

REPUBLIC OF KENYA

KIRINYAGA COUNTY GOVERNMENT

**COUNTY BUDGET REVIEW
AND OUTLOOK PAPER
(CBROP)**

SEPTEMBER 2014

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Foreword

This first edition of the County Budget Review and Outlook Paper (CBROP), prepared by the County Treasury, outlines the progress made by the Kirinyaga County government. The CBROP highlights key challenges facing the county as it plans and implements the development priorities. The CBROP takes a critical look at the underlying economic issues and proposes various options that should guide the process of budget formulation for the 2015/16 Financial Year.

Prudent financial management in the county will be determined by achieving a balance between developing institutions and investing in productive sectors. Importantly, the pace at which the county shall adhere to fiscal discipline amid the high recurrent expenditure expected to be incurred in the 2014/15 financial year in setting up county systems remains a crucial factor in determining the pace of future growth of the country. In addition, the huge recurrent related expenses especially on wage bill will continue to be a major challenge as the implementation of devolved system of governance sets in. Therefore, the county's growth trajectory will largely depend on how fast programme based budget is implemented as well as how quickly people and business get to full capacity and produce at optimum levels.

The 2015/16 budget for Kirinyaga County must therefore strike a delicate balance of prioritizing critical expenditure subject to resource constraints; promoting the functionality of the devolved system of government to spur economic growth and enhancing poverty reduction and employment creation.

Nationally, according to the monetary policy committee the central bank rate have been retained at 8.5% to encourage further growth across the economy. The coordination between monetary policy and supportive growth – oriented fiscal policy continues to generate inflation and exchange rate stability, increased capital flows and improved environment for financial intermediation this will have a ripple effect on the county economy.

This County Budget Review and Outlook Paper has three main messages. Rationalize and prioritize expenditure; enhance revenue collection; and drive growth through targeted high return spending. The policy options for consideration in the 2015/16 budget and the medium term are also outlined.

Hon. Murimi Murage
County Executive Committee Member for Finance and Economic Planning

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Acknowledgments

A lot of effort and personal dedication have been spent, beyond office hours to ensure the 2014 County Budget Review and Outlook Paper is prepared and submitted on time, as scheduled in the PFM Act. These efforts have been dedicated to the timely preparation of this CBROP, personal effort without which, actualization of this CBROP would not have been possible. Thus due gratitude is given where it is due.

Special gratitude goes to the preparation coordinating team that worked tirelessly throughout the weekend to ensure that Kirinyaga County has a CBROP. These officers include Zephania Kiongo (Head of County Treasury- Accounting), James Gitahi (County Budget Cordinator-Office of Controller of Budget), Mbugua Ndungu, Newton M Orondoh, (Both from Economic Planning Department), and Rosemary Nyokabi (Accountant)

Special thanks likewise go to the invisible hands of various county officials who worked behind the scenes to ensure success of the preparation of this CBROP. While it is not possible to list all of them, we nevertheless single out the editing team led by Ann Ndaka.

To these officers and all others not individually mentioned who took part in this exercise, you remain a credit to this county.

Naftaly M. Muikia

Head, County Budget

Abbreviations/Acronyms

CA	County Assembly
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CE	County Executive
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPI	Consumer Price Index
DWG	Departmental Working Group
FY	Financial Year
GDP	Gross Domestic Product
G-Pay	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
LA	Local Authority
MISC	Miscellaneous
MT	Metric Tonnes
MTEF	Medium Term Expenditure Framework
OCoB	Office of Controller of Budget
PFM	Public Finance Management
SBP	Single Business Permit

A) Legal Basis for the County Budget Review and Outlook Paper

The County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Finance Management Act, 2012. The law states that:

1) A County Treasury shall —

- a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- b) Submit the paper to the County Executive Committee by the 30th September of that year.

2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—

- a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
- c) Information on—
 - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
- d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

- a) Arrange for the Paper to be laid before the County Assembly; and
- b) As soon as practicable after having done so, publish and publicize the Paper.

B) Fiscal Responsibility Principles in the PFM Law

In line with the constitution, the Public Finance Management Act (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) states that:

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
 - d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - e) The county debt shall be maintained at a sustainable level as approved by county assembly;
 - f) The fiscal risks shall be managed prudently; and
 - g) 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.

1.0 INTRODUCTION

1.1 Objective of the BRPOP

The objective of the CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper (CFSP). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term. Details of the fiscal framework and the medium term policy priorities will be firmed up in the next CFSP.

The CBROP is a key document in linking policy, planning and budgeting. The County Government of Kirinyaga embarked on preparing the First County Intergrated Development Plan (CIDP) (covering 2013-2017)—that will guide budgetary preparation and programming from 2013 onwards. In the interim, this year’s CBROP is embedded on the priorities of the new Administration and the CIDP, in addition to taking into account emerging challenges and transition to the devolved system of government. The Departmental Working Groups (DWGs)-to update and develop new programmes for the MTEF 2014/15- 2016/17. The DWGs began their work by developing programmes under the current MTEF.

The PFM Act 2012 has set high standards for compliance with the MTEF budgeting process. Therefore, it is expected that the Departmental ceilings for the Second Year of the MTEF provided in the previous CFSP will form the indicative baseline Departmental ceilings for the next budget of 2015/16. However, following the fiscal outcome of 2013/14 and the updated macroeconomic framework these Departmental ceilings may be modified accordingly.

The rest of the paper is organised as follows: the next section provides a review of the fiscal performance in FY 2013/14 and its implications on the financial objectives set out in the last CFSP submitted to the County Assembly in February 2014. This is followed by brief highlights of the recent economic developments and updated macroeconomic outlook in Section III. Section IV provides the resources allocation framework, while Section V concludes.

2.0 REVIEW OF FISCAL PERFORMANCE IN 2013/2014

2.1 Overview

The fiscal performance in 2013/14 was generally satisfactory, despite the challenges with shortfall in revenues and mounting recurrent expenditure pressures. As a result, the fiscal deficit on commitment basis (including Devolved units) was 46.02 percent of targeted local revenue and 6.67 Percent of the total estimates for 2013/14.

Due to logistics challenges experienced in the first half of the financial year 2013/14 in respect of the revenues from the devolved units and late passage of Finance Bill last year as planned, Revenue collection fell short of the budget estimates target by Ksh 201.6 Million.

On the expenditure side, the County Government of Kirinyaga had to incur higher expenditure on salaries resulting from staffs of the devolved units and implementation of the Constitution (County Assembly and Executive). In order to finance these additional expenditure pressures in the face of financing constraints, the County Government of Kirinyaga instituted austerity measures, taking into account absorption capacity of Departments. Adjustments to the budget was approved by County Assembly in April 2013 in the context of the Supplementary Estimates.

2.2 2012/13 Fiscal Performance

The table 1 below presents the fiscal performance for the FY 2013/14 and the deviations from the Original and Revised budget estimates.

Table 1

Financial Performance 2013/2014				
	2013/2014		Deviation	Percentage (%)
	Actual	Target		
TOTAL REVENUE	2,824,359,766	3,025,958,736	(201,598,970)	(6.66)
Transfer from Central Govt	2,587,865,089	2,587,865,089	-	0.00

Equitable Share	2,587,865,089	2,587,865,089	-	0.00
Local Revenue	236,494,677	438,093,647	(201,598,970)	(46.02)
Former LA revenues	200,369,580	200,000,000	369,580	0.18
Devolved units	36,125,097	238,093,647	(201,968,550)	(84.83)
TOTAL EXPENDITURE	2,254,956,757	3,025,958,737	771,001,980	25.48
RECURRENT EXPENDITURE	1,951,204,812	2,118,171,116	166,966,304	7.88
County Assembly	234,897,774	415,337,937	180,440,163	43.44
Executive and Finance	1,471,549,993	1,375,952,987	(95,597,006)	(6.95)
County Health	24,172,772	44,325,682	20,152,910	45.47
Education	74,462,065	70,357,014	(4,105,051)	(5.83)
Agriculture	22,631,694	28,715,717	6,084,023	21.19
Culture and Social Services	13,146,882	19,375,478	6,228,596	32.15
Trade and Cooperative Devt	5,526,871	8,165,796	2,638,925	32.32
Environment, Water and Natural Resources	5,526,859	23,013,689	17,486,830	75.98
Physical Planning and Lands	2,856,975	18,290,131	15,433,156	84.38
Transport and Infrastructure	96,432,927	114,636,685	18,203,758	15.88
Development Expenditure	303,751,945	907,787,621	604,035,676	66.54
County Assembly		5,201,791	5,201,791	100.00
Executive and Finance		25,739,439	25,739,439	100.00
County Health	68,470,558	183,946,714	115,476,156	62.78
Education	3,170,000	124,253,512	121,083,512	97.45
Agriculture	19,052,770	52,312,834	33,260,064	63.58

Culture and Social Services		15,231,847	15,231,847	100.00
Trade and Cooperative Devt		2,551,643	2,551,643	100.00
Environment, Water and Natural Resources	144,720,152	259,892,357	115,172,205	44.32
Physical Planning and Lands		30,500,000	30,500,000	100.00
Transport and Infrastructure	68,338,465	208,157,484	139,819,019	67.17

Source; County Treasury

2.2.1 Revenue

Total cumulative revenue collection including exchequer transfers amounted to Ksh 2.824 billion compared to the target in the revised budget of Ksh 3.025 billion. This represents revenue shortfall of Ksh 201.599 Million (or 6.66% deviation from the revised target). Local revenue collection totalled Ksh 236.495 Million against the target of Ksh 438.093 Million, reflecting an under collection of Ksh 201.598 Million (or 46.02% deviation from the revised target).

The underperformance in Local revenue was largely on account of devolved revenue collection logistic operationalization. The County was only able to collect for only half of the year revenue from these units. This was coupled by delays in legislations to effect the 2013 finance Bill and the Alcohol Bill. Other revenues especially from the defunct Local authorities performed just above the target by Ksh. 369,580 as shown below.

Table 2

ANALYSIS OF ACTUAL REVENUE COLLECTED BY SOURCE (DEFUNCT LA)					
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
SBP	4,280,270	1,501,170	45,346,640	22,743,900	73,871,980
MARKET Fees	9,019,628	8,343,730	9,011,330	9,333,610	35,708,298
S/HOUSE Fees	33,350	13,700	24,400	34,100	105,550
PARKING Fees	4,442,925	4,569,635	4,303,610	4,627,320	17,943,490
PROPERTY Rates	3,414,418	1,874,838	12,877,317	2,585,949	20,752,522

TENDER Fees	-	-	-	610,200	610,200
GROUND Rent	140,590	110,300	1,084,230	1,049,014	2,384,134
GROUND Rent Arrears	82,650	-	122,020	339,214	543,884
PLAN Approval fees	252,430	324,070	437,840	151,500	1,165,840
CESS	588,668	502,850	2,182,752	1,448,639	4,722,909
QUARRY Cess	411,560	666,530	889,900	911,490	2,879,480
HOUSE/STAL L RENT	1,320,048	1,295,188	1,435,472	900,022	4,950,730
MISC.	5,640,818	3,402,659	16,174,857	9,512,229	34,730,563
Totals	29,627,355	22,604,670	93,890,368	54,247,187	200,369,580
Target For the Year					200,000,000
Surplus					369,580

Source: County Treasury

As a proportion of total county revenue, local revenue averaged 7.09 percent in the period under review, compared to 91.63 percent from Equitable share. Devolved units revenue accounted for 1.28 percent and revenue from defunct Local Authorities for 7.09 percent of the total actual revenue collected.

Late approval of the County Finance Bill 2013 combined with administrative challenges in devolved units revenue collections are the key factors behind the revenue shortfall. The County Treasury will, however, continue to enforce the approved Finance Act and intends to employ a revenue collection system which will enable taking appropriate action to reverse this trend.

2.2.2 Expenditure

Total expenditure amounted to Ksh 2.255 billion against a target of Ksh 3.026 billion, representing an under spending of Ksh 771.002 Million (or 25.48 percent deviation from the revised budget). The shortfall was attributed to lower absorption in both recurrent and development expenditures by

the line departments partly attributed to shortfalls in local revenues and late disbursements of equitable share from the Central Government. (This is represented in the table below).

Table 3.

EXPENDITURE BY COST CENTRE				
	FY 2013/2014			
	Actual	Target	Deviation	Percentage
RECURRENT EXPENDITURE	1,951,204,812	2,118,171,116	166,966,304	7.88
County Assembly	234,897,774	415,337,937	180,440,163	43.44
Executive and Finance	1,471,549,993	1,375,952,987	(95,597,006)	(6.95)
County Health	24,172,772	44,325,682	20,152,910	45.47
Education	74,462,065	70,357,014	(4,105,051)	(5.83)
Agriculture	22,631,694	28,715,717	6,084,023	21.19
Culture and Social Services	13,146,882	19,375,478	6,228,596	32.15
Trade and Cooperative Devt	5,526,871	8,165,796	2,638,925	32.32
Environment, Water and Natural Resources	5,526,859	23,013,689	17,486,830	75.98
Physical Planning and Lands	2,856,975	18,290,131	15,433,156	84.38
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County Assembly		5,201,791	5,201,791	100.00
Executive and Finance		25,739,439	25,739,439	100.00
County Health	68,470,558	183,946,714	115,476,156	62.78
Education	3,170,000	124,253,512	121,083,512	97.45
Agriculture	19,052,770	52,312,834	33,260,064	63.58
Culture and Social Services		15,231,847		100.00

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Trade and Cooperative Devt		2,551,643	2,551,643	100.00
Environment, Water and Natural Resources	144,720,152	259,892,357	115,172,205	44.32
Physical Planning and Lands		30,500,000	30,500,000	100.00
Transport and Infrastructure	68,338,465	208,157,484	139,819,019	67.17
TOTAL EXPENDITURE	2,254,956,757	3,025,958,737	771,001,980	25.48

Source; County Treasury

Recurrent expenditure amounted to Ksh 1.951 billion against a target of Ksh 2.118 billion, representing an under-spending of Ksh 166.966 Million (or 7.88 percent deviation from the approved recurrent expenditure). The under-spending was in respect of operations and maintenance across all cost centres of the county County Government Except the department of Finance and economic planning and department of Education.

Development expenditure incurred amounted to Ksh 303.752 Million compared to a target of Ksh 907.788 Million. This represented an under-spending of Ksh 604.036 Million. Departments of Transport and infrastructure, Education, Environment, Water and Natural Resources and Health accounted for most of the under-spending in the development votes (by Ksh 491.551 Million). The underperformance in development expenditure reflects low absorption by Departments, delay in procurement and late release of exchequer funds.

The County Government rolled over projects from the FY 2013/2014 amounting to Kshs. 518,125,832 at various stages of completion. This amount was included in the current FY 2014/2015 budget as shown Below;

Table 4.

LIST OF PROJECTS ROLLED OVER		
Department	Project Title	Amount (Kshs)
County Assembly	Landscaping of Speakers Residence	1,008,513
Education	Construction of Exhaustible toilets in 63 ECDE Centers	79,803,900
	Provision of metal fabricated; swings, slides, sea-saw, merry-go-round and sand pit in 20 Model ECDE Centers	12,000,000
	Refurbishment & construction of physical facilities in 12 village Polytechnics	15,000,000
	Refurbishment of lecture halls , Face lifting/rebranding & Provision of Equipment in 5 village Polytechnics	10,000,000
	Provision of Equipment, materials , furniture and other works in 5 village Polytechnics	4,000,000
	Refurbishment of selected production units Workshops & provision of Equipment in 5 village Polytechnics	2,000,000
Health	Construction of maternity ward in Kimbimbi SDH	15,000,000.00
	Construction and equipping the Laboratory at Kangu Dispensary	2,000,000.00
	Expansion of maternity ward in Mutithi Health centre	3,000,000
	Construction of Dispensary at Kinyaga	5,000,000
	Completion of ESP projects	2,000,000
	Completion of laboratory at Kariko Dispensary	1,000,000
	Purchase of assorted equipment at Kariko Dispensary	1,000,000
	Completion of ESP projects at Thiba Health Centre	2,000,000
	Renovation of the old OPD block at Thiba Health Centre	850,000

	Purchase of laboratory equipments at Kiangai Dispensary	2,000,000
	Construction of Dispensaries at mathia	6,500,000
	Completion of laboratory at Kairini	500,000
	Put up the Gate, lanscaping and fencing at Kairini	1,000,000
	Construction of patient toilet at Kairini	500,000
	Completion of staff house at Gatithi Dispensary	1,000,000
	Completion of ESP projects at Kimutugu Health centre	2,000,000
	Construction and equipping the Laboratory at Joshua Mbai Dispensary	2,000,000
	Construction of Dispensary at Kamwana Dispensary	5,000,000
	Drilling a borehole in Sagana health centre	3,000,000
	Construction and equip a morgue in phases at Sagana Health Centre	5,000,000
	Construction and equip an X-ray department in phases at Sagana Health Centre	5,000,000
	Construction and equipping the Laboratory at Thigirici Mukui Dispensary	2,000,000
	Renovation of maternity Ward at Mukangu	500,000
	Purchase maternity equipment at Mukangu Dispensary	1,000,000
	Construction and equipping the Laboratory at Karimaini Dispensary	2,000,000
	Purchase of laboratory equipments at Kiaragana Dispensary	2,000,000
	Purchase assorted equipment at Kiburu Dispensary	500,000
	Construction of Dispensaries at Kiamanyeki Dispensary	2,000,000
	Construction of Dispensarie at Ndindiruku Dispensary	3,000,000
	Construction and equipping the Laboratory at Riakithiga	2,000,000
	Purchase assorted medical equipment at Riakithiga	1,000,000

	Purchase of maternity equipment at kiangombe	1,500,000
	Completion of laboratory at Kiangombe	500,000
	Construction of Dispensaries at Kabuti	7,000,000
	Construction of Dispensaries at Mucagara	2,000,000
	Construction of Dispensaries Kiandai	5,000,000
	Construction and equip 2 morgues in phases at Kianyaga SDH	5,000,000
	Construction and equip 2 X-ray department in phases at Kianyaga SDH	5,000,000
	Construction of Dispensaries at Kianjiru	3,000,000
	Construction of Dispensaries at Ndaba	5,000,000
	Construction and equip inpatient wards at Njegas Dispensary	5,296,714.00
	Construction of Dispensaries Ngang`a	5,000,000
	Construction and equip maternity ward at Ciagini Dispensary	5,000,000
	Construction of Dispensaries at Njukini Dispensary	9,296,714.00
	Construction of Dispensaries at Kimweas	3,000,000
	Completion and purchase equipment for the health facilities at Kianderi	2,000,000
	Completion and purchase equipment for the health facilities gathuthuma Dispensary	1,500,000
	Construction of Gatwe Dispensary	2,000,000
	Construction and equipping the Laboratory at Kirigo Dispensary	2,000,000
Transport and Infrastructure	Construction of Muratiri Bridge	3,500,000
	Construction Kanjuu Box Culvert	2,500,000
	Roofing of Kutus Market	3,000,000

	Floodlights in Kimbimbi	1,500,000
	Footbridges in Ngariama	2,500,000
	Rehabilitation of Githure Market	1,000,000
	Rehabilitation of Kianyaga Mkt Roads	6,700,000
	Rehabilitation of Karumandi Market	1,000,000
	Construction Gatarwa Bridge	2,500,000
	Construction Mugumoini bridge	2,900,000
	Kimiri – Karoki Bridge	3,000,000
	Gatuiro Market	2,000,000
	Gategi B Market	1,000,000
	Kiumbu – Gitoboto Bridge	3,400,000
	Nguka Market	1,000,000
	Kiuria Bridge and Ndorome-Mukuyu Culverts	2,310,000
	Rehabilitation of Kianjege Market	500,000
	Construction of Kaguyu Bridge	3,000,000
	Rehabilitation of Kibirigwi Market	2,000,000
	Floodlights Installation in Kibingoti	1,500,000
	Rehabilitation of Kibingoti Market	3,000,000
	Box Culvert at Rukuri	2,300,000
	Rehabilitation of RiaKiania Market	1,000,000
	Market Shed at Gitumbi	3,000,000
	Kangaita River FootBridge	600,000
	Kandakame Bridge	1,900,000
	Foot Bridges in Mutira	2,500,000
	Koroma FootBridge	1,500,000
	Migingi Bridge	3,500,000
	Kiumbu Bridge	3,400,000

	Gatundu Bridge	3,500,000
	Bridge South Ngariama / Kiumbu	3,400,000
	Culverts Installation	13,000,000
	Rurii Road Rehabilitation	1,500,000
	Kiamanyeki Road rehabilitation	1,200,000
	Kibirigwi Mukangu Road rehabilitation	11,000,000
	Kutus HQs and AP post relocation	20,000,000
	Office renovations	1,800,000
Agriculture, Livestock and Fisheries	Office Construction at Mwea West	21,903,363
	Office Construction at Kirinyaga West	6,750,000
	Kariti Ngando Micro-Irrigation Project	2,500,000
	Mutithi Micro-Irrigation Project	4,183,000
	Mururi Banana Marketing shed	5,343,499
	Giachai Marketing shed	5,583,579
Trade,Cooperative,tourism and Industrialization	Purchase of Agricultural machinery and equipments including rice husk briquetting and milk processing equipment as support to cooperatives	2,551,000
Gender,Culture,Social Services and Sports	Youth Hay Storage Centre	1,500,000
	Talent Academy	2,200,000
	Upgrading the playground (one in each ward)	1,295,574
Environment,Water and Natural Resources	Rurumi Borehole	1,500,000
	Mutaraho drainage control	4,000,000

	Kithumbu Multi purpose project	2,000,000
	Kiamuchuku water tank	2,000,000
	Kiriko borehole project	3,000,000
	Nyamindi borehole project	2,000,000
	Kathiga Irrigation project canal lining	2,000,000
	Kiarukungu Irrigation project	4,000,000
	Nyangati- Ngomano irrigation project	3,000,000
	Kiandunyu water project	3,000,000
	Kimandi South water project	5,000,000
	Nduuini water project	3,000,000
	Karikoini Irrigation project	2,000,000
	Kiratina water project	3,000,000
	Riamiatu water project	2,500,000
	Kianyaga Water Project	3,500,000
	Biogas projects support (10CM gas holders)	5,000,000
	Musa Mumai	200,000
	Kiamachiri water project	280,000
	Kagioini Kanyokora water project	260,000
	Kamwenja Gatuto water project	320,000
	Mbeti water project	275,000
	Kanjo water project	180,000
	Wakigo Irrigation project	220,000
	Kariria, Umbui, Mukithi water project	500,000
	Seedling production by County Government tree nurseries	178,656
	Roadside tree planting	201,125
	Seedling Survival Survey	91,250
	Seedling production by farmers	21,250

	Purchase of seeds	50,000
	River Line Rehabilitation	381,125
	Office construction Kirinyaga West	750,000
	Office Construction Mwea East	750,000
Lands,Physical Planning and Housing	Construction Lands office	5,000,000
	Purchase of Assorted Physical Planning Equipments	4,991,570
	TOTALS	518,125,832

Source: County Treasury

2.2.3 Overall Balance and Financing

Reflecting the above performance in revenue and expenditure, overall fiscal balance on a commitment basis amounted Ksh 569.403 Million (18.8 percent) in FY 2013/14 against the revised budget target of Ksh 3.026 billion.

In respect of exchequer disbursements, overall fiscal balance on commitment basis amounted to Kshs. 338.487 Million (11.19 percent) in FY 2013/14 against disbursement of Ksh. 2.593 Billion both from equitable share and local revenue. The table below shows the disbursements to the County.

Table 5.

Total 2013/14 FY Disbursements to County Government (From National Sharable Revenue and Local Revenue)

	Department	Recurrent Disbursements	Development Disbursement	Total Disbursements
1.	County Assembly	317,656,319	1,008,513	318,664,832
2.	Finance and Economic Planning	1,289,520,435	24,956,372	1,314,476,807
3.	County Health Services	42,695,663	116,944,776	159,640,439
4.	Education, Youth Affairs and Social Development	86,978,114	90,519,545	177,497,659
5.	Agriculture	47,558,646	36,229,541	83,788,187
6.	Culture and Social Services	18,941,618	6,218,212	25,159,830

7.	Trade Development and Regulation	10,240,715	2,551,642	12,792,357
8.	Environment and Natural Resources	12,556,608	209,276,635	221,833,243
9.	Physical Planning and Development	17,047,580	5,000,000	22,047,580
10	County Transport Public Works and Services	108,080,964	149,461,764	257,542,728
11	TOTAL	1,951,276,662	642,167,001	2,593,443,663

Source; OCoB

2.3 Implication of 2013/14 fiscal performance on fiscal responsibility principles and financial objectives contained in the 2014 CFSP

The performance in the FY 2013/14 has affected the financial objectives set out in the February 2014 CFSP and the Budget for FY 2014/15 in the following ways:

- a. the base for revenue and expenditure projections has changed implying the need for
 - (ii) adjustment in the fiscal aggregates for the current budget and the medium-term; and
 - (iii) To take into account the slow take off of execution of the FY 2014/15 budget caused by stand off between the CA and CE coupled with court case, the baseline ceilings for spending units may be adjusted and then firmed up in the next County Fiscal Strategy Paper in February 2015.

However, our revenue projections will remain in line with the initial projected assumptions taking into account the revenue and expenditure base. Consequently, the MTEF targets provided in the CFSP will reflect the economic forecast. Taking into account that the key economic variables remain as projected in the CFSP of February 2014, there will be no adjustments to the revenue targets.

The overall revenue underperformance in 2013/14 has implications in the base used to project the revenue for the FY 2014/15 and the medium term as has been alluded to earlier in this report. Therefore, in updating the fiscal outlook the new base has been taken into account. In addition; effects, arising from the recently enacted Alcohol law is expected to boost revenue.

The under-spending in both recurrent and development budget for the FY 2013/14 additionally has implications on the base used to project expenditures in the FY 2014/15 and the medium term.

Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget outturn for 2013/14. The slow uptake of devolved units resources remains a challenge. The County Treasury will work closely with the implementing Departmental Heads to improve resource absorption.

Given the above deviations, the revision in revenues and expenditures will be based on the macroeconomic assumptions contained in this CBROP and which will be firmed up in the context of the next CFSP. The County will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.

Measures to revamp agriculture through provision of quality inputs and increased extension activities are expected to support our favourable growth prospects. In addition, we also expect our public private partnership in marketing our agricultural products to benefit from favourable growth in the County, which is projected to increase in the medium term and subsequent years. Meanwhile, stability in interest rates and exchange rates is expected to promote access to credit for private sector and boost investments and consumption to stimulate growth.

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

In determining the county's medium-term strategic objectives, it is also necessary to factor in how changes in environment, economic and financial trends will impact the County's current priorities as contained in the County Fiscal Strategy Paper

Kirinyaga is predominantly an agricultural county with tea, coffee and rice being the major cash crops grown. Despite this, the county realizes that it is not operating in a vacuum, with full knowledge that major changes in economic and financial trends in the country can affect the expenditure trends by the County Government in the future. Undesired shift in expenditure trends due to economic shocks will delay the development agenda for the county. These economic changes like inflation and exchange rates, will most likely affect the monetary output value of the county's products. Thus how the county plans for these exogenous shocks will determine how much the county's economy grows. The incidence of such shocks are ultimately borne by the hard-working coffee, rice and tea farmers in the county

Likewise, the county will still invest in irrigation projects to reduce dependence on rain fed agriculture which at most time is volatile with indeterminate timing. The essence of increased spending on irrigation projects is to cushion the county from adverse effects of drought in the lower parts of the county where rain is minimal in most times of the year.

3.1 Recent Economic Development

3.1.1 Agricultural Production

The economic survey highlight 2014, shows growth in National agricultural output declined in 2013 by 2.9% against a growth of 4.2% in 2012. This is attributed to inadequate rainfall in some grain growing regions.

Coffee

Though the National agricultural sector posted negative overall growth, key crops showed different growth trends with national coffee output declining by 18.8% from 49 thousand tonnes in 2012 to 39.8 thousand tonnes in 2013. However, in 2014, the Leading Economic Indicator by KNBS for the month of July 2014 show that The quantity of coffee auctioned at the Nairobi Coffee Exchange

declined from 3,747 MT in May 2014 to 2,860 MT in June 2014 while its average auction price increased from KSh 349.47 per kilogram to KSh 357.96 per kilogram in the same period.

However in the county, Green coffee output increased by 18.6% from 3,292.4 metric tonnes in 2012/13 to 3,907.6 metric tonnes in 2013/14, in monetary value, this is a 53.6% increase in monetary terms from Ksh 1,048.9 million in 2012/3 to Kshs. Kirinyaga East Sub-county is the leading producer, with 58% of the total output.

The table below shows output statistics for green coffee output in the county for the last 3 FYs.

Table 6.

	CRO P	2013 JULY-JUNE 2014			2013-2012			2012-2011		
		Area Ha	Qty (mt)	VALUE kshs millions	HA	qty (mt)	Value kshs millions	ha	Qty (mt)	Value kshs million
Kirinyaga E	coffee	7138	18,382	1,044	7138	17368.9	746.05	7132	22,166	1,144.17
Kirinyaga W		5218	8,804	391.4	5218	7258	190	8588	7,258	252
Mwea East		486	43.00	2.04	445	53.36	1.66	438	40.95	2.95
Mwea West		0	0	0	0	0	0	0	0	0
Kirinyaga Central		7,000	4,032	174	6,265	1,659	111	438	6,097	204
Total		19842	31,261	1,611.44	19066	26339.3	1,048.91	16596	35,561	1,603.12

Source ; Department of Agriculture, Kirinyaga County

Table 7: National Coffee Sales and Prices*(Kenya National Bureau of Statistics)

Months	2012			2013			2014***		
	QUANTITY	PRICE	PRICE	QUANTITY	PRICE	PRICE	QUANTITY	PRICE	PRICE
	(MT)	(\$ /kg)	(Ksh /kg)	(MT)	(\$ /kg)	(Ksh /kg)	(MT)	(\$ /kg)	(Ksh /kg)
January	4,770	6.31	543.92	3,938	3.96	344.17	2,850	3.40	293.39
February	6,505	4.44	368.78	4,825	3.66	319.70	5,382	4.62	398.62
March	3,317	4.68	388.61	4,074	3.81	326.86	6,212	5.31	459.34
April	4,801	4.12	342.49	6,038	3.31	278.70	6,611	4.52	392.22
May	5,472	3.59	302.51	4,482	2.73	229.85	3,747	3.99	349.47
June	3,884	3.04	258.05	2,307	2.43	208.10	2,860	4.09	357.96
July**	3,086	3.54	297.99	830	2.89	250.59			

August	3,948	3.30	277.28	3,411	3.39	296.97
September	4,474	3.14	265.22	2,442	3.28	286.47
October	2,925	3.09	263.39	1,580	2.81	239.37
November	1,794	3.17	272.27	1,882	2.97	255.55
December	1,075	3.58	307.99	2,133	3.18	274.39
Annual	4,095	3.83	324.04	3,162	3.20	275.89

Source: Coffee Board of

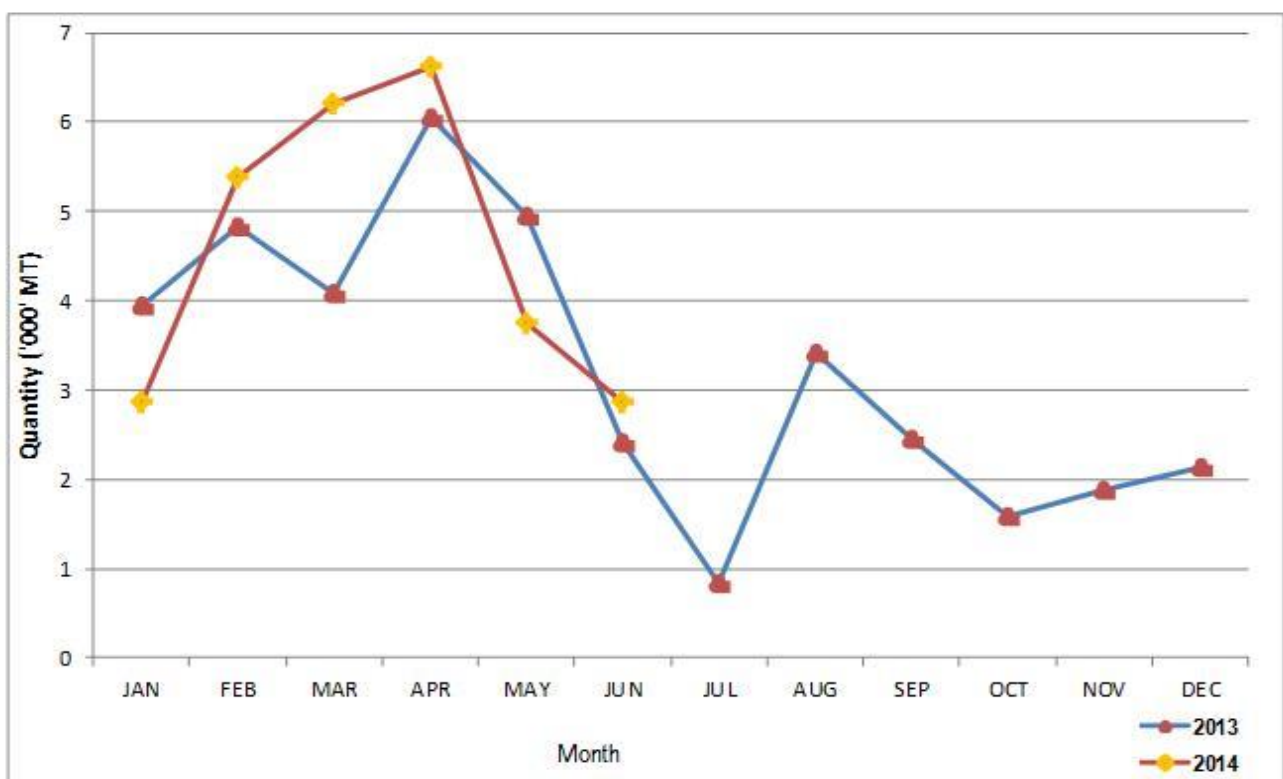
Kenya * Auction Price

NB: MT denotes Metric Tonnes

*** Provisional

** Nairobi Coffee Exchange was in recess for most of July 2013

Figure 1: Coffee Sales at the Nairobi Coffee Exchange



Tea

Nationally, Processed Tea output increased by 17.1% from 369.4 thousand tonnes in 2012 to 432.4 thousand tonnes in 2013, while in 2014, the quantity of processed tea decreased from 41,186 MT in May 2014 to 31,945 MT in June 2014 but its average auction price dropped from KSh 179.49 to KSh 177.49 per kilogram over the same period. In the County, green tea output declined from 95,500 metric tonnes to 85,540 metric tonnes, representing a decline of 10% in output. The monetary value declined from Kshs 5,040 million to Kshs 4,349.7 million, representing a decline of 13%.

Green Tea output in Kirinyaga County for the last 3 FYs

Table 8

	CROP	2013 JULY-JUNE 2014			2013-2012			2012-2011		
		Area Ha	Qty (mt)	VALUE kshs millions	HA	qty (mt)	Value kshs millions	Ha	Qty (mt)	Value kshs million
Kirinyaga E	tea	3222	40640	2152	3222	39511	2092.2	3219	36,056	1,940
Kirinyaga W		2473	30100	1606	2473	28,014	1392	2473	30150	1604
Mwea East		0	0	0	0	0	0	0	0	0
Mwea West		0	0	0	0	0	0	0	0	0
Kirinyaga Central		996	14,800	592	995	26,972	556	995	16,994	856
Total		6691	85540	4350	6690	95,500	5,040	6687	83,200	4,400

Source; Department of Agriculture, Kirinyaga County

Table 9: National Tea Production and Auction Prices(source; KNBS, Leading Economic Indicators, July 2014)

Months	2011			2012			2013			2014*		
	QUANTIT Y (MT)	PRICE (\$/Kg)	PRICE (KSh/Kg)	QUANTIT Y (MT)	PRICE (\$/Kg)	PRICE (KSh/Kg)	QUANTIT Y (MT)	PRICE (\$/Kg)	PRICE (KSh/Kg)	QUANTIT Y (MT)	PRICE (\$/Kg)	PRICE (KSh/Kg)
January	35,999	3.16	256.43	36,205	2.91	250.22	45,390	3.28	284.11	44,970	2.74	235.57
February	26,711	3.07	250.78	18,412	2.95	245.01	38,503	3.09	270.61	33,774	2.35	202.55
March	22,459	2.89	243.36	17,859	3.03	251.24	33,368	2.81	240.73	33,336	2.16	186.93
April	31,482	2.87	240.62	18,118	3.08	256.13	38,230	2.50	210.09	39,975	2.16	187.59
May	32,856	2.88	245.13	37,383	3.14	264.26	39,600	2.56	214.54	41,186	2.06	179.49
June	28,955	2.97	264.43	30,197	3.29	279.45	30,530	2.44	208.59	31,945	2.03	177.90
July	26,343	3.16	283.08	24,306	3.42	287.79	26,229	2.44	211.89			
August	24,471	3.18	293.85	31,920	3.42	287.71	26,338	2.38	208.13			
September	30,493	3.05	291.64	33,549	3.31	279.69	32,800	2.19	191.06			
October	39,926	2.89	290.94	40,235	3.20	272.10	44,283	2.05	174.39			

November	36,825	2.85	269.22	39,977	3.24	277.26	35,463	2.17	186.71
December	41,393	2.86	251.09	41,401	3.27	281.47	41,719	2.45	211.62
Annual	377,913	3.00	265.94	369,562	3.19	269.36	432,453	2.53	217.71

Source: Tea Board of Kenya MT denotes Metric Tonnes

Rice and other Crops

Rice production increased by 8.3% from 83.6 thousand metric tonnes to 90.5 thousand metric tonnes nationally. It is estimated that over 75% total national rice output in the country is grown in Mwea Irrigation Scheme, in Kirinyaga County.

Average price for dry maize dropped from KSh 41.33 per kilogram in June 2014 to KSh 40.46 per kilogram in July 2014 while the average price for dry beans was KSh 75.16 per Kilogram in July 2014. Milk deliveries to formal processors rose from 43.5 million litres in May 2014 to 46.0 million litres in June 2014

Table 10: Average Monthly Retail Prices for dry Maize, 2014 (per Kg) for Selected Towns and Centers

Market/ Month	JAN	FEB	MAR	APR	MAY	JUNE	JULY
KIAM BU	49.38	45.00	45.00	45.00	40.00	45.00	45.00
LIMU RU	40.00	40.00	40.00	40.00	43.33	45.00	-
THIK A	46.25	47.50	47.14	47.78	48.75	-	-
GATU NDU	18.03	19.86	22.04	21.34	21.79	-	-
KUTU S	36.19	40.91	37.47	33.85	35.00	34.37	34.78
SAGA NA	38.41	38.68	42.15	52.08	41.30	41.56	42.55
KERU GOYA	37.35	36.36	37.25	37.50	39.57	40.02	40.91
MUTH ITHI	38.10	38.10	35.71	33.33	35.76	36.36	36.36
MUKU YU	38.10	38.10	38.10	39.29	38.57	40.48	-
KIRIA INI	40.83	-	-	38.58	38.58	38.10	-
ENGI NEER	-	45.00	45.00	40.00	40.00	40.00	-
NYERI	-	-	-	-	44.73	38.71	-
ENDA RASH A	42.95	45.15	48.81	-	48.02	48.22	47.62
KARA TINA	38.56	42.71	48.81	-	44.17	44.38	-
GAKI	38.10	38.10	38.10	-	45.00	42.50	45.00

NDU							
NANY	43.21	44.57	41.09	45.90	45.53	47.06	46.29
UKI							
NYAHURU	31.82		31.82		35.23		36.36
RU							

Source; KNBS, Leading Economic Indicators, July 2014

Figure 2

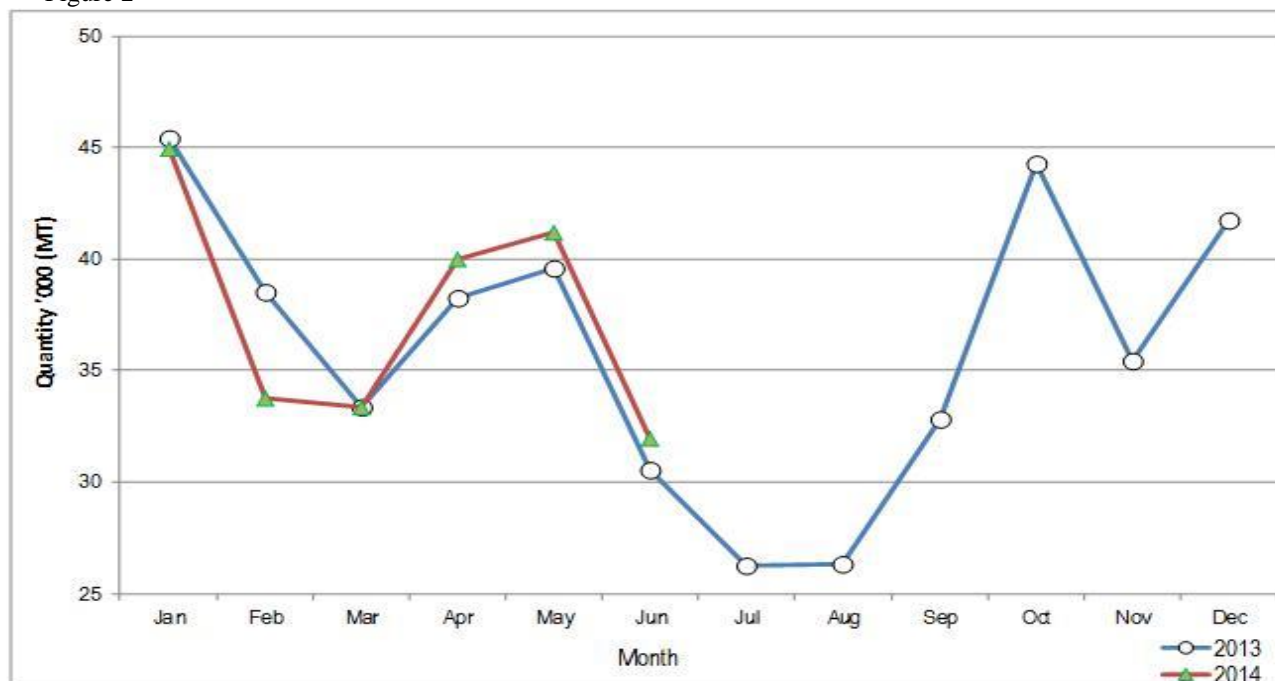


Table 11: Average Monthly Retail Prices for dry Beans, 2014 (per Kg) for Selected Towns and Centers

Market/Month	JAN	FEB	MAR	APR	MAY	JUNE	JULY
KIAMBU	80.00	80.00	80.00	80.00	80.00	80.00	80.00
LIMURU	80.00	80.00	80.00	80.00	80.00	80.00	-
THIKA	84.00	82.50	82.50	80.00	80.00	-	-
GATUNDU	79.29	77.38	76.13	77.66	89.20	-	-
KUTUSYA	83.21	75.65	70.83	68.92	69.32	70.68	71.59
SAGANA	71.74	74.19	73.34	76.04	79.13	67.87	73.58
KERUGO	70.62	71.15	73.02	71.94	69.57	68.88	69.57
MUTHITHI	63.10	71.43	71.43	62.50	67.05	63.64	63.64
MUKUYU	65.22	65.22	61.41	65.22	65.22	65.22	-
KIRIAINI	65.22	-	-	71.94	70.80	68.18	-
ENGINEER	-	80.00	80.00	90.00	90.00	90.00	-
NYERI	-	-	-	-	87.14	83.09	-
ENDARASHA	74.29	76.52	76.19	-	92.92	93.87	76.19
KARATI	69.68	74.13	77.38	-	82.78	86.96	-

GAKIND U	78.57	77.98	76.19	-	80.95	80.16	80.95
NANYU KI	83.14	87.26	77.96	88.89	89.39	92.36	93.61
NYAHUR URU	75.45	77.27	78.41	81.82	81.82	78.79	80.30

Source; KNBS, *Leading Economic Indicators*, July 2014

Table 12

County Co-operative Societies Statistics				
Sub-County	Number of SACCOs	Number of active members	Annual turnovers(Kshs)	Total deposits
Kirinyaga Central	21	222,593	1,007,923,514	2,425,891,382
Kirinyaga East	31	80,264	1, 254,561,565	295,663,661
Mwea east	13	15,473	504,042,361	98,996,,666
Mwea west	6	942	465,000	0
Kirinyaga west	5	14,771	334,827,233.4	0
TOTAL	76	334,043	1,847,258,108	2,721,555,043

Source: County Department of Trade, Tourism, Industrialization and cooperative Development

3.1.2 Macroeconomic Environment

The country's economy is still emitting mixed growth and macroeconomic stability signals, with most macroeconomic indicators still far from the policy targets as contained in the country's vision 2030 development blueprint. Cognizant that Kirinyaga County doesn't set its own macroeconomic environment agenda (Not a closed County Economy), all changes that affect the national macroeconomic conditions will ultimately affect the County as a whole.

Consumer Price Index (CPI) increased from 149.91 points in June 2014 to 150.60 points in July 2014. The overall rate of inflation rose from 7.39 per cent to 7.67 per cent during the same period before rising to 8.36% in August 2014. This inflation rate is slightly higher than the national target of 5%, though the Central Bank of Kenya continue to show commitment in bringing the rate within the 2% band of the national target, by keeping the Central Bank rate at 8.5%

The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates, dropped to 9.78 per cent in July 2014 from 9.81 per cent in June 2014. The inter-bank rates increased to 7.98 per cent during the period.

Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 4.1 per cent in the first quarter of 2014 compared to 5.2 per cent during the same quarter of 2013. This represents a slow-

down in our growth momentum on road towards the 10% growth target in the country's vision 2030. The marginal growth can be attributed to accelerated expansion in activities of transport and communication, manufacturing, wholesale and retail trade, mining and quarrying and electricity industries.

Agriculture and forestry, and fishing recorded slowed growths while activities of the hotels and restaurants contracted during the review period. The deceleration in growth of the hotel industry was largely due to insecurity concerns coupled with negative travel advisories by some key tourist source countries. Another factor that constrained economic growth during the quarter was the erratic weather pattern that resulted in depressed agricultural output.

Due to introduction of labour-saving technologies by Kenya Revenue Authority, the National ordinary revenue collection continues to show upward growth with ordinary revenue expected to grow up to 1.18 trillion shillings in the 2014/2015 FY(the target by KRA). Considering that the county depends on the National Revenue collection allocation to fund over 90% of its budget, growth in tax revenue will mean increased allocations to the county from year to year. This in turn will translate into more funds to finance the county's development projects.

3.1.2 Outlook for the Medium Term

Growth is expected to continue accelerating in the medium term, with observed recovery in the Agricultural sector, which is the main driver in the economy. The National economy is thus expected to continue its growth-to-target outlook, but just lower than the 10% set target in the second Medium Term Plan. Save for shocks, the country's growth outlook looks to remain stable, even if it is not on target.

In the county, Agricultural production will continue to show upward trend, especially as the county continues its investment in irrigation technology.

Inflation is expected to remain the biggest impediment in realizing a stable macroeconomic environment in the medium-term. Despite robust monetary policy by CBK, the CPI inflation is expected to continue marginal growth, far above the 5% target. This higher inflation projection will mainly be due to supply shocks like droughts, and import costs plus thin market for key inputs to production.

3.1.3 Medium Term Risks

Implementation of the county's development programs have largely depended not only on how fast the County Assembly passes key legislations but also on the level of adherence on the spirit and letter of the Public Finance management Act. The major risks inherent in the County remains structural and governance , with the major one being the inability of the County Government (executive) to execute the 2014/15 budget due to inability of the County Assembly to observe the requirements of the budgeting process in as far as the constitution and the PFM act are concerned. By mid-September 2014, the stand-off between the county assembly and the executive over approval of the budget was still at hand.

While the constitution and the PFM Act gives power to the county assembly to pass the budget estimates of the executive with or without amendments, the same law obligate the County Assembly to ensure that amendments to the county executive budget estimates are in line with County Fiscal Strategy Paper and the County Integrated Development Plan.

Going in the medium-term, this poses the greatest challenge ability of the executive to deliver the manifestos of the Governor to the electorate, considering that elections are still 3 years away.

A whole 1st quarter of 2014/15 has been lost, with no major development activities taking place, and this inability to execute the county budget on time remains the biggest economic risk that the county government of Kirinyaga Faces in the Medium Term

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Overview of the Priority Sectors in 2013/14 Budget

The fourth quarter report from the office of Controller of budget shows that the County Government directed more resources to the basic priority sectors/departments of Agriculture, County Health Services, County Transport/Public Works and Environment and Natural Resources. The four departments accounted for 80% of the entire development budget disbursed to all entities in the County Government of Kirinyaga.

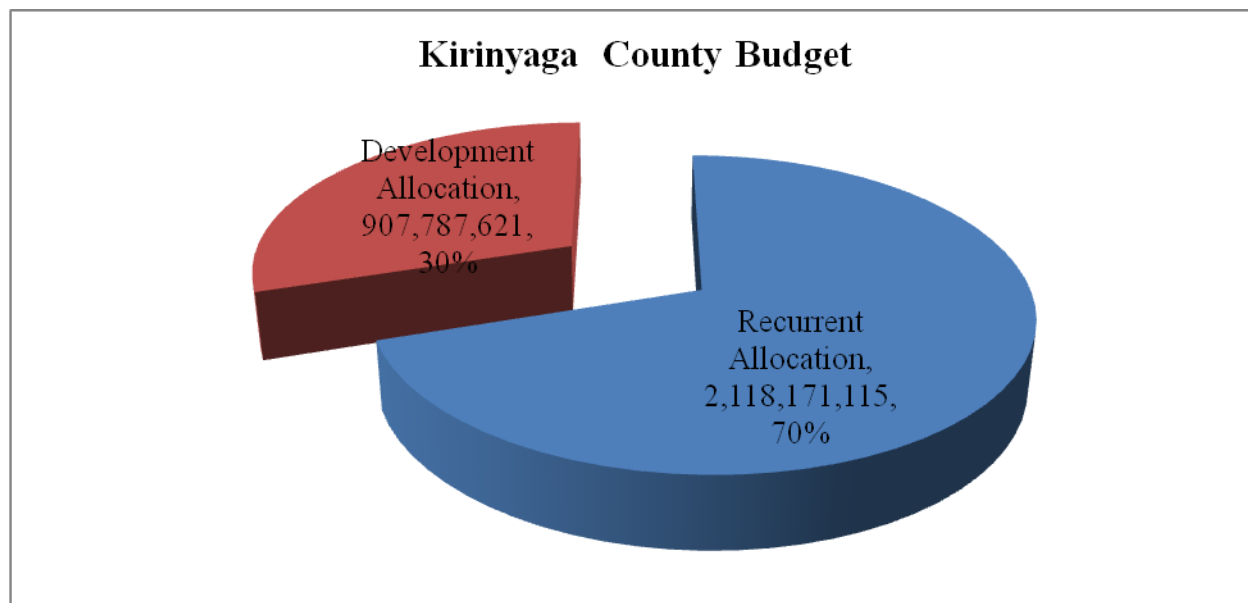
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18	Trade Development and Regulation	10,240,715	2,551,642	12,792,357
19	Environment and Natural Resources	12,556,608	209,276,635	221,833,243
20	Physical Planning and Development	17,047,580	5,000,000	22,047,580
21	County Transport Public Works and Services	108,080,964	149,461,764	257,542,728
22	TOTAL	1,951,276,662	642,167,001	2,593,443,663

Source; OCoB

In the same FY under review, the County Treasury enforced the fiscal responsibility principles as outlined in the Public Finance Management Act, with development expenditure just above of the legal threshold of 30% in the medium term.

Figure 3



Total 2013/14 County Budget was Ksh. 3,025,958,728, comprising of Ksh2,118,171,11 for recurrent and Ksh907,787,621 for Development, financed by Kshs 2,587,865,089 (86 %) from National Government equitable share, and projected Local Revenue of Kshs. 438,093,647 (14 %).

In the course of the 2013/14 FY, there was supplementary budget introduced to reallocate funds to payments of salaries, this however did not significantly affect the priority sectors in the budget

4.2 Priority Sectors in 2014/15 Budget

The Fiscal Strategy Paper 2014 for Kirinyaga County shows that in determining the priority areas of expenditure and resource allocation, the following criteria were the primary guide;

- (1) Level and extent of Devolved Functions as per Legal Notice Number 16 and 153 of 2013
- (2) County Sector priorities and objectives as per the County Integrated Development Plan (CIDP)
- (3) National Government Policies – Vision 2030, Budget Policy Statement.

In the recurrent expenditure category, non-discretionary expenditures take priority. These include payment of statutory obligations such as wages, salaries, pensions, amenities and rent. About 30 percent of the total revenue will be available to fund development projects and programmes. Development expenditures will be shared out on the basis of the county priorities as outlined in

the CIDP as well as other interventions to deal with unemployment, improve security, increase investment and ensure faster growth in key industries in the county. The following additional guidelines are used:

1. **Ongoing Projects:** Emphasis is to be given to completion of on-going projects in the county in particular infrastructure projects as well as other projects with a high impact on poverty reduction and equity, employment and wealth creation.
2. **Strategic Policy Interventions:** priority is also to be given to policy interventions covering the county in particular social equity, environmental conservation and value chain addition.

The table below shows the Resource Envelop Projections, under which the County's 2014/15 budget was prepared under,

Table 14: Projected Resources FY 2014/2015

Revenue Source	Amount (Ksh)	Percentage
Equitable Share	3,012,479,221	80.5 %
Local Revenue	500,000,000	13.3%
Outstanding Rates & Rates	229,000,000	6.12%
TOTAL	3,741,479,221	100%

Source: County Treasury

However, updated information by way of the County Allocation of Revenue Act 2014, as published by the Special Issue of the Kenya Gazette Supplement, show that the money apportioned to the County under Equitable Share by parliament is Ksh 3,086,847,885, which is Ksh 74 million more than budgeted for in current budget. Likewise, the County is also expected to get conditional grants allocation of Kshs 277,576,292 to supplement financing of county functions.

In addition to the above resource, the County's Revenue Fund Account at the Central Bank of Kenya, has a balance Carried Forward of Kshs 518 million, that is to be brought down in the 2014/15 FY.

The 2014 County Fiscal Strategy Paper had identified budget ceiling per department, which was to form basis for budget estimates as provided under the PFM Act.

The county priority sectors are infrastructure, health, agriculture, water and environment which we estimate to receive a combined allocation of **65 percent** of the total development expenditure in the county. This is in line with the CIDP that states that agriculture is the backbone of Kirinyaga County. An upgraded infrastructure network will improve access to market for farmers' produce. The need to have a healthy population thus increasing productivity has also informed the decision to adequately fund the health sector

The county budget for current financial year 2014/15 was prepared under the following indicative ceilings.

Table 15: Departmental Percentage Ceilings as per CFSP

Department		Recurrent Exp.	Develop. Exp.
County Assembly		10%	3%
Office of Governor	Governor	4%	5%
	D/ Governor		
	County policing authority		
	County secretary		
	Sub county administrators		
OFFICE OF COUNTY PUBLIC SERVICE BOARD	COUNTY PUBLIC SERVICE	3%	0%
	HUMAN RESOURCE OFFICE		
Finance, economic planning and marketing	County treasury	1.5%	2%
	Budgeting	2%	
	Economic planning	3%	
	Revenue	1%	
	ICT	2.5%	

	Audit	0.5%	
	Marketing	2%	
	Procurement	2.5%	
	Statistics	0%	
Health		18.5%	18.5%
Agriculture		18.5%	14%
Water and environment		6%	16%
Roads , public works and transport		6%	15%
Trade, tourism and cooperatives		5%	5%
Physical planning, survey, housing and lands		4%	10%
Gender and social services		5%	3%
Education		5%	8.5%
Total		100%	100%
		1,119,035,454.7	1,122,443,766.3
County salaries		1,500,000,000	
Total budget		2,741,479,221	1,122,443,766.3
Resource envelop projections	3,741,479,221		

Source: County Treasury

It is to be noted that subsequent amendments to budget estimates by the county assembly significantly altered these ceilings, with the assembly allocating themselves 155,000,000,000 million Kenya shillings for development and 482.9 million for their recurrent expenditure (including salaries and allowances), far from the ceiling of Ksh 111,903,545 for recurrent expenditure and Ksh. 33,673,312 for development expenditure.

This irregular reallocation meant that the County Assembly got an additional Ksh 492 million, on top of the original allocation. Such a move meant that priority sectors had a chunk of their budgets cut significantly to finance the excesses of the Assembly.

The enacted CFSP provided agriculture with 207,021,559 for recurrent expenditure while leaving 157,142,127 for development expenditure. Amendments by County Assembly propose that 21.7 million be expended by the department for development while leaving 44.8 million for recurrent expenditure. Thus the county assembly cut the entire budget for agriculture by a whopping 82%! Other priority sectors like health, water and environment also suffered similar fate in massive funding cuts.

This irregular reallocation by the assembly prompted His Excellency the Governor not to assent to the Appropriation Bill. The governor's decision was formed by the fact that the county assembly significantly violated the Public Finance Management Act and the County Government Act. First of all, the amendments were not in line with the County Fiscal Strategy Paper, as required by section Section 131 (3) (4) of the PFM Act. Secondly, the County Assembly had introduced other development projects not contained in the County Integrated Development Plan, contrary to Section 104(1) of the County Government Act, with section 107(2) noting that county plans shall be the basis for budgeting and spending in the county.

By the end of the 1st quarter 2014/15, the county still had not started implementing its budget fully but was relying on Vote-on-Account

4.3 Priority Outlook for 2015/16 and the Medium-Term

The County Government of Kirinyaga foresees its priority in the medium term being consistent with priorities in the last two financial years. The government also does not envisage significant changes in the property rates and other levies charged by the county. As the Finance Bill for 2014/15 shows, the county will remain committed to expanding the rates base rather than hiking the rates and fees. Likewise the county is also committed to increasing its local revenue collection through introduction of an efficient revenue collection system.

Procurement for a reliable revenue collection system is at an advanced stage, and it is expected to be operationalized soon.

Faced with an overlapping demand for finite and scarce resource, the county government of Kirinyaga realizes that whilst it cannot grow its revenue base as quick as possible to satisfy its competing needs, it nevertheless can cut cost prudently without putting operating efficiency in jeopardy. Thus while much attention in the last two years has been on the Revenue Side, in the medium term, much attention will be put on the expenditure. To ensure intergeneration equity, the county does not envisage sudden increase in rates and fees payable by current generation nor does it plan to borrow heavily via a blank cheque, payable by future generation. Thus the only solution is cutting non-core expenditure in the medium term to balance the county budget.

Thus non-priority expenditures with focus on such expenses as; Telephone, Telex, Facsimile and Mobile Phone Services, Courier and Postal Services, Domestic Travel and Subsistence allowance, Transportation Costs, Foreign Travel and Subsistence, Printing , Advertising and Information Supplies and Services, Training Expenses, Hospitality Services, Office and General Supplies, Contracted Professional Services ,Contracted Technical Services ,Minor Alterations to Buildings and Civil Works, Purchase of Office Furniture and General Equipment, Refurbishment of Buildings will be reduced to the necessary allowable minimum.

5.0 Conclusion

The County had an approved budget for the FY 2013/14 of Kshs. 3,025,958,736 comprising of Kshs.s.2, 118,171,115 (70 %) for recurrent expenditure and Kshs. 907,787,621 (30 %) for development activities. This budget was to be financed by Kshs 2,587,865,089 (86 %) from national equitable share, Kshs. 438,093,647 (14 %) from local revenue sources and Kshs. 56,782,338 (2 %) being balance brought forward from FY 2012/13.

Total cumulative revenue collection (in 2013/14 FY) including exchequer transfers amounted to Ksh 2.824 billion compared to the target in the revised budget of Ksh 3.025 billion. This represents revenue shortfall of Ksh 201.599 Million (or 6.66% deviation from the revised target). Local revenue collection totalled Ksh 236.495 Million against the target of Ksh 438.093 Million, reflecting an under collection of Ksh 201.598 Million (or 46.02% deviation from the revised target).

Recurrent expenditure amounted to Ksh 1.951 billion against a recurrent budget of of Ksh 2.118 billion while development expenditure was 303Million against a budget of 907 Millions. Analysis of the recurrent expenditure shows that the County spent Kshs.s. 1,377,561,835 on personnel emoluments and Kshs.s. 557,871,371 on Operation and Maintainance.

The County experienced several challenges that affected budget implementation during the FY2013/2014 which included low absorption of development funds during the period recording 34 per cent of the annual development budget, delay in disbursement of National equitable revenue by national treasury and low local revenue collection which was at 50% per cent of the annual local revenue target

The fiscal outlook presented in this paper will seek to achieve the objectives outlined in the PFM Act, 2012 and lay ground for the next financial year in terms of preparing the CBROP and CFSP. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on

different sectors of the county will be crucial in ensuring that the County gets to deliver on its functions.

Other area worth mentioning is the poor connectivity for the operationalization of IFMIS exacerbated by inadequate human capacity at the County Treasury and inadequate office space and computer hardware to support the systems. Indeed, Kirinyaga County experienced a high downtime for IFMIS during the first and second quarter of the period under review. These problems have largely been resolved other than in the County Assembly section. To solve these challenges, and to reap all benefits of the system, critical user divisions will be given an on-the-job training and the County will utilize optic fiber networks to boost connectivity.

Agriculture will continue to play an important role in the county's economy. The rich highland soils with favorable climatic conditions will continue to be an economic boost for the county. In recent times, there has been an increased growth and output in the sector.. This is expected to translate to increased county revenue and job creation.

The high population in the county is a good source of labor for industrial production and agricultural value addition and the services sector. Job creation will be boosted through improvement in the investment climate, coupled with further structural and revenue reforms in the enactment and implementation of various legislation and policies. This is expected to improve competitiveness of the private sector and promote overall productivity, boost investor confidence and increase private investment in the county.

To improve budget execution the County intend to continuously strengthen capacity in the procurement unit to improve operational efficiency and uptake of development funds, address Capacity challenges on IFMIS and also address frequent G-pay and IFMIS connectivity problems. The County has put in place elaborate mechanisms to enhance local revenue collections; there is also need for the County Assembly to speed up the enactment of relevant bills on time. The County will also establish an internal audit committee to provide quality assurance to financial operations and the reporting systems.

ANNEX

ANNEX 1: BUDGET CALENDAR FOR THE FY 2015/16MTEF BUDGET

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Develop and issue MTEF guidelines	County Treasury	30-Aug-14
2. Launch of Sector Working Groups	County Treasury	15-Sep-14
3. Performance Review and Strategic Planning	County Govt Entities	15-Sep-14
3.1 Review and Update of strategic Plans	County Govt Entities	15-Sep-14
3.2 Review of programme outputs and outcomes	County Govt Entities	15-Sep-14
3.3 Expenditure Review	County Govt Entities	15-Sep-14
3.4 Progress report on MTP Implementation	County Govt Entities	15-Sep-14
3.5 Preparation of annual Plans	County Govt Entities	15-Sep-14
4. Determination of Fiscal framework	County Working Group	30-Sep-14
4.1 Estimation of resource Envelope	County Working Group	30-Sep-14
4.2 Determination of policy priorities	County Working Group	30-Sep-14
4.3 Preliminary resource allocation to Sectors & County Assembly	County Working Group	30-Sep-14
4.4 Submission of Draft Budget Review and Outlook Paper (BROP)	County Working Group	30-Sep-14
4.5 Approval of BROP by Executive Committee	County Working Group	15-Oct-14
4.6 Submit Approved BROP to County Assembly	County Working Group	22-Oct-14
5. Preparation of MTEF Budget Proposals	County Govt Entities	1-Nov-14
5.1 Draft Sector report	Dept Working group	1-Nov-14
5.2 Convene Public Sector Hearing	County Treasury	15-Nov-14
5.3 Review of the Proposals	County Treasury	22-Nov-14
5.4 Submission of Departmental report to County treasury	County GovtEntity	28-Nov-14
6. Draft Budget Policy Statement (BPS)	County Working Group	1-Dec-14
6.1 Draft Budget Policy Statement (BPS)	County Working Group	1-Dec-14
6.2 Submission of BPS to County Executive committee for approval	County Treasury	15-Jan-15
6.3 Submission of BPS County Assembly for Approval	County Treasury	15-Feb-15
7. Preparation and Approval of Final Entity's Programme Budget		
7.1 Develop and issue final guidelines on preparation of 2015/16 MTEF Budget	County Treasury	28-Feb-15
7.2 Submission of Budget Proposals to County Treasury	County Govt Entities	16-Mar-15
7.3 Review of the Draft Budget Proposals	County Treasury	23-Mar-15
7.4 Consideration and approval of the Draft Budget Estimates	CEC	30-Mar-15
7.5 Consolidation of the Draft Budget Estimates	County Treasury	5-April-15
7.6 Submission of the Draft Budget Estimates to County Assembly	County Treasury	30-Apr-15
7.7 Review of Draft Budget Estimates by County Assembly	County Assembly	15-May-15
7.8 Report on Draft Budget Estimates from County Assembly	County Assembly	30-May-15
7.9 Consolidation of the Final Budget Estimates	County Treasury	15-Jun-15
7.10 Submission of Appropriation Bill to County Assembly	County Treasury	15-Jun-15
7.11 Submission of Vote on Account to County Assembly	County Treasury	30-Jun-15
8. Budget Statement	County Treasury	15-Jun-15
9. Consideration and Passage of Appropriation Bill	County Assembly	30-Jun-15