COUNTY GOVERNMENT OF KIRINYAGA

DEPARTMENT OF FINANCE, ECONOMIC PLANNING, MARKETING AND INFORMATION COMMUNICATION TECHNOLOGY

COUNTY FISCAL STRATEGY PAPER 2014/2015

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Foreword

The County Government of Kirinyaga began to discharge its mandate as a County Government in the last financial year of 2013/14. The year was mostly characterized by creating structures to run the different organs and departments in the county. Being the first year of the existence of County Governments in Kenya, there were some transition challenges and delays in devolving the functions. Due to this, some key departments that required funding were either omitted or underfunded as well as other cost centers being allocated funds they were unable to spend during the last financial year.

There were also other challenges faced such as late disbursement of funds by the national Government, the last minute change that brought about disbursement of funds on a monthly basis instead of the previous quarterly basis and a lack of Regulations attaching to the PFMA 2012. This created a great challenge considering that the County is highly dependent on the allocation of the national government (over 75%). The County will address this issue in the coming financial year 2014/2015 by coming up with strategies that will enhance revenue collection by sealing up the numerous leakages present in the present form of revenue collection. In the long term, a shift from reliance from the National Treasury to self sustenance in the form of locally generated revenue will be a key area of focus.

Lack of capacity especially in human resource was also a great challenge despite the County managing to constitute the public service board. This has greatly enhanced the efficacy and efficiency of project implementation in the County.

There is a need to link policies, planning and budgeting for proper development of the county. The County Fiscal Strategy Paper will be tabled to County assembly before 28th of February, 2014 as per requirements of Public Financial Management Act, 2012. It outlines an overview of current economic development, sectoral priorities and ceilings together with spending plans for 2014/2015 budget for various county departments and sub departments. The document is expected to improve the understanding of public finances and guide public debate on economic and development matters.

The Fiscal Strategy Policy Paper 2014/2015 gives a highlight of how funds were allocated in the various departments in the county in the last financial year, thus shedding light on the priority areas the county government wishes to address. It also seeks to propose a tentative budget for the next financial year 2014/2015 and ways in which revenue can be enhanced so as to improve on service delivery.

The FY 2014/2015 will be the second year Kirinyaga County Government will be in place and with the added capacity and experiences learnt in the first year it is expected that service delivery in the county will improve and all the projects planned for in the county will be completed on time.

Hon. MurimiMurage

CEC Member Finance, Economic Planning, Marketing & ICT

ACKNOWLEDGEMENT

This is the first Fiscal Strategy Paper in the county and will assist the county in pushing its development agenda as well setting the sector priorities. The paper seeks to propose the budgetary allocations to the different departments considering the limited resource base. It is however critical to note that the county is highly reliant on the equalization fund from the national government and there is need to improve on the amount of local revenue collected. This will be the key focus of the finance and economic planning department will be on enhancement of revenue collection ensuring prudent monitoring and evaluation as well as prudent use of resources.

A core team from county treasury and county planning department spent a significant amount of time putting together this report. We are particularly grateful to the fiscal Strategy budget committee which included : Acting County Chief finance Officer,Mr.Kiongo, Mr. Mwaura- Acting head county Treasury Accounting, Mr. Ogora –Head of County Procurement, Mr.Gitahi- Comptroller of Budget office, Mrs.Ann Njagi-senior Accountant county treasury, Mr.Kimaru(county planning), Mrs. Mary Kirungu the county Revenue officer, Mr. Kaio Mbulusi- sub county administrator.

Special acknowledgement is also given to the team that compiled the report from the economic planning department who included the development planning officers from the sub counties Mr. Paul N. Njuguna, Mr. Samwel Mburu Ndung'u, NewtoneOrondo and Naomi Mumbi for their great contribution and dedication. Since it would not be possible to thank everybody individually, I would like to take this opportunity to commend county departmental heads for their dedication and commitment to public service.

Mr. John N. Mbugua

County Development and Planning Officer

Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:

1. The County Finance and Economic Planning Department shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by 28th February of each year.

2. The County Finance and Economic Planning Department shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

3. In preparing the County Fiscal Strategy Paper, the County Finance and Economic Planning Department shall specify the broad strategic priorities and policy goals that will guide the county government in preparing their budget both for the coming financial year and over the medium term.

4. The County Finance and Economic Planning Department shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

5. In preparing the County Fiscal Strategy Paper, the County Finance and Economic Planning Department shall seek and take into account the views of -

    a) the commission of revenue allocation;

b) the public;

c) the interested persons or groups;

d) Any other forum that is established by legislation.

6. Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the County Assembly shall consider and may adopt it with or without amendments.

7. The County Finance and Economic Planning Department shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.

8. The County Finance and Economic Planning Department shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

Fiscal Responsibility Principles for the National and County Governments

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

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

CHAPTER ONE: OVERVIEW

1.1. Background

Kirinyaga County Fiscal Strategy Paper will guide in preparation of budget estimates for both recurrent and development expenditure for various cost centres/department for the 2014/2015 financial year. County departmental heads presented their sectoral priorities in a guideline provided by the County Finance and Economic Planning .The sectoral priorities were aligned with Kirinyaga County Integrated Development Plan (CIDP) in order to come up with departmental ceilings which were proposed by the Fiscal Strategy Committee. The Fiscal Strategy Committee under the County Treasury considered the available resources both collected locally and funding from national exchequer in coming up with ceilings of various departments. The committee also considered the provisions of PFM Act 2012, which requires 30% of the budget to be allocated to development.

Following the transfer of functions from National Government to the County Government through Legal Notices Number 16 and 153 of 2013, approximately 50% of the budget will be used to cater for personal emoluments. This will greatly impact on the remaining funds available for operations and it is therefore prudent for departments to cut on non-core expenditure and focus on strategic priorities.

The revenue generated by county is not expected to vary greatly from one proposed in 2013/2014 financial year. There will be a specific focus on revenue generation from Devolved Functions – this is an area that has faced challenges in the current FY. The County Government budget will therefore rely mainly from National Government funding as proposed by the Commission of Revenue allocations (CRA).

The promulgation of Kenya's new constitution in 2010 brought about great expectations on how national resources will be shared that will bring services and development closer to people through devolution .Since the coming in of the new Kirinyaga County Government, much progress has been made especially in setting in place governance & administrative structures and preparation for the implementation of various development projects. The Kirinyaga County Integrated Development Plan (CIDP) will be the blueprint used in advancing the County Government's Economic Development agenda.

For consideration as a priority, sectoral plans must meet the threshold below:

(i) accelerating economic growth underpinned by macroeconomic stability;
(ii) enhancing equity and poverty reduction; and
(iii) Improving governance.

The County Government of Kirinyaga key Economic Sector priorities are:

(1) AGRICULTURE

- Investment in agricultural transformation and food security via out grower programs will open up land tracts of underutilized land that will be irrigated leading to an expansion in food supply, low cost of food and ultimately reduced cost of living.

- Development of Private Public Partnerships to develop an Agro processing industry that will spur export growth, employment whilst supporting other sectors such as manufacturing and tourism.

(2) SOCIAL SECTORS – HEALTH, EDUCATION, YOUTH & GENDER

- Shared prosperity – Continuous investment in quality and accessible healthcare services and education facilities. Improvement of social safety nets to reduce the burden on poor households and increase access to employment opportunities.

(3) INFRASTRUCTURE

- Improvement of existing Market facilities to deal with Post Harvest losses

- Improvement of Roads Network across the networks
- Development of Sanitation and sewerage infrastructure facilities owing to the increasing population
- Infrastructure support to water, energy, trade sectors

(4) TRADE, INDUSTRY AND COMMERCE

- Creation of a conducive business environment via favorable County Investment Laws and Policies
- Integrated use of ICT in all commercial sectors and delivery of all County Government Services
- Increase partnerships with the Financial Sector to negotiate and obtain lines of credit to the Cooperatives and Sacco's for onward lending to their members

(5) ECONOMIC PLANNING / URBAN PLANNING

- Development of ICT based Monitoring & Evaluation tools to map out the County and progressively monitor the rollout of Development programs
- Development of Master Plans to effectively roll out the Development plans contained in the County Integrated Development Plan (CIDP) over
- Update the Valuation Rolls and master plans of town so as to increase revenue collection, improve standards of living and implement controlled town planning within the County

The expenditure policy framework in the medium term aims at ensuring efficiency and efficacy in the implementation of our development policies. As part of efforts to link policy with budgeting, reforms in the expenditure and financial management will be deepened, and growth of non-priority expenditures will be contained in order to create fiscal space for financing priority policy areas such as the social sectors, water, agriculture and physical infrastructure, which are key to sustainable economic growth and development.

The County Government will continue to address challenges faced in linking policy with budgeting reforms through:

(i) initiating an early comprehensive effort on costing all existing policies, programs, and projects;

(ii) building links between recurrent and development budget; and

(iii) Developing a more program based approach to the budget, with a view to improving the linkage between expenditure and results.

In line with the need to achieve County development objectives, this strategy paper will aim at proposing priorities to pro-poor expenditures which aims at wealth and employment creations Other objectives that guided setting ceilings for various sectors included producing a budget that is affordable and sustainable not factoring borrowing as a means of financing in the 2014/2015 budget. External grants from donors and additional funding from national government have not been factored.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

2.1. Overview of 2013/2014 Budget

The current Kirinyaga County Budget totals Ksh.3, 025,958,728 for 2013/2014 financial year. Ksh.2, 278,747,778 is set for recurrent expenditure whilst Ksh.909, 210,950 is set for development expenditure.

Below is analysis of the Development Allocations to each Department.

2.1.1. **Environment and Natural Resources**

The Environment and Natural Resources docket was allocated Ksh.293, 392,356 for development. Work is already in progress for the upgrade of infrastructure such us pipe networks, bore holes etc. Access to clean water will improve sanitation and the livelihood of Kirinyaga citizens. Provision of water for irrigation will also help to boost income for locals as they produce more crops both for consumption and for sale.

2.1.2. **Transport and Infrastructure**

Transport and Infrastructure docket was allocated Ksh.116, 797,616 for development. The department has initiated access road improvement projects at ward level. Graders have been procured to improve road repair and other infrastructural facilities within the county. As the year progresses more is expected from this docket in improving our road network infrastructure in the County. The uncertainty regarding the transfer of functions related to infrastructure i.e. KERRA and REA remains a critical area that the Inter Governmental organs must address.

2.1.3. **Education**

The education docket is expected to ensure that pre-primary education and Youth polytechnics are successfully devolved by providing furniture, teaching materials, construction and renovations of classroom to all nursery schools in the county. To this end, Ksh.140, 500,000 was allocated for development expenditure. ECDE teachers have already been recruited and procurement process is underway to ensure our nursery schools are well equipped to improve the education level of within the county.

This budget will also cater for development of village polytechnics and complement national government in improving some infrastructure of other primary and secondary schools in the county.

2.1.4. **Health**

The Health docket is fully devolved and it has faced budgetary constraints due to late transfer of functions and complexity in provision of medical care at County level. Kshs .164, 443,428 has been allocated for development expenditure to help upgrade health facilities infrastructure in the County. We propose that the sector receive the highest allocation in the 2014/2015 FY.

2.1.5. **Agriculture**

The Kirinyaga County economy is mainly agricultural based and the sector has been devolved as per Legal Notice No 16 and 153 of 2013. Agriculture, Livestock, Veterinary and Fisheries docket was allocated ksh.178,256,421 and Ksh.54,077,550 for both recurrent and development expenditure respectively. Given the weighty functions that were devolved and the fact that the sector is the key contributor to the County economy, the allocation was minimal and inadequate.

Many projects and capacity building for farmers are already underway for this financial year. The Agriculture department is intending to improve banana farming and marketing by building banana sheds in various wards. Construction of department offices is also in the pipeline.

Fisheries department have already rolled out fish farming in the county by constructing fish ponds, buying liners, fingerling and providing fish feeds for free to farmers. By the end of this financial year, more fish ponds are expected to be built especially in schools and other public institutions to cultivate a fish farming culture in the county. Livestock and veterinary departments will continue to trains farmers on best practices of milk production, disease control, vaccination and licensing of slaughter houses.

The Agricultural sector remains the dominant economic driver of the County and as such it will receive a significant share in terms of revenue allocation as its effects and benefits will propel the County Economy upwards.

2.1.6. **County Assembly**

This Assembly was allocated Ksh 681,975,211 and Ksh.110,000,000 for recurrent and development expenditure respectively.

2.1.7. **Finance, Economic Planning and Budgeting**

Finance and Economic Planning docket, been a service department was allocated Ksh.775,786,944 recurrent expenditure. A large percentage of this allocation will go towards paying for personal emoluments for County staff and those devolved to the County from the National Government. It is important to note that the Department has a Kshs 650 Million deficit required for the payment of devolved staff salaries for the remainder of the Financial Year 2013/2014.

The County treasury has been established and made progress in ensuring that there is a proper planning, budgeting and accounting system through implementation of IFMIS (Integrated Financial Management System) which is a computerized accounting and budgeting system. With full implementation budgeting, procurement, accounting and payment will be done online which will ensure prudent financial management. The Economic Planning department was instrumental in the development of the Kirinyaga County Integrated Development Plan (CIDP) which will be a guideline for initiating development. Emphasis has been given to the Revenue department with additional resources in the tune of Kshs 10 Million being allocated to ensure optimum effort in reaching the revenue generation targets.

The Department continues to face challenges especially in wage bill management following the transfer of functions to the County Government.

2.1.8. Co-operative Development, Trade and Tourism

Co-operative development, Trade, tourism docket was allocated Ksh. 31,170,000 in recurrent expenditure. Co-operative department is mandated with ensuring our co-operatives societies are well managed in order to boost income for the members. Tourism department has held first Miss Kirinyaga contest which was intended to engage our youths and market our county. The Trade department continues to provide micro loans to small businesses which are unable to access bank loans as they deem it expensive. This have boosted entrepreneurship and created employment amongst our traders as these loans are considered cheap. There is need to increase this fund so as it can reach many traders and upcoming businesses.

2.1.9. Gender, Culture, Social Services Youth and Sports

Gender, Culture, Social Services, Youth and sports docket was allocated was allocated Ksh.48,300,000 recurrent expenditure and Ksh.5,000,000 development expenditure. Gender and Social department registers women and youth groups and monitors their activities to ensure groups are well managed for the benefits of all members. It also funds group members to engage in income generating activities .Leveling of play grounds by graders in various wards is already been undertaken to make them up to standard. There is a need to boost Youth Enterprise Funds to enable our youths get funds to engage in income generating activities for employment creation. In collaboration with procurement department, youth department is making progress to ensure Youths get 30% of the government procurement opportunities.

2.1.10. **Physical Planning and Housing**

There is a need for better Physical planning and review of Valuation Rolls of our major growing towns and like Kerugoya, Sagana, Mwea, Kagio, Kutus, Kianyaga and others to ensure there is controlled development. This will also help in the determination of land rents for various locations. To this end, Physical planning and housing docket was allocated Ksh.21,880,000 recurrent expenditure and Ksh.5,000,000 development expenditure. Housing department is expected to do valuation work and come up with a master plan for developing the housing sector.

It is clear that this allocation was very low for a key component in County Development.

CHAPTER THREE: DEPARTMENTAL ALLOCATIONS FOR 2014/2015 FINANCIAL YEAR

3.1. Introduction

Departmental ceilings indicate the amount which each County Department is expected to be allocated for both recurrent and development expenditure.
The following factors are taken into consideration when determining Departmental ceilings:

(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 Strategy Paper

The 2014/2015 Fiscal Strategy Paper is being prepared at a time when significant progress has been made in establishing various administrative & operational structures aimed at improving efficiency in the provision of services and efficacy in financial regulations and project implementation.

In the financial year 2013/2014, the County Government experienced numerous challenges in planning and budgeting as highlighted below.

(a) Delayed transfer of devolved functions to County Governments. Legal Notice number 153 of August 2013 was gazetted after county governments had finalized their budgets in adherence with the PFMA 2012 deadline of April 30th 2013.
(b) County Assembly of Kirinyaga and County Executive tussles – Lack of regulations attaching to the Public Finance Management Act 2012.

3.2. Departmental Budgeting

The County Executive Member in charge of Finance and Economic Planning will issue guidelines to the County departments on the preparation of 2014/2015 budget with specific ceilings. Each department is expected to plan, formulate and execute their budgets in line with the Public Finance Management Act, 2012.

3.3. Resources Available

3.3.1. **Equitable Share of Revenue Raised Nationally**

Article 202 and 203 of the Constitution of Kenya 2010, determines the equitable share of National Revenue.

Under Article 205 of the Constitution of Kenya 2010, the Commission of Revenue Allocation shall make revenue distribution proposals to the National Assembly and Senate who shall then consider these recommendations and vote on the Division of Revenue Bill 2014 and the County Allocation of Revenue Bill 2014.

The National Treasury has already submitted these two (2) two legislative proposals to Parliament.

In the FY 2014/2015, the County Allocation of Revenue Bill 2014 proposes that County Governments be allocated **Kshs 242.4 Billion or 35.5 %** of the shareable revenues (**Based on the Kshs 682.1 Billion which is the most recent audited revenues and approved by the National Assembly for the FY 2011/12**)

The allocation of **Kshs 242.4 Billion to the 47 Counties** comprises of:

(1) Equitable share of Kshs 221.2 Billion (32.4 % of audited revenues)

(2) Conditional allocations of Kshs 7.3 Billion

(3) Rural Electrification – Kshs 13.9 Billion

The proposed allocations are more than double the constitutional minimum of 15 % of shareable revenue set under Article 203 (2) of the Constitution for the FY 2014/2015.

The County Allocation of Revenue Bill 2014 proposes to allocate Kirinyaga County

Equitable Share of Kshs 3,012,479,221

***Rural Electrification Kshs 99,619,184**
***Loans and Grants Kshs 277,576,592**

****It is important to note that the Conditional Allocation that comprises of Rural Electrification and Loans and Grants from Development Partners, can only be allocated to the County once the issue of Transfer of Functions is resolved between the National Executive and the Council of Governors – Therefore we will not consider the same until the functions are duly gazetted.***

3.3.2. **Local Revenue**

Article 209 (3) of the Constitution of Kenya 2010 states that a County Government may impose revenue raising measures in the form of (a) property taxes (b) entertainment taxes (c) local fees and cess (d) any other tax authorised by the National Assembly.

The estimated collection from these sources in the 2014/2015 FY is **Ksh 250,000,000**.

The other source of revenue will be from the newly devolved units (County Ministries) which will include funds collected from public hospitals within the county, licences issued by the public health department, veterinary services, agriculture, Liquor licensing, trade, tourism, public works, housing, physical planning and liquor licence fees. The expected revenue from these sources is **Ksh 250,000,000.**

The county is also expected to come up with strategies in collecting outstanding rents and rates from the defunct local authorities totalling to **Ksh. 229,000,000** in the financial year 2014/15. This will greatly assist in boosting the revenue collected from local sources in the county.

The table below shows a summary of the expected revenue for financial year 2014/15.

Revenue Source	**Amount Ksh.**
Equitable Share	3,012,479,221
Local Revenue	500,000,000
Outstanding Rates & Rates	229,000,000
Grants and donations	-
Loans	-
TOTAL	**3,741,479,221**

3.4. Allocation of Expected Revenue

The PFM Act, 2012, stipulates that a minimum of **30 percent** of total revenue must be allocated to development expenditure. Thus it is estimated that approximately **Ksh 1,000,000,000 will be allocated** for development expenditure whereas the balance of approximately **Ksh 2,741,479,221** will be allocated for recurrent expenditure.

Payment of personal emoluments for County staff, County Executive and County Assembly will be the major expenditure component of recurrent budget which will amount to Ksh.**1,500,000,000**or approximately **55 percent** of the recurrent budget.

Thus approximately Kshs **1,000,000,000** will be left to be allocated to all County Departments for operations for 2014/2015 financial year.

Please note that until the National Assembly and Senate consider, approve and pass into Law the Division of Revenue Bill 2014 and the County Allocation of Revenue Bill 2014, the allocations above are merely speculative and can change.

3.5. Share of Development and Recurrent Expenditure

As stated earlier, the criteria for County revenue allocation will be based on the following factors:

(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 Strategy Paper

COST CENTRE#	SUB DEPARTMENT	RECURRENT EXPENDITURE	DEVELOPMENT EXPENDITURE
		PERCENTAGE	**PERCENTAGE**
COUNTY PERSONAL EMOLUMENTS - SALARIES	ALL DEPARTMENTS – ASSEMBLY, EXECUTIVE, CONTRACTED, CASUALS	**Kshs 1.5 Billion**	**NIL**
COUNTY ASSEMBLY		10%	3%
SUB TOTAL		**10%**	**3%**
OFFICE OF THE GOVERNOR	GOVERNOR		5%
	DEPUTY GOVERNOR		
	COUNTY EXECUTIVE OFFICERS		
	COUNTY SECRETARY / UTILITIES & GENERAL ADMINISTRATION		
	SUB COUNTY ADMINISTRATORS		
SUB TOTAL		**4 %**	**5%**

COST CENTRE#	SUB DEPARTMENT	RECURRENT EXPENDITURE	DEVELOPMENT EXPENDITURE
		PERCENTAGE	**PERCENTAGE**
OFFICE OF COUNTY PUBLIC SERVICE BOARD	COUNTY PUBLIC SERVICE	3%	NIL
	HUMAN RESOURCE OFFICE		
SUB TOTAL		**3%**	
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 %	
SUB TOTALS		**15%**	**2%**
HEALTH	MEDICAL SERVICES	18,5%	18.5%
	PUBLIC HEALTH		
SUB TOTAL		**18.5%**	**18.5%**
AGRICULTURE	AGRICULTURE	18.5%	14%
	VETERINARY SERVICES		
	FISHERIES		
	LIVESTOCK		
SUB TOTALS		**18.5%**	**14%**
WATER& ENVIROMENT	WATER	6%	16 %
	ENVIROMENT		
	FOREST		
	NATURALRESOURCE		
SUB TOTALS		**6 %**	**16%**
INFRASTRUCTURE	PUBLIC WORKS	6 %	15%
	ROADS		
	TRANSPORT		
SUB TOTALS		**6 %**	**15%**
TRADE & CO-OPERATIVES	TRADE	5%	5%
	CO-OPERATIVES		
	TOURISM		
	INDUSTRIALIZATION		
SUB TOTAL		**5%**	**5%**
PHYSICAL PLANNING & HOUSING	PHYSCAL PLANNING	4 %	10%
	SURVEY		
	HOUSING		
	LAND		

COST CENTRE#	SUB DEPARTMENT	RECURRENT EXPENDITURE	DEVELOPMENT EXPENDITURE
		PERCENTAGE	**PERCENTAGE**
SUB TOTALS		**4 %**	**10%**
EDUCATION	PRE PRIMARY	5 %	8.5 %
	POLYTECHNICS		
SUB TOTALS		**5 %**	**8.5 %**
GENDER & SOCIAL SERVICES	GENDER	5 %	3%
	YOUTH		
	SOCIAL SERVICES		
	CULTURE		
	SPORTS		
SUB TOTALS		**5 %**	**3%**
GRAND TOTAL FOR ALL SUB DEPARTMENTS		**100%**	**100%**

CHAPTER FOUR: 2014/15 EXPENDITURE FRAMEWORK

4.1. Resource Envelope

The resource envelope available for allocation is based on all the sources of revenue:

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%**

Allocation from the equitable share from the National Government will finance over 80 percent of the county budget. County generated revenue is expected to fund the rest. The county will however endeavor to encourage the private sector through Private Public Partnership Projects (PPP) as well as endure to look for donor funding in the financial year 2014/15.

The Department of Finance and Economic Planning is at an advanced stage of rolling out an Infrastructure Bond to finance key development projects in the Transport, Water & Sanitation, Education facilities, Health and Energy sectors.

4.2. Base Ceilings

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 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.

4.3. Spending priorities

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.

Other key sectors such as youth, gender, social services and education have also received a substantial percentage of the development expenditure totaling to a combined allocation of **7 percent** of the development expenditure. The Department of Housing, Physical Planning and Lands will receive an allocation of **10 per cent**. This is all to ensure that the Valuation Rolls and master plans of key towns are upgraded so as to generate more revenue in terms of Land Rents and rates

Effective use of resources will be sought across spending departments and any identified saving will be redirected to deserving priority expenditures. In finalizing the preparation of the 2014/2015 County 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 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, Purchase of Motor Vehicles, Feasibility and Appraisal Studies , Contracted Professional Services, Contracted Technical Services are the targeted expenditures for scrutiny to in order to create savings .

CHAPTER FIVE: CONCLUSION

In the 2014/2015 budget, the key sectors of Agriculture, Health, Infrastructure, Water & Natural Resources and the Social sectors – Education, Youth and Gender continue to be priorities. Allocation of funds to the County departments will generally reflect the critical needs of the county residents. It is envisaged that the enhancement of these key sectors will drive the County economy up by creating greater supply hence improving the per capita income of households.

The set of policies outlined in the County Fiscal Strategy Paper reflects the circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. The use of the Integrated Financial Management Information System (IFMIS) and Performance Monitoring Tools will make it possible for the County to track the resources to results achieved in a more efficient manner. The adoption of Project Based Budgeting (PBB) will also ensure that all County resources are linked to specific projects outputs and outcomes.