

REPUBLIC OF KENYA



EMBU COUNTY GOVERNMENT

COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY

PAPER

***UNLOCKING THE POTENTIAL FOR EQUITABLE WEALTH AND
EMPLOYMENT CREATION***

FEBRUARY 2014

FOREWORD

This Fiscal Strategy Paper, the first since the operationalization of the County Governments, sets out county policy goals and strategic priorities that will be the basis for formulation of County's Financial Year 2014/15 budget and the Medium Term. The Paper is prepared in accordance with the Public Finance Management Act, 2012.

The paper is being prepared at a time when significant progress has been made in operationalizing the County Government by appointing the County Executive, the County Public Service Board and operationalizing the County Assembly which are necessary institutions in facilitating effective service delivery in the County.

The County priorities and goals outlined herein are based on the County Integrated Development Plan with emphasis on investment in: Agriculture and food security, Infrastructure, accessibility of water, accessible health care, education. These priorities shall form the basis for formulation of FY 2014/15 budget and the Medium Term. The paper therefore links county planning and policies to Budget which is the main objective of the Medium Term Expenditure Framework.

The paper covers the following broad areas in review of the fiscal performance of financial year 2013/2014; highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework.

The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline.

MR JOHN NJAGI

**COUNTY EXECUTIVE COMMITTEE MEMBER FOR FINANCE AND
ECONOMIC PLANNING**

Legal Basis for the Publication of the County Fiscal Strategy Paper

County Fiscal Strategy Paper (CFSP) is published in accordance with Section 117 of the Public Financial Management Act 2012. This law states that:

- 1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval.
- 2) County Treasury shall submit the Fiscal Strategy Paper approved in terms of subsection (1) to the County assembly, by the 28th February of each year.
- 3) In preparing the County Fiscal Strategy Paper the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- 4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook to County government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- 5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of :-
 - (a) The Commission on Revenue Allocation
 - (b) The Public
 - (c) Any interested persons or groups
 - (d) Any other forums that is established by legislation
- 6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the County Assembly shall consider and may adopt it with or without amendments.
- 7) The County treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to 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 Government's recurrent expenditures shall not exceed the county government's total revenue.
- 2) Over the Medium Term, a minimum of thirty percent of the county government's budget shall be allocated to the development expenditures.
- 3) The County Governments' expenditures on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.
- 4) Over the Medium Term the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) The county debt shall be maintained at sustainable level 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 tax reforms that may be made in the future.

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Abbreviation

CFSP	County Fiscal Strategy Paper
MTEF	Medium Term Expenditure Framework
FY	Financial Year
CIDP	County Integrated Development Plan
BPS	Budget Policy Statement
PFMA	Public Finance Management Act

I. UNLOCKING THE POTENTIAL FOR EQUITABLE WEALTH AND EMPLOYMENT CREATION

1. Overview

The second County government Medium Term Expenditure Framework (MTEF) budget for the FY 2014/15 will be prepared in the face of challenging economic environment. Generally the Kenyan economy faces a range of challenges as the projected annual growth of 10% expected to lead to sustainable development has not been achieved due to a number of reasons including failure to meet the targeted annual investment growth. This coupled with the need to implement the Constitution and kick start an expansive devolution exercise has squeezed the national government resources. Beyond our borders, the IMF, World economic outlook releases paint a weakening global environment. The County government of Embu operating under this challenging economic environment has seen resources transferred from the national government not meeting the resource requirements for the functions transferred and locally we witness sluggish economic performance leading to a below par collection of local revenue.

In the wake of the various economic challenges, there is need to exercise strict fiscal discipline while focusing on areas that will ignite the economic potential of our county. This calls for support of the productive and wealth generating sectors of the economy while at the same time strengthening investment in economic infrastructure for sustainable long term growth. The county will thus focus on strengthening the unique potential it is endowed with to stimulate economic growth and development across all sectors.

The key policy for the county in implementing the 2014/15 budget will focus on investing in sectors that will lead to further economic investments in the County, improve local revenue and employment creation. The county will therefore focus on strategic physical infrastructure to facilitate the productive sectors and facilitate the private sector to expand and promote productivity.

Priority areas will include investment in agriculture, roads, tourism circuits, and social-economic sectors such as health, and education. This will be implemented within the available resource envelope.

2. Need for Tough Decisions

The transfer of devolved functions payroll to the county has adversely raised the wage bill to nearly 43.87% of the total revenue. Staffing pressures will also have an impact on pension expenditure for the County. We have already reached personnel emolument levels that cannot be sustained within our current revenue levels. Over the medium term, recruitment of new staff and salary increases for all county employees will be given careful attention with emphasis on reducing the proportion of personnel expenditure to the total budget.

Given the existing staffing challenge, there is need for rationalization of the public service to make it efficient, effective, accountable and sustainable. This will call for adoption of innovative ways to enhance delivery of public service, including but not limited to leasing of assets and equipment and exploiting public private partnership opportunities.

Given the inadequacy of the resource envelope, there is need to agree on a development agenda that will involve developing a priority list of programmes and projects to be implemented within the available resource envelop. This should be followed by mechanisms to ensure strict adherence to the plan and delivery of the same. Developing a list of priority programmes and projects calls for tradeoffs with implementation of some important programmes being postponed to allow the completion of others.

The County Government has noted that our resources are hardly adequate to implement our total development agenda. There is therefore need to focus on our capacity to improve our locally raised revenue as the solution to inadequate resources and reduce our reliance on the transfers from the national government. This calls for investments in sectors that show a potential for improved revenue generation in the medium term. Beyond agricultural sector the 2014 County Fiscal Strategy Paper (CFSP) identifies trade

and tourism and infrastructure sectors as the two sectors with the biggest potential to mobilize improved revenue for the County.

Given that our resources are limited, there is need also for increased fiscal discipline coupled with proper alignment of resources and priorities. Departments will be expected to seek ways of generating savings in expenditure while at the same time exploiting opportunities to raise Appropriation in Aid (AiA) target allocated to each.

The county Government will continue to exploit areas that leverage the private sector to generate the much anticipated wealth and employment opportunities. There will be need to have a favorable and robust taxation policy to improve our collections. New and emerging markets will be developed to create more avenues for employment and wealth creation.

3. Recent Economic Developments and Outlook

Implementation of the FY 2013/14 budget begun at a slow pace in the early months of the financial year following transition to the new Integrated Financial Management Information System (IFMIS) platform and subsequent cascading to county but has subsequently picked up. Fiscal outcome for the first seven months of the financial year was however not been satisfactory, with revenue collection underperforming and low absorption rate observed.

Expenditure pressures relating to recurrent expenditures pose a fiscal risk to the stability of the budget for 2014/15 - 2016/17 MTEF period in the face of resource requirements for county projects (30% minimum constitutional threshold for development).

Revenues shortfall has persisted. At the beginning of December, cumulative revenue receipts amounted to Ksh. 75 million, against a target of Ksh. 200 million resulting in an underperformance of Ksh.125 million. The underperformance was in respect of revenue `fees from markets, licenses, and land rates.

To confront the challenges of revenue shortfall and expenditure pressures, the county Government will step up efforts on mobilization of revenue to eliminate leakages and increase revenue collection as targeted in the FY 2013/14, as well as rationalize and even cut some expenditure.

II. FISCAL POLICY AND BUDGET FRAMEWORK

1. Overview

The 2014 Medium-Term Fiscal Framework aims at striking an appropriate balance between stimulating economic growth at the County and a balanced fiscal policy. It stresses prudent fiscal policy to reinforce County Government's commitment to responsible financial management practices. The Public Finance Management Act 2012 sets a minimum of thirty percent (30%) of total expenditure as the budget which should be set aside for development expenditure in the medium term. The County Government meets this threshold even with the soaring wage bill that consumes nearly half of the total county budget. This however affects the ability of the county government to raise development expenditure beyond the thirty percent mark.

Specifically the 2014 CFSP emphasizes:

- Efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations, maintenance, and development.
- Expenditure that promotes equitable development as well as making provisions for any marginalized groups in the county.

2. Prudent Fiscal Policy

Fiscal policy will continue to support economic activity while undertaking the functions of county government within a context of sustainable public financing. The county will continue reorienting expenditure towards priority programmes in health, agriculture, education and infrastructure as per the County's Integrated Development Plan. There will be a number of critical programmes to be implemented that are expected to accelerate economic activities and socio-economic development. The share of development funds of our total expenditure stands at 35.61%. Recurrent expenditure takes the lion share of 64.38% largely due to the county wage bill totally to **Kshs. 1,761,850,843** which is also nearly half of the total budget.

Table: County Fiscal Projections 2014/15 -2016/17

	2013/14	2014/15	2015/16	2016/17
	<i>Budget</i>	<i>CFSP</i>		
Total Revenue	4,023,446,437	4,015,666,165	4,473,139,428	4,994,658,948
Local Sources	439,611,586	390,000,000	390,000,000	390,000,000
AiA (Ministerial)	169,422,720	358,000,000	358,000,000	358,000,000
Equitable Share from National government	2,807,082,690	3,267,666,165	3,725,139,428	4,246,658,948
Grant (Level Five Hospital)	259,887,438	-	-	-
Grant (Rural Electrification)	-	*108,057,919	*118,863,711	*130,750,082
Donor Funds	297,310,964	*426,494,990	*426,494,990	*426,494,990
Refunds B/F 2012/2013	50,131,039	-	-	-
Expenditure	4,023,446,437	4,015,666,165	4,473,139,428	4,994,658,948
Recurrent Expenditure	2,814,605,691	2,585,501,858	2,560,236,220	2,550,701,599
Wages and Benefits (Civil Service)	1,769,560,680	1,761,850,843	1,791,371,438	1,811,763,269
Others	1,045,045,011	823,651,015	768,864,782	738,938,330
Development Expenditure	1,208,840,746	1,430,164,307	1,912,903,208	2,443,957,349
Domestically Financed	1,208,840,746	1,430,164,307	1,912,903,208	2,443,957,349
Foreign Financed	-	-	-	-
Balance	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

*Represents conditional allocation to the county by the national government but does not form part of the resource envelope.

3. Observing Fiscal Responsibility Principles

The county recognizes that the fiscal stance it takes today will have implications into the future. The county Government is also guided by Article 201 of the Constitution of Kenya that provides the public finance principles to be followed that include openness, accountability and public participation in financial matters. In this regard the County will involve the Public in developing priority programmes/projects for implementation and in the actual implementation of the same. In determining levies and fees to charge for

various services offered by the County government we shall also involve the public and ensure that we are fair with the overall goal being to promote equitable development of the county.

The need for improved service delivery and implementation of development programmes results in increased expenditure demands. This will require a corresponding increase in revenue base. The county plans to meet this through efficient collection methods, widening of revenue base, and applying reasonable revenue rates. It is therefore imperative to reform and modernize the revenue regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund priority programmes on sustainable basis.

4. Fiscal structural reforms

The total revenue in FY 2014/15 **KShs. 4,015,666,165** in FY 2014/15. Deepening of the Medium term Expenditure Framework (MTEF) will ensure proper coordination of policy, planning and budgeting in accordance with county development priorities. Reforms in this area will focus on strengthening data collection/analysis and reviewing budget procedures to ensure budget formulation process is appropriately integrated with planning.

The county will undertake the following measures in improving revenue and expenditure performance.

- Simplification of revenue collection processes in line with best practices, in order to help improve on compliance and minimize delays.
- Conduct a business census to guide in developing a new licensing regime
- Implement the e-Revenue system to improve revenue collection
- Strengthen single business permit strategy
- Expand local revenue base mainly focusing on tourism, agriculture and informal businesses.
- Support county ministries in generation of Appropriation in Aid (AiA)
- Strengthen revenue collection enforcement systems/measures.

- Austerity measures targeting both domestic and foreign travel, hospitality costs, publicity.

Modernizing revenue administration infrastructure will help in effectively enforcing revenue collection. The county will continue with expenditure management reforms to improve efficiency and reduce wastage in line with the PFM law of 2012. Embracing the Integrated Financial Management Information System (IFMIS) fully in expenditure management will go a long way in ensuring proper controls of public funds.

5. 2014/15 Budget Framework

The 2014/15 budget framework is set against the background of the medium-term macro-fiscal framework set out above, the national Government's national strategic objectives as outlined in the Vision 2030 Second MTP and the county priorities as outlined in the Integrated Development Plan. The medium term forecast for the county economy is for sustained growth. The county's productivity is expected to expand underpinned by continued good performance across all sectors of the county's economy.

A stable macroeconomic environment will be a huge incentive to the continued economic growth of the county. The projected growth assumes normal weather pattern during the year. Reforms being undertaken by the national government in areas such as security, governance and justice will help in improving investor confidence contributing to increased investments in the county. Inflation is expected to be maintained at a single digit level reflecting implementation of a prudent monetary policy and easing of both food and oil prices and stabilization of the shilling exchange rate.

There is need to refocus expenditure from recurrent to development expenditure and more importantly reduce wage related expenditure. The county will seek to broaden the revenue base to generate more revenues so as to cover the huge wage bill. This will create fiscal space, which is obviously important for infrastructure development, where large gaps already remain.

The medium-term fiscal stance envisages new sources of revenue such as focusing on the untapped tourism sector. Public Private Partnerships (PPPs) will also be encouraged to help in closing the financial deficit.

6. Revenue Projections

County revenue from local sources will be raised through levies, permits, rents, service-charge and rates, and from its share of the National revenue as part of the devolved funds. The 2014/15 budget target for revenue collection inclusive of Appropriation-in-Aid (AiA) is expected to be **KShs. 748,000,000** which is **18.63%** of the total county revenue. This performance will be underpinned by on-going reforms in revenue administration and management which seek to expand revenue base and eliminate revenue collection leakages. To supplement the available revenue from Local sources we allocate AiA targets to all Ministries. We base the AiA targets under each Ministry on the resources allocated respectively and the available opportunities under each Ministry. We refer to the Budget Policy Statement (BPS) 2014 and the County Allocation Revenue Bill 2014 in estimating the equitable share of revenue from the National Government of **KShs. 3,267,666,165**. Therefore, the total county revenue is expected to reach **KShs. 4,015,666,165** for the FY 2014/2015.

7. Expenditure Forecasts

The key policy document guiding the County Government's funding allocation decisions is the County Integrated Development Plan, which provides the updated development priorities of the county. The County Government Act, 2012 requires that all county governments prepare and implement an integrated development plan.

The Integrated County Development Plans are, according to the act, five year plans that are implemented through annual budgetary allocation by the county governments. In addition, all planning is expected to be inspired by the Kenya Vision 2030 and be aligned to the second Medium Term Plan of Kenya Vision 2030. In 2014/15, the recurrent expenditure is projected to be **KShs. 2,585,501,858** with the wage bill accounting for **68.14%** of the total recurrent budget. On the other hand, development expenditure is **KShs.1,430,164,307** which accounts for **35.61%** of total expenditure.

8. Recurrent Expenditure

Recurrent expenditure is expected to increase as a result of transfer of devolved functions Personnel Cost from the National Government to the County leading to an increase of the total wage bill. The soaring wage bill if not properly controlled could compromise on development as well as county delivery of service. The County therefore places a cap on further recruitment until the existing staffs are fully deployed. With respect to goods and services, expenditure ceilings for Ministries/departments are determined based on proposed programmes in the CIDP, current year's 2013/14 funding allocation and trend of expenditure. The ceilings are also reduced to take into account one-off expenditures in FY 2013/14 like purchase of motor vehicles, mortgage cost and car loans for Members of the County Assembly (MCA's) and then an adjustment factor is applied to take into account the general increase in prices. The table below provides a breakdown of recurrent expenditure:

RECURRENT EXPENDITURE	2014/2015	PERCENT
Wages and Benefits (Civil Service)	1,761,850,843	68.14
Others	823,651,015	31.86
TOTAL	2,585,501,858	100.00

9. Development

Consistent with the objective of allocating adequate resources towards development expenditure and the need to ensure completion of ongoing projects, the ceiling for development expenditures is **KShs. 1,430,164,307** or 35.61% of total budget. Most of the funds are expected to support critical infrastructure as well as facilitate critical interventions to remove constraints hindering growth. The utilization of Procurement and Disposal Act 2005 will help ensure value for money as well as transparency in all procurements. In FY 2014/15, infrastructure at **20.63%** of development budget the largest share of development expenditure. A breakdown of county development

expenditure is highlighted below:

NAME OF SECTOR	AMOUNT ALLOCATED	PERCENT
Office of the Governor	-	-
Finance and Economic Planning	70,904,929	4.96%
Education, Science & Technology and ICT	95,000,000	6.64%
Health	200,603,015	14.03%
Infrastructure, Public Works, Energy and Housing	295,000,000	20.63%
Gender, Women, Children, Culture and Social Services	15,452,465	1.08%
Trade and Tourism	30,000,000	2.10%
Agriculture, Livestock, Fisheries and Co-operative Development	100,000,000	6.99%
Lands, Water, Environment and Natural Resources	95,000,000	6.64%
Investments and Industrialization	30,000,000	2.10%
Youth Empowerment and Sports	50,000,000	3.50%
County Public Service Board	-	0.00%
County Assembly	48,203,898	3.37%
Ward development projects	400,000,000	27.97%
Total Development	1,430,164,307	100.00%

10. Overall Deficit and Financing

It is in the interest of the government that county expenditures be limited to county estimates which should be commensurate with revenue collections, share of the national revenue and from other sources. Therefore, counties are not required to run into deficits while drawing budgets because those budgets are required to be supported by prerequisite revenues.

III. MEDIUM TERM EXPENDITURE FRAMEWORK

1. Resource Envelope

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

- Equitable share from the Consolidated Fund will finance 81.37% of the budget. These are funds allocated to the County on the basis of the allocation formula by the Commission on Revenue Allocation (CRA). The proportion of the equitable share from the consolidated fund to locally raised revenue underscores the need to focus on the locally raised revenue in this medium term to raise its proportion.
- Locally mobilized revenue will fund the remaining 18.63 % of the budget. Of these, fees and charges (business permit, parking fees, market fess, cess, rent and rates etc.) accounts for over 52.14% of the local collection. Appropriation in Aid (AiA) will contribute the remaining 47.86 % which will be mainly from health, agriculture, education and tourism sectors.

The County will from this medium term focus on its potential to improve the local revenue source in order to meet the expanding budgetary requirements. Departments have also been challenged to raise Appropriation in Aid (AiA) targets as an option strategy of raising sustainable revenue.

2. Spending Priorities

The County has prepared the Integrated Development Plan (CIDP) for the period 2013-2018 which has taken into account public opinion through the countywide CIDP consultative meetings held in August 2013 and the Medium Term Plan (MTP) II priority programmes covering the period 2013-2018. The county also held consultative meetings on the County Fiscal Strategy Paper on 24th and 25th February, 2014 whose input will form part of the priority programmes for implementation.

Development expenditures are shared out on the basis of the County Integrated Development Plan (CIDP). The following guidelines are used:

- *On-going projects*: emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation.

Strategic policy interventions: priority is also given to policy interventions covering the entire county, social equity and environmental conservation.

In addition, the Constitution and the PFM law require national and county governments to promote budgetary transparency, accountability and effective financial management of their respective economy's and public sector. Therefore, inefficient and wasteful public expenditure will be eliminated at all costs in order to promote public trust in public spending.

In finalizing the preparation of the 2014 MTEF budget, the County Government will continue to pursue the policy of curtailing less productive expenditures and redirecting resultant savings to capital investment. Spending proposals will in this regard undergo rigorous scrutiny to identify areas of inefficient and non-priority expenditure with focus being in the areas indicated in the table below. During scrutiny of 2014/15 budget proposals, more effective use of resources will be sought across the County portfolios and any identified savings will be redirected to deserving priority expenditures.

Table 4.1 Targeted expenditures for scrutiny to create savings

Personnel Emoluments
Domestic Travel and Subsistence, and Other Transportation Costs
Foreign Travel and Subsistence, and other transportation costs
Printing , Advertising and Information Supplies and Services
Hospitality Supplies and Services
Contracted Services
Purchase of Office Furniture and General Equipment
Purchase of Motor Vehicles

Overall, given limited resources, the MTEF budgeting will focus on the following:

The priority social sectors of education and health will continue to receive a huge share of available resources. These sectors however, will be required to utilize the allocated

resources more efficiently to generate fiscal space to accommodate strategic interventions in their sectors including affordable drugs, as well as modernizing Early Childhood Development Centre's (ECDs) and Local Polytechnics as identified during the budget consultations.

The economic sectors including agriculture and livestock will receive increased share of resources to boost agricultural productivity with a view to dealing with food security problems in the county and surplus to generate revenue for farmers. Agricultural sector is expected to be the largest economic contributor in the County in the coming medium term. The tourism sector will also receive substantial resources due to its short term potential for mobilizing improved revenue for the county in the medium term. In particular the county will focus on the following strategic projects under tourism - developing a Planetarium, opening a new route to Mt Kenya and promoting Mwea Game Reserve.

With the County Government committed to improving infrastructure countywide, the share of resources going to the physical infrastructure sector, such as roads, water and irrigation will continue to rise over the medium term. This will help the sector provide feeder roads and increased access to water and development of irrigation projects countywide. On new areas of funding, the County Allocation of Revenue Bill, 2014 proposes an allocation to the County for the first time of **Kshs. 108,057,919** towards rural electrification. This is expected to go a long way in improving the county infrastructure by bring power to economic centers.

Other priority sectors include youth, sports and social services. Resources to these sectors will be maintained at adequate levels over the medium-term to enable these sectors deal with youth issues and provide opportunities for the vulnerable members of our society.

3. 2013/14 Revised Estimates

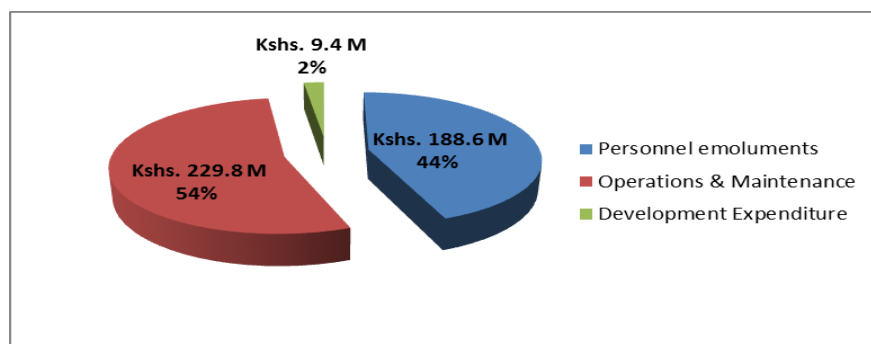
Expenditure in the first half-year of 2013/14 amounted to **Kshs. 428 million** or

about 11% of the appropriation for the year. This excludes the huge wage bill for the devolved functions of **Kshs. 671 million** in period under review which are to be refunded to the national government. In view of the wage bill financing requirement, adjustment to the budget, in the context of the Supplementary budget, has been presented in the County Assembly.

Performance in local revenue collection during the first half of financial year 2013/2014 was unfavorable with **Kshs. 62.6 million** collected which translates to only 14.2% of the estimated annual local revenue target by the county.

In order to finance the huge wage bill in the face of financial constraints, austerity measures will be instituted. The austerity measures will take into account performance of expenditure so far in the FY 2013/14 and absorption capacity for the remainder of the financial year. The financing gap will also be met by deferring expenditures of some projects that are unlikely to start this financial year, reallocation of budgeted provisions, and across the board expenditure cuts.

Figure 1: Expenditure by Economic Classification (Kshs. Millions)



4. Medium-Term Expenditure Estimates

Table 4.2 below provides the projected ceilings for the 2014 MTEF, classified by sector.

	Sector	Total Expenditure				% Share of Total Expenditure		
		2013/14	Ceiling			Projected		
		Supplementary	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
1	Office of the Governor	1,879,631,427	330,707,409	344,707,499	359,607,499	8.24%	7.71%	7.20%
2	Finance and Economic Planning	81,660,957	229,208,966	189,534,328	199,534,328	5.71%	4.24%	3.99%
3	Education, Technology & ICT	124,592,812	217,322,996	273,714,196	279,644,516	5.41%	6.12%	5.60%
4	Health	154,433,000	1,164,823,764	1,235,381,305	1,377,862,668	29.01%	27.62%	27.59%
5	Infrastructure, Public Works & Housing	386,559,000	372,121,456	562,121,456	587,621,456	9.27%	12.57%	11.76%
6	Sports & Youth Affairs	54,640,017	98,137,216	100,337,216	112,757,216	2.44%	2.24%	2.26%
7	Investment & Industrialization	73,739,481	53,250,996	63,250,996	83,250,996	1.33%	1.41%	1.67%
8	Agriculture, Livestock & Cooperative Development	193,101,246	368,054,498	432,354,408	575,054,408	9.17%	9.67%	11.51%
9	Gender, Women, Children, Culture		43,703,461	50,250,000	62,450,996	1.09%	1.12%	1.25%
10	Trade and Tourism		68,733,584	90,733,584	112,933,584	1.71%	2.03%	2.26%
11	Lands, Water, & natural resources		168,857,171	217,969,197	323,864,207	4.20%	4.87%	6.48%
12	County Public Service Board	32,025,525	29,944,045	31,944,045	34,144,045	0.75%	0.71%	0.68%
13	County Assembly	486,396,570	470,800,603	480,841,198	485,933,029	11.72%	10.75%	9.73%
14	Ward development projects	*322,100,000	400,000,000	400,000,000	400,000,000	9.96%	9.96%	9.96%
15	Level 5 Hospital	259,355,438	-	-	-	-	-	-
16	Donor Funded Projects	297,310,964	-	-	-	-	-	-
	Total	4,023,446,437	4,015,666,165	4,473,139,428	4,994,658,948	100.0%	100.0%	100.0%

*Ward development projects allocation included in the various portfolios.

5. Ceilings

The baseline estimates (*2013/14 estimates*) reflects current spending priorities. Social programmes (health and education) and infrastructure receive the largest share followed by economic sectors. The 2014/15 budget is a balanced and is fully funded by equitable share from the consolidated fund and locally generated revenue.

6. Finalization of spending Plans

As indicated earlier, the finalization of the preparation of the detailed budgets will entail

thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. As detailed budgets are scrutinized and the resource envelope firmed up, it is likely that additional resources may become available. The County will utilize these resources to accommodate key strategic priorities with sound business plans. Specifically, the following will receive priority:

Table 4.3 Priority Areas of Consideration for Additional Resources

1	Intervention identified during the county stakeholders consultation for 2014 MTEF budget.
2	Strategic intervention in the area of Education, Health, Infrastructure (especially rural/feeder roads), Lands, Water, Environment and Natural Resources, Finance and Administration (security and revenue collection), Agriculture (especially irrigation programmes and other food security enhancing programmes), as well as policy interventions to enhance social equity.
3	Specific consideration to job creation for the youth based on sound initiatives identified within and outside the normal budget preparation

7. Details of Sector Priorities

The medium term spending estimates for 2013/14 - 2016/17 ensures continuity in resource allocation based on prioritized programmes aligned to the Vision 2030 Second MTP and policy initiatives to accelerate growth, employment creation and poverty reduction.

i. Agriculture, Livestock, Fisheries and Cooperative Development

The Agricultural sector is critical to County's economic growth, employment creation and poverty reduction. The sector contributes up to 80% of the County's economic production and contains multiple linkages with other key sectors such as manufacturing, wholesale and retail, transport and distribution and other service-related sectors. The challenges facing the sector include unfavorable climatic changes, low production due to poor farming methods, inaccessible markets, low value addition, inadequate funding, and low access to financial services as well as affordable credit.

Over the 2014/15 – 2016/17 MTEF period, the sector aims to address the above challenges by raising agricultural productivity, exploiting irrigation potential, increasing commercialization of agriculture and improving governance of agricultural institutions.

The 2014/15 – 2016/17 MTEF period estimates for the sector will be Kshs.1,375.4 B . For FY 2014/15, Kshs. 368 million has been set aside for the sector. This is projected to increase to Kshs. 432 million and Kshs. 575 million, respectively, for FY 2015/16 and FY 2016/17. *Refer to Annex I,II and III*

ii. Infrastructure, Public Works, Energy and Housing

Infrastructure Sector is the enabler for sustained development of the county. The sector faces a number of challenges that limits its optimal operations, including: inadequate resources, lengthy procurement process, general underutilization of development expenditure and unclear delineation between the national government and county government roles.

Over the medium-term, the sector's priorities include: improving efficiency and effectiveness of the infrastructure development process at all levels of planning, contracting, and construction and expanding access.

Total MTEF estimate for the sector is Kshs 1,521.8 B of which Kshs 372.1 million has been set aside for the FY 2014/15. Kshs 562.1 million and KSh. 587.6 million have been allocated to the FY 2015/16 and FY 2016/17, respectively. *Refer to Annex I,II and III*

iii. Health

The sector's goal is to provide equitable and affordable health care to the citizens. The sector faces numerous challenges, which include inadequate infrastructure for service delivery, shortage of qualified health personnel, and on time delivery of medicines and medical supplies.

The County is expected to play a significant role in improvement of access and better health care for the citizens. As such, functions under this sector include county health

facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control of undertakings that sell food to the public, and refuse removal, refuse dumps and solid waste disposal.

In the medium term, the County will seek to address these challenges through continued investment in infrastructure improvement.

The Total MTEF estimate for the sector is Ksh. 3,777.9 B, of which Kshs. 1,164.8 billion has been set aside for FY 2014/15. This is projected to increase to Kshs. 1,235.3 billion for 2015/16 and Kshs. 1,377.8 billion for 2016/17. *Refer to Annex I,II and III*

iv. Education

The sector goal is to increase access to early childhood education, reduce inequality in access to education, improve access to vocational training and exploit knowledge and skills in science, technology and innovation to achieve global competitiveness of our labour force.

The sector's challenges include inadequate infrastructure and staffing and slow pace to ICT integration among others. In the medium term, the County will seek to address these challenges by enhancing early childhood education and training opportunities and building capacity by linking polytechnic training to market demands as emphasized in the public forums.

The Total MTEF estimate for the sector is Kshs. 770.6 million of which Kshs. 217.3 million has been allocated for FY 2014/15. This is projected to increase to Kshs. 273.7 million in the FY 2015/16 and Kshs. 279.6 million in the FY 2016/17. *Refer to Annex I,II and III*

v. Trade and Tourism

Although there is huge potential of tourism in the county, the sector remains largely under developed. Over the medium-term, the sector plans to create an enabling business environment for trade and tourism development.

Total MTEF estimate for the sector is Kshs. 272.3 million. For the FY 2014/15, Ksh. 68.7 Million has been set aside. This is projected to increase to Ksh. 90.7 million and Ksh. 112.9 million, respectively, for FY 2015/16 and FY 2016/17. *Refer to Annex I,II and III*

vi. Investment and Industrialization

Over the medium-term, the sector aims to improve business environment for investment; undertake policy, legal and institutional reforms for the development of the sector; support entrepreneurship and industrial development; and promote trade.

Total MTEF estimate for the sector is Ksh 199.6 million. For the FY 2014/15, Ksh. 53.2 million has been set aside. This is projected to increase to Ksh. 63.2 million and Ksh. 83.2 million, respectively, for FY 2015/16 and FY 2016/17. *Refer to Annex I,II and III*

vii. Office of the Governor

The function of the office of the Governor through the Executive Committee is to implement County and National legislations to the extent that the legislation so requires and to manage the functions of the County Administration and its departments.

Funding over the 2014 MTEF period will enable the office to provide leadership and policy direction in the governance of the county; coordinate and supervise government affairs; promote efficient and effective resources management and development for improved public service delivery; and promote public service integrity.

For FY 2014/15, Ksh.330.7 million has been set aside to fund its programmes. The projection for FY 2015/16 is Ksh. 344.7 million and Ksh. 359.6 million for the FY 2016/17. The total MTEF estimate for the sector is Ksh. 1,035 Billion. *Refer to Annex I,II and III*

viii. Finance and Economic Planning

The sector plays a key role in mobilization of financial resources.

Funding over the 2014 MTEF period will enable the sector; promote sound public financial and economic management for socioeconomic development; plan and manage

the budgetary process, put in place mechanisms to raise the County local revenue, monitor and evaluate the implementation of the county's development plan, provide for pension costs for staffs in the executive arm and provide for the County emergency fund.

For FY 2014/15, KSh.229.2 million has been set aside to fund its programmes. This is projected to increase to Ksh. 189.5 million by FY 2015/16 and Ksh. 199.5 million for the FY 2016/17. The total MTEF estimate for the sector is Ksh.618.2 million. *Refer to Annex I,II and III*

ix. Gender, Women, Children, Culture and Social services

This Sector is mandated to address social and economic issues affecting the vulnerable groups, co-ordinate disaster management and promote County's cultural heritage.

The sector deliverables in the MTEF period include: Community mobilization, social development and welfare; Social infrastructure development and gender mainstreaming; Children's institutions and community support services; and preservation and promotion of our cultural heritage.

For FY 2014/15, Ksh 43.7 million has been set aside to support the sector' activities. This is projected to increase steadily to Ksh 50.2 million in 2015/16, and Ksh 62.4 million in 2016/17 bringing the total MTEF estimate to KSh 156.3 million. *Refer to Annex I,II and III*

x. Youth Affairs and Sports

The sector deliverables in the MTEF period include: Training of youth on entrepreneurial skills; Construction of youth empowerment centres and refurbishment of sports facilities.

Total MTEF estimate for the sector is Ksh 311.1 million. For the FY 2014/15, Ksh. 98.1 million has been set aside. This is projected to increase to Ksh. 100.3 million and

Ksh. 112.7 million, for FY 2015/16 and FY 2016/17 respectively. *Refer to Annex I,II and III*

xi. Lands, Water, Irrigation, Environmental and Natural Resources

The sector plays a key role in ensuring that every citizen has access to portable water in a clean and secure environment. Over the MTEF period the sector aims to achieve expansion of water coverage and sewerage facilities; scaling up water storage to improve water security; scaling up irrigation to reduce dependence of rain fed agriculture; protection, conservation and management of catchment areas; enforcement of sector laws and regulations; mineral exploration and mining cadaster system. Going forward, the County Government will introduce policies to involve the private sector in the improving and financing of water services.

The 2014 MTEF estimate of Ksh 710.5 million has been allocated for the sector. For FY 2014/15, Ksh. 168.8 million has been set aside, increasing to Ksh. 217.9 million for FY 2015/16 and KSh 323.8 million for FY 2016/17. *Refer to Annex I,II and III*

Under this sector, functions include land, soil and water conservation, forestry, storm water management, and water and sanitation services, air pollution, noise pollution, other public nuisance and outdoor advertising.

xii. County Assembly

The County Assembly plays the critical role of strengthening the democratic space, ensuring good governance in the county, oversight role over the County Executive and developing new legislations. The MTEF budget proposals for County Assembly are expected to be submitted directly to the County Assembly in line with the Constitution.

Total MTEF estimate for the County Assembly is Ksh 1,437.5 billion for the MTEF period. For FY 2014/15, Ksh. 470.8 million has been set aside increasing to Ksh. 480.8 million for FY 2015/16 and Ksh 485.9 million for FY 2016/17. *Refer to Annex I,II and III*

xiii) Ward development projects

Total MTEF estimate for the Ward development projects is Ksh 1,200 billion for the MTEF period. For FY 2014/15, Ksh. 400 million has been set aside, Ksh. 400 million for FY 2015/16 and Ksh 400 million for FY 2016/17. *Refer to Annex I,II and III*

IV. CONCLUSION

The current economic conditions call for caution in fiscal dispensation. Macroeconomic stability will be critical to supporting growth. This should be complemented with deeper structural reforms to strengthen the county's resilience and raise growth to a higher trajectory while ensuring that the benefits of growth are shared by all.

Fiscal policy as shown here will support growth within a sustainable path of public spending by allowing the recurrent expenditure to decline gradually. Therefore, moderation in county spending will help increase the pool of funds available for development initiatives in the county. Proper utilization of funds of county resources while improving on efficiency will also help to create room for critical interventions in the social sector.

Annex I: Total Expenditure Ceilings for the MTEF Period 2013/14 – 2016/17

Total Expenditure Ceilings for the MTEF Period 2013/14 – 2016/17				
Name of Sector	2013/14	2014/15	2015/16	2016/17
	Budget	ceiling	ceiling	ceiling
Office of the Governor	1,879,631,427	330,707,409	344,707,499	359,607,499
Finance and Economic Planning	81,660,957	229,208,966	189,534,328	199,534,328
Education, Technology & ICT	124,592,812	217,322,996	273,714,196	279,644,516
Health	154,433,000	1,164,823,764	1,235,381,305	1,377,862,668
Infrastructure, Public Works & Housing	386,559,000	372,121,456	562,121,456	587,621,456
Sports & Youth Affairs	54,640,017	98,137,216	100,337,216	112,757,216
Investment & Industrialization	73,739,481	53,250,996	63,250,996	83,250,996
Agriculture, Livestock & Cooperative Development	193,101,246	368,054,498	432,354,408	575,054,408
Gender, Women, Children, Culture		43,703,461	50,250,000	62,450,996
Trade and Tourism		68,733,584	90,733,584	112,933,584
Lands, Water, & natural resources		168,857,171	217,969,197	323,864,207
County Public Service Board	32,025,525	29,944,045	31,944,045	34,144,045
County Assembly	486,396,570	470,800,603	480,841,198	485,933,029
Ward development projects	*322,100,000	400,000,000	400,000,000	400,000,000
Level 5 Hospital	259,355,438	-	-	-
Donor Funded Projects	297,310,964	-	-	-
Total	4,023,446,437	4,015,666,165	4,473,139,428	4,994,658,948

*Ward development projects allocation included in the various portfolios.

Annex II: Recurrent Sector Ceilings for the MTEF Period 2013/14 – 2016/17

Recurrent Sector Ceilings for the MTEF Period 2013/14 – 2016/17

Name of Sector		2013/14	2014/15	2015/16	2016/17
		Budget	Ceiling		
Office of the Governor	Net	696,645,090	330,707,499	344,707,499	359,607,499
Of Which	Salaries	374,646,649	250,707,499	255,707,499	260,707,499
	Others	321,998,441	80,000,000	89,000,000	98,900,000
Finance and Economic Planning	Net	173,918,817	158,304,037	108,824,399	108,824,399
Of Which	Salaries		39,616,416	39,616,416	39,616,416
	Others	173,918,817	118,687,621	69,207,983	69,207,983
Education, Science & Technology and ICT	Net	43,325,000	122,322,996	123,714,196	129,644,516
Of Which	Salaries		74,410,996	84,410,996	84,410,996
	Others	43,325,000	47,912,000	39,303,200	45,233,520
Health	Net	63,100,000	964,220,749	915,950,749	915,950,749
Of Which	Salaries		823,876,396	823,876,396	823,876,396
	Others	63,100,000	140,344,353	92,074,353	92,074,353
Infrastructure, Public Works, energy and Housing	Net	66,829,000	77,121,456	82,121,456	87,621,456
Of Which	Salaries		17,121,456	17,121,456	17,121,456
	Others	66,829,000	60,000,000	65,000,000	70,500,000
Gender, Women, Children, Culture and Social Services	Net	63,615,137	28,250,996	30,250,000	32,450,996
	Net	63,615,137	28,250,996	30,250,000	32,450,996
Of Which	Salaries		8,250,996	8,250,996	8,250,996
	Others	63,615,137	20,000,000	22,000,000	24,200,000
Trade and Tourism	Net	14,054,999	38,733,584	40,733,584	42,933,584
Of Which	Salaries		18,733,584	18,733,584	18,733,584
	Others	14,054,999	20,000,000	22,000,000	24,200,000
Agriculture, Livestock,	Gross	20,182,116	288,054,408	295,054,408	295,054,408

Fisheries and Co-operative Development					
	Net	20,182,116	268,054,408	275,054,408	275,054,408
Of Which	Salaries		198,054,408	198,054,408	198,054,408
	Others	20,182,116	70,000,000	77,000,000	77,000,000
Lands, Water, Environment and Natural Resources	Gross		83,857,171	77,969,197	79,292,425
	Net		73,857,171	67,969,197	69,292,425
Of Which	Salaries		44,736,916	44,736,916	44,736,916
	Others		29,120,255	23,232,281	25,555,509
Investments and Industrialization	Gross		24,450,996	24,450,996	24,450,996
	Net		23,250,996	23,250,996	23,250,996
Of Which	Salaries		8,250,996	8,250,996	8,250,996
	Others		15,000,000	15,000,000	15,000,000
Youth Empowerment and Sports	Net		48,137,216	50,337,216	52,757,216
Of Which	Salaries		26,137,216	26,137,216	26,137,216
	Others		22,000,000	24,200,000	26,620,000
County Public Service Board	Net	67,325,525	29,944,045	31,944,045	34,144,045
Of Which	Salaries	38,773,929	9,944,045	9,944,045	9,944,045
	Others	28,551,596	20,000,000	22,000,000	24,200,000
County Assembly	Net	477,515,688	422,596,705	427,337,300	432,729,131
Of Which	Salaries	189,599,272	242,009,919	256,530,514	271,922,345
	Others	287,916,416	180,586,786	170,806,786	160,806,786
Total Recurrent	Net	1,686,511,372	2,585,501,858	2,457,195,045	2,475,061,420
	Salaries	603,019,850	1,761,850,843	1,791,371,438	1,811,763,269
	Others	1,083,491,522	823,651,015	665,823,607	663,298,151
<i>Annex III: Development Sector Ceilings for the MTEF Period 2013/14 – 2016/17</i>					
Development Sector Ceilings for the MTEF Period 2013/14 – 2016/17					
Name of Sector		2013/14	2014/15	2015/16	2016/17
		Budget	Ceiling		

Office of the Governor	Gross	66,300,000	-	-	-
	Net	66,300,000	-	-	-
	Grant	-	-	-	-
Finance and Economic Planning	Gross	-	70,904,929	80,709,929	90,709,929
	Net	-	70,904,929	80,709,929	90,709,929
	Grant	-	-	-	-
Education, Science & Technology and ICT	Gross	79,116,652	95,000,000	150,000,000	150,000,000
	Net	79,116,652	95,000,000	150,000,000	150,000,000
	Grant	-	-	-	-
Health	Gross	137,700,000	200,603,015	321,889,381	506,671,740
	Net	93,700,000	200,603,015	321,889,381	506,671,740
	Grant(Lev el Five Hospital)	44,000,000	-	-	-
Infrastructure, Public Works, Energy and Housing	Gross	371,600,000	295,000,000	480,000,000	500,000,000
	Net	371,600,000	295,000,000	480,000,000	500,000,000
	Grant	-	-	-	-
Gender, Women, Children, Culture and Social Services	Gross	-	15,452,465	20,000,000	30,000,000
	Net	-	15,452,465	20,000,000	30,000,000
	Grant	-	-	-	-
Trade and Tourism	Gross	-	30,000,000	50,000,000	70,000,000
	Net	-	30,000,000	50,000,000	70,000,000
	Grant	-	-	-	-

Agriculture, Livestock, Fisheries and Co-operative Development	Gross	177,419,130	100,000,000	128,300,000	280,000,000
	Net	177,419,130	100,000,000	128,300,000	280,000,000
	Grant	-			
Lands, Water, Environment and Natural Resources	Gross	-	95,000,000	140,000,000	244,571,782
	Net	-	95,000,000	140,000,000	244,571,782
	Grant	-	-	-	-
Investments and Industrialization	Gross	52,800,000	30,000,000	38,800,000	58,800,000
	Net	52,800,000	30,000,000	38,800,000	58,800,000
	Grant	-	-	-	-
Youth Empowerment and Sports	Gross	24,594,000	50,000,000	50,000,000	60,000,000
	Net	24,594,000	50,000,000	50,000,000	60,000,000
	Grant	-	-	-	-
County Assembly	Gross	2,000,000	48,203,898	53,203,898	53,203,898
	Net	2,000,000	48,203,898	53,203,898	53,203,898
Ward development projects	Gross	*322,000,000	400,000,000	400,000,000	400,000,000
Donor Funded Projects	Gross	297,310,964	-	-	-
Total Development	Gross	1,208,840,746	1,430,164,307	1,912,903,208	2,443,957,349
	Net	1,208,840,746	1,430,164,307	1,912,903,208	2,443,957,349
	Grant	-	-	-	-

*Ward development projects allocation included in the various portfolios.

Annex IV: Appropriation in Aid (AiA) for the MTEF Period 2014/15 – 2016/17

Name of Sector	2014/15	2015/16	2016/17
Office of the Governor	3,000,000	3,000,000	3,000,000
Finance and Economic Planning	1,000,000	1,000,000	1,000,000
Education, Technology & ICT	1,000,000	1,000,000	1,000,000
Health	250,000,000	250,000,000	250,000,000
Infrastructure, Public Works & Housing	57,000,000	57,000,000	57,000,000
Sports & Youth Affairs	10,000,000	10,000,000	10,000,000
Investment & Industrialization	1,000,000	1,000,000	1,000,000
Agriculture, Livestock & Cooperative Development	20,000,000	20,000,000	20,000,000
Gender, Women, Children, Culture	1,000,000	1,000,000	1,000,000
Trade and Tourism	3,000,000	3,000,000	3,000,000
Lands, Water, & natural resources	10,000,000	10,000,000	10,000,000
County Assembly	1,000,000	1,000,000	1,000,000
Total	358,000,000	358,000,000	358,000,000

Signed

THE HON JOSEPH MWANIKI NYAGA

CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

Date: 2nd April, 2014