & FISHERIES | 55,216 | 27,608 | 9,450 | (18,158) | 55,216 |
| SAND CESS | ENVIRONMENT | 6,262,548 | 3,131,274 | 1,071,820 | (2,059,454) | 6,262,548 |
| ENVIRONMENT & REFUSE COLLECTION | ENVIRONMENT | 2,173,300 | 1,086,650 | 371,955 | (714,695) | 2,173,300 |
| PUBLIC TOILET FEES | ENVIRONMENT | 4,368,160 | 2,184,080 | 747,600 | (1,436,480) | 4,368,160 |
| NATURAL RESOURCES EXPLOITATION | ENVIRONMENT | 5,182,603 | 2,591,301 | 886,990 | (1,704,311) | 5,182,603 |
| SALE OF TENDER DOCUMENTS | FINANCE | 5,843 | 2,921 | 1,000 | (1,921) | 5,843 |
| GENERAL CESS | FINANCE | 40,885,735 | 20,442,868 | 6,997,495 | (13,445,373) | 35,885,735 |
| INTEREST & REVENUES FROM FINANCIAL INVESTMENTS | FINANCE | 228,212 | 114,106 | 39,058 | (75,048) | 228,212 |
| OTHER LOCAL LEVIES | FINANCE | 397,756 | 198,878 | 68,075 | (130,803) | 397,756 |

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|-----------------------------------|------------------------|------------|------------|-----------|-------------|------------|
| HEALTH-HOSPITALS | HEALTH | 26,935,711 | 13,467,856 | 4,609,982 | (8,857,874) | 26,935,711 |
| PUBLIC HEALTH | HEALTH | 11,320,931 | 5,660,465 | 1,937,550 | (3,722,915) | 11,320,931 |
| LAND RATES | LANDS AND MINING | 22,677,988 | 11,338,994 | 3,881,283 | (7,457,711) | 15,677,988 |
| GROUND RENT | LANDS AND MINING | 20,801,625 | 10,400,813 | 3,560,148 | (6,840,665) | 20,801,625 |
| RATES CLEARANCE CERTIFICATE | LANDS AND MINING | 29,215 | 14,607 | 5,000 | (9,607) | 29,215 |
| PLOT TRANSFER FEES | LANDS AND MINING | 409,004 | 204,502 | 70,000 | (134,502) | 409,004 |
| OPENING OF FILES | LANDS AND MINING | 11,686 | 5,843 | 2,000 | (3,843) | 11,686 |
| PHYSICAL PLANNING | LANDS AND MINING | 568,398 | 284,199 | 97,280 | (186,919) | 568,398 |
| MINING CESS | LANDS AND MINING | 11,932,070 | 5,966,035 | 2,042,145 | (3,923,890) | 12,932,070 |
| BUS PARK FEES | PUBLIC WORKS & HOUSING | 20,369,612 | 10,184,806 | 3,486,210 | (6,698,596) | 18,369,612 |
| MOTORCYCLE CURB | PUBLIC WORKS & HOUSING | 632,144 | 316,072 | 108,190 | (207,882) | 632,144 |
| DAILY PARKING FEES(PARKING SLOTS) | PUBLIC WORKS & HOUSING | 13,619,415 | 6,809,707 | 2,330,930 | (4,478,777) | 8,619,415 |
| RESERVED PARKING FEES | PUBLIC WORKS & HOUSING | 3,867,013 | 1,933,507 | 661,830 | (1,271,677) | 3,867,013 |
| HOUSE RENT | PUBLIC WORKS & HOUSING | 24,037,055 | 12,018,527 | 4,113,884 | (7,904,643) | 15,037,055 |
| HIRE OF COUNCIL'S EQUIPMENT | PUBLIC WORKS & HOUSING | 29,215 | 14,607 | 5,000 | (9,607) | 29,215 |
| ADVERTISEMENT/PROMOTION | PUBLIC WORKS & HOUSING | 864,751 | 432,375 | 148,000 | (284,375) | 864,751 |
| APPROVAL OF BUILDING PLANS | PUBLIC WORKS & HOUSING | 6,123,125 | 3,061,562 | 1,047,958 | (2,013,604) | 5,123,125 |
| RENOVATION FEES | PUBLIC WORKS & HOUSING | 171,782 | 85,891 | 29,400 | (56,491) | 171,782 |
| RENEWAL OF BUILDING PLANS | PUBLIC WORKS & HOUSING | 548,065 | 274,032 | 93,800 | (180,232) | 548,065 |
| DRAWING PLANS FEES | PUBLIC WORKS & HOUSING | 88,812 | 44,406 | 15,200 | (29,206) | 88,812 |
| PLOT FENCING FEES | PUBLIC WORKS & HOUSING | 292,146 | 146,073 | 50,000 | (96,073) | 292,146 |
| BURIAL SITE FEES | PUBLIC WORKS & HOUSING | 155,421 | 77,711 | 26,600 | (51,111) | 155,421 |
| TECHNICAL SERVICES FEES | PUBLIC WORKS & HOUSING | 927,562 | 463,781 | 158,750 | (305,031) | 927,562 |
| SIGNBOARDS | PUBLIC WORKS & HOUSING | 3,485,296 | 1,742,648 | 596,500 | (1,146,148) | 2,485,296 |
| APPLICATION FOR SBP/RENEWAL | TRADE & COMM | 11,292,008 | 5,646,004 | 1,932,600 | (3,713,404) | 10,292,008 |
| HIRE OF TOWN HALL CHAMBERS | TRADE & COMM | 151,916 | 75,958 | 26,000 | (49,958) | 151,916 |
| MARKET STALLS/SLABS | TRADE & COMM | 1,839,348 | 919,674 | 314,800 | (604,874) | 1,039,348 |
| SOCIAL SERVICES | TRADE & COMM | 426,936 | 213,468 | 73,069 | (140,399) | 426,936 |

| | | | | | | |
|-----------------------------|--------------|--------------------|--------------------|-------------------|--------------|--------------------|
| SOCIAL PREMISES USE CHARGES | TRADE & COMM | 2,766,034 | 1,383,017 | 473,400 | (909,617) | 766,034 |
| SINGLE BUSINESS PERMITS | TRADE & COMM | 21,803,369 | 10,901,684 | 3,731,594 | (7,170,090) | 20,803,369 |
| HIRE OF STADIUM | TRADE & COMM | 181,130 | 90,565 | 31,000 | (59,565) | 181,130 |
| MARKET FEES | TRADE & COMM | 45,645,855 | 22,822,927 | 6,780,914 | (16,042,013) | 35,645,855 |
| GRAND TOTAL | | 338,000,000 | 169,000,000 | 57,847,885 | | 300,015,583 |