COUNTY GOVERNMENT OF KIRINYAGA

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

COUNTY FISCAL STRATEGY PAPER 2016

February 2016

Kirinyaga County Fiscal Strategy Paper, 2016
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FOREWORD

The County Government of Kirinyaga aligns its integrated development plan with the Kenya's vision 2030. Vision 2030, the envisioned development blueprint is rolled out in five year Medium Term. For purposes of clarity, this County Fiscal Strategy Paper bases its framework from the Second Medium Term whose implementation timeframe covers between 2013 -2017. The County Fiscal Strategy Paper seeks to give a foundation sub-structure to the 2016/17 budget .Most significantly, the paper gives significant cognizant to the 3 Pillars (Economic, Social and Political pillars) of Kenya's Vision 2030.

In the Economic Front, the county government of Kirinyaga continues to give priority and hence substantive resource allocation to the agricultural sector. The sector is the biggest source of income and employment for Majority of households in the county. In deed the county has a countrywide recognition from its large scale production of Rice; data from KNBS shows that over 75% total national rice output in the country is grown in Mwea Irrigation Scheme, in Kirinyaga County. Other significant cash crops from the county include Tea, Coffee, French Beans and Bananas. Because of these, the sector got the highest recurrent ceiling of 18.5% and development ceiling of 14%. Other departments in the economic pillars like Trade, Co-operatives and Tourism get a combined Budget of 5% recurrent and 5% development budget.

To spur the economic development of the County, the County Government remains committed to expanding our Physical infrastructures to ensure support for economic growth and attraction of investors. Towards achieving this, the county is at the procurement stage of acquiring a spatial plan which shall detail the master plans for upgrading key towns in the County so as to generate more revenue in terms of Land Rents and Rates. Priority will also be given to routine improvement of vital link and access roads, plus bridges. The opening up of access roads and construction of Bridges will particularly boost access of markets for Agricultural produce thus curbing post-harvest loses. With regard to energy and electricity, the county will continue to supplement effort of the National Government's Rural Electrification Program (Rural Electrification Project) with its own expenditure towards lighting our markets and shopping centers. The departments of Physical Planning, Lands & Housing, and Transport& Infrastructure are allocated a combined development ceiling of 22%.

For departments in the Social Pillar like Educations, Culture, Gender & Social Services, Environment & Natural Resources and Health, the County will continue investing in the people of Kirinyaga to create a just and cohesive society that enjoys equitable Social Development in a clean and secure environment. These departments have an aggregated ceiling of 52% for Development Expenditure and 35% for recurrent expenditure... The County has also made provisions for Bursary fund amounting to Kshs. 87 million.

In the political pillar, the county remains true to the spirit and letter of Public Participation in implementing its agenda. In preparing this CFSP, the County Treasury conducted Sector Reviews under Public Consultations forums. These forums were conducted at ward levels to ensure maximum participation. The purpose of these forums is to allow for prioritization of policies, projects and programs as contained in the CIDP.

Hon. Murimi Murage

CEC Member Finance, Economic Planning, Marketing & ICT

ACKNOWLEDGEMENT

A lot of effort and personal dedication have been spent, beyond office hours to ensure the 2015 County Fiscal Strategy Paper (CFSP) is prepared and submitted on time, as scheduled in the PFM Act. These efforts have been dedicated to the timely preparation of this CFSP, personal effort without which, actualization of this MTEF Policy document 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 to transform raw data gathered from Public Participation Forums to this refined document. These officers include Mwangi Naftaly (Director, Budget Supply) Mbugua J. N. (Director Economic Planning) Zephania Kiongo (Head of County Treasury- Accounting), James Gitahi (County Budget Coordinator-Office of Controller of Budget), Kimaru James, Mwangi Paul, Naomi Mumbi, Sylvester M Njau, Mburu Samuel and Shelmith W. Njagi (From Economic Planning Department).

Likewise, Special thanks go to the invisible hands of various county officials who worked behind the scenes during the Public Participation forums. While it is not possible to list all of them, we acknowledge officers from Procurement departments, Sub-County Administrators, Ward Administrators and all interns from Economic Planning and Budgeting departments.

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

Eliub Comba Muriithi

Chief Officer, **Finance, Economic Planning, Marketing & ICT**

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ABBREVIATIONS

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
CBR	Central Bank Rate
FY	Financial Year
GDP	Gross Domestic Product
G-Pay	Government Payment System
ICT	Information Communication Technology
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
KBRR	Kenya Banks Reference Rate
MISC	Miscellaneous
MTP	Medium Term Plan
MTEF	Medium Term Expenditure Framework
NSE	Nairobi Securities Exchange
PFM	Public Finance Management
PPP	Public Private Partnership/ projects
PBB	Program Based Budgeting
SBP	Single Business Permit

CHAPTER ONE

INTRODUCTION

1.1 Overview & legal Basis for County Fiscal Strategy Paper

The 2016 County Fiscal Strategy Paper is the second to be prepared by the County Government of Kirinyaga since the onset of devolution. This CFSP is anchored to the National Government Budget Policy Statement under the theme “Enhancing Economic Transformation under Shared Prosperity”. This CFSP will provide basis for preparation of the budget estimates for 2016/17 and MTEF budget for 2016/17-2018/19.

The preparation of the County Fiscal Strategy Paper (CFSP) is guided by section 117 of the Public Finance Management Act, 2012, which requires the County Treasury to prepare and submit CFSP to County Executive Committee for approval. After approval by the Committee, the County Treasury is obligated to submit the approved copy to the County Assembly, latest 28th of February. The County assembly is expected to adopt the CFSP, with or without amendments within fourteen days.

The Preparation of CFSP seeks the views of Key Individual Government institutions listed as The Commission on Revenue Allocation (CRA), County Departments, Controller of Budget, National Treasury (BPS), forums recognized by legislation (e.g.CBEF), Other stakeholders and most importantly the Public who by law (The Public Finance Management act 2012 Section 125 (2)) are the main stakeholders during the Budget Making process. Other than aligning the County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement, the CFSP shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term. Other requirements includes but not limited to:

- The financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

Fiscal Responsibility Principles

In 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 107(1-2) of Public Finance Management Act states that: In managing the county government's public finances, the County Treasury shall enforce the following Fiscal
Responsibility principles-

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.

Outline of the 2015 Kirinyaga County Fiscal Strategy Paper

The whole of this CFSP is organized as follows;

Chapter 1 gives an Introduction on the various laws governing the preparation of the CFSP, plus the fiscal responsibility principles governing the budgeting process.

Chapter 2 outlines the economic context in which the 2015/16 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook covering the global and domestic scene.

Chapter 3 is about Fiscal Policy and Budget Framework, and it outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate execution of policy priorities of the County Government of Kirinyaga. The chapter also gives an overview of the 2015/16 budget and its compliance with the fiscal responsibility principles.

Chapter 4 gives a detailed analysis of the Medium Term Expenditure Framework. It presents the resource envelope and spending priorities for the proposed 2016/17 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the MTEF period.

CHAPTER TWO

2.0 RECENT ECONOMIC DEVELOPMENT 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.

2.1 National Economic Outlook

Kenya's economic growth has been robust supported by significant infrastructure investments, construction, mining, and lower energy prices and improvement in agriculture following improved weather. The economy grew by 5.3 percent in 2014 and is projected at 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent in the medium term.

Macroeconomic stability has been preserved with inflation remaining on average within target. Overall month on month inflation was at 8.0 percent in December 2015 from 6.0 percent in December 2014. This was attributed to the increase in prices of several food items which outweighed the decreases as well as increase in the Alcoholic Beverages, Tobacco & Narcotics index.

The Kenya Shilling exchange rate has stabilized following increased foreign exchange inflows in the money market. The current level of foreign exchange reserves, backstopped by the precautionary program with the IMF, continues to provide an adequate cushion against exogenous shocks. Furthermore, the current account deficit narrowed, mainly due to a lower oil import bill, and a slowdown in consumer imports.

Short term interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The interbank rate was at 6.2 percent as of 21st January 2016 while the 91 day Treasury bill rate was 11.4 percent as of 22nd January 2016.

Economic Growth Update

The economy grew by 5.3 percent in 2014 supported by strong performance in most sectors of the economy which offset the contraction in the tourism sector. Kenya's economic growth remained resilient in 2015. The first three quarters of 2015 recorded an average of 5.5 percent growth compared to 5.3 percent growth in a similar period in 2014.

In Quarter three of 2015, the economy grew by 5.8 percent, an improvement from a growth of 5.0 percent and 5.6 percent in quarter one and two of 2015 respectively. The growth in the third quarter was supported by improved performance in agriculture, forestry and fishing (7.1 percent), construction (14.1 percent), wholesale and retail trade (6.5 percent), transport and storage (8.7 percent) and electricity and water supply (11.0 percent). The accommodation and restaurant sector improved during the third quarter of 2015 with a contraction of 2.3 percent from a contraction of 16.0 percent during the same period 2014. This improvement is as a result of the withdrawal of the travel advisories by some key tourist source countries. Considering that the County finances its budget 85% from the transfers from National Equitable share of revenue, this robust growth in the Medium Term portends well for the county. Additional revenues will result from this robust growth. However, the county is still cognizant to the fact that Transfers from the National Treasury cannot adequately satisfy its expenditure needs. It suffices to say that long term growth in budget basket will come via internal revenue collection and not through transfers from the National Treasury.

Inflation

Overall month on month inflation was at 8.0 percent in December 2015 from 7.3 percent in November 2015 .This was attributed to the Food and Non-Alcoholic Drink's Index which increased by 1.23 percent following increases in prices of several food items; the Alcoholic Beverages, Tobacco & Narcotics index increased by 11.46 per cent from November 2015. However, during the same period there were notable falls in the cost of electricity, kerosene and cooking gas.

Food inflation however, rose from 7.4 percent in November 2014 to 7.5 percent in December 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which rose from 7.5 percent in November 2014 to 7.7 percent in December 2014

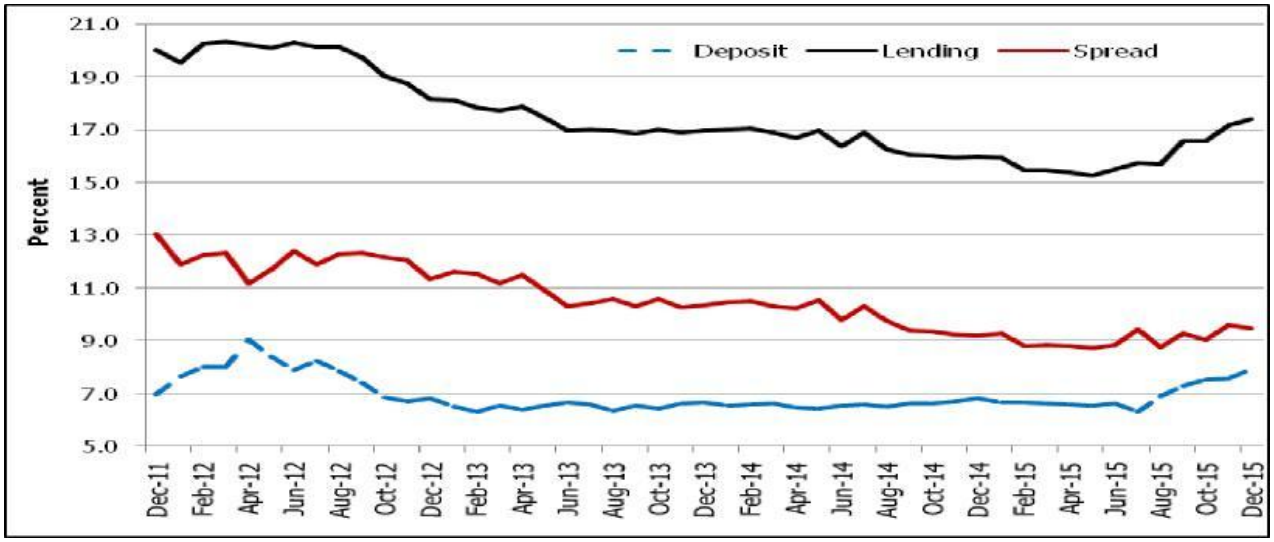
Interest Rates

Liquidity conditions remained tight between September and October 2015, with short-term interest rates remaining above the Central Bank Rate (CBR) and the rates on treasury bills rising substantially. This tight liquidity situation improved beginning November 2015 resulting in reduction in all the money market interest rates.

The interbank rate averaged 6.2 percent as of 21st January 2016 compared to 7.3 percent in December 2015 and 8.8 percent in November 2015. The 91-day Treasury bill rate declined to 11.4 percent as of 22nd January 2016 from 21.7 percent in October 2015. The 182 day Treasury bill also declined to 13.7 percent as of 22nd January 2016 from 21.5 percent in October 2015 while the 364 day Treasury bill rate averaged at 14.3 percent from 21.6 percent over the same period.

The Kenya Banks Reference Rate (KBRR) was reviewed upwards from 8.5 percent in January 2015 to 9.87 percent in July 2015 as a result of the upward revision of CBR. The increase of the KBRR resulted to the increase of the average lending rates to 17.4 percent in December 2015 compared to 16.0 percent in December 2014 while the deposit rate increased to 7.9 percent from 6.8 percent over the same period**.** As a result, interest rate spread was at 9.5 percent in December 2015 from 9.2 percent in December 2014, a reflection of the increase in both the lending rate and deposit rate.

Chart1: Commercial Banks Lending and Deposit Interest Rates



Source: CBK

Table 1: Interest rates

Month/Year	Average Yield Rates 91 – Days Treasury Bills	Central Bank Rate	Rates for Commercial Banks Loans and Advances (Weighted Average)	Overdraft Rates	Average Deposit Rate	Inter – Bank Rates	Savings (Commercial Banks Rates)
2014							
January	9.26	8.5	17.03	16.82	6.55	10.43	1.56
February	9.16	8.5	17.06	16.88	6.57	8.83	1.49
March	8.98	8.5	16.91	16.44	6.61	6.47	1.56
April	8.80	8.5	16.70	16.44	6.48	7.4	1.53
May	8.82	8.5	16.97	17.85	6.42	7.76	1.54
June	9.81	8.5	16.36	15.88	6.56	6.6	1.50
July	9.78	8.5	16.91	17.12	6.59	8.08	1.33
August	8.29	8.5	16.26	16.20	6.51	11.79	1.50
September	8.38	8.5	16.04	15.79	6.64	7.43	1.51
October	8.67	8.5	16.00	15.77	6.64	6.73	1.55
November	8.64	8.5	15.94	15.66	6.72	6.86	1.52
December	8.58	8.5	15.99	15.86	6.81	6.91	1.85
2015							
January	8.59	8.5	15.93	15.95	6.65	7.12	1.58
February	8.59	8.5	15.47	15.67	6.68	6.77	1.53
March	8.49	8.5	15.46	15.68	6.63	6.85	1.53
April	8.42	8.5	15.40	15.52	6.6	8.77	1.90
May	8.26	8.5	15.26	15.10	6.55	11.17	1.48
June	8.26	10.0	15.48	15.65	6.64	11.78	1.85
July	10.56	11.5	15.75	16.05	6.31	13.37	1.37
August	11.54	11.5	15.68	15.98	6.91	18.63	1.50

September	14.00	11.5	16.57	16.65	7.28	21.34	1.71
October	21.04	11.5	16.58	16.81	7.54	15.35	1.68
Nov	12.34	11.5	17.17	17.59	7.56	8.85	1.41
Dec	9.69	11.5	17.41	17.21	7.92	5.31	1.56

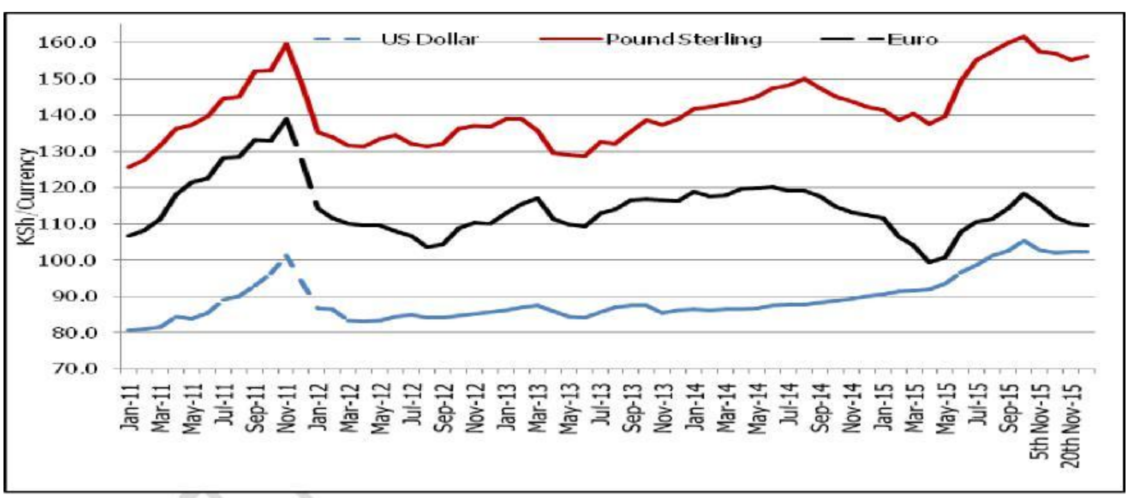
Source: KNBS- Leading Economic Indicators, December 2015

Exchange Rates

The Kenya Shilling exchange rate which had weakened against major international currencies, for most of the year strengthened following foreign exchange inflows into the money market. The currency stabilized at KShs 102.2 against the US dollar as of 21st January 2016 compared to KShs 102.8 in October 2015. The depreciation of the currency was mainly due to the global strengthening of the US Dollar on the international market, and high dollar demand by importers in the domestic market**.**

Against the Sterling Pound, the shilling strengthened to KShs 145.2 as of 21st January 2016 from KShs 153.3 in December 2015 and against the Euro, the exchange rate also strengthened to KShs 110.8 from KShs 111.1 over the same period. The Kenya shilling has continued to display relatively less volatility compared with the major regional currencies due to Diaspora remittances, increased foreign investor participation in the NSE.

Chart 2: Kenya Shilling Exchange Rate



Source: CBK

2.2 Review and Outlook for the Medium Term

The envisioned growth rate as per the Kenya's vision 2030 averages at about 10%. However the country projects that real GDP will grow by 5.6% in 2015 and by 6.0% in 2016. The Country growth trend, by extension implies continued economic growth in Kirinyaga County, with an even more detailed growth outlook underpinned by continued good performance of all sectors of the county's economy.

This improved economic performance within the medium term is aggregated from increased resource allocation to key priority sectors namely Agriculture, Transport, Health and Education. The county has largely increased Agricultural production with certain cash crops like Tea, Coffee and Rice doing quite well in international markets. These sectors remain the key priority sectors within the Medium term and are estimated to receive a cumulative 72% development allocation in the FY 2016/17.

Agricultural Production

Coffee

There was minimal increase in the area planted under coffee from 109.8 thousand hectares in 2013 to 110.0 thousand hectares in 2014. The coffee subsector recorded an overall increase in production of 24.4 percent from 39.8 thousand tonnes in 2013 to 49.5 thousand tonnes in 2014. Recently planted coffee coming into production and improved investment in coffee production contributed to the increase.

However, Kirinyaga County has recorded mixed production of coffee over the last three years with the highest production of 35,561 metric tonnes in 2012. The subsequent years recorded 26,339.3 and 31,261 metric tonnes respectively.

It is worth noting that, there was an increase in area under coffee from 19,066 Ha in 2013 to 19,842 Ha in 2014, an increase of 776 Ha. Given the increase in area under coffee, the noted increase in production from 2013 to 2014 of 4,921.7 metric tonnes was not significant considering that increase in area should have translated into increase in production.

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

Table 2: Output statistics for green coffee output in the county

	CROP	2015*			2013 - 2014			2013-2012			2012-2011		
		Area (Ha)	**Qty (MT)**	**Value Kshs (M)**	**Area (Ha)**	**Qty (MT)**	**Value Kshs (M)**	**HA**	**qty (mt)**	**Value kshs millions**	**ha**	**Qty (mt)**	**Value kshs million**
KE	**coffee**	**19,850**	**30,092**	**2,481**	7138	18,382	1,044	7,138	17368.9	746.0510	7132	22,166	1,144.17
KW					5218	8,804	391.4	5,218	7258	190	8588	7,258	252
M E					486	43.00	2.04	445	53.36	1.66	438	40.95	2.95
MW					0	0	0	0	0	0	0	0	0
K C					7,000	4,032	174	6,265	1,659	111	438	6,097	204
Total					**19842**	**31,261**	**1,612**	**19066**	**26339.3**	**1048.91**	**16596**	**35,561**	**1,603.12**

KE – Kirinyaga East

KW- Kirinyaga West

ME- Mwea East

MW – Mwea West

KC- Kirinyaga Central

**Provisional data*

Source; Department of Agriculture, Kirinyaga County

Tea

The farm area under tea increased by2.2 per cent from 198.6 thousand hectares in 2013 to 203.0 thousand hectares in 2014. During the period under review, tea production went up by 2.9 per cent from 432.4 thousand tones in 2013 to 445.1 thousand tonnes in 2014. The smallholder sub-sector registered the highest production increase of 5.0 per cent from 249.8 thousand tones in 2013 to 262.4 thousand tones in 2014. Unit prices of Kenyan tea maintained a downward trend for the second year in a row owing to higher supplies and continued decline in demand for black tea in certain key traditional markets. In 2014, the average auction prices for Kenyan tea were lower at USD 2.16 per Kilogramme compared to USD 2.53 recorded in 2013 and USD 3.18 in 2012.

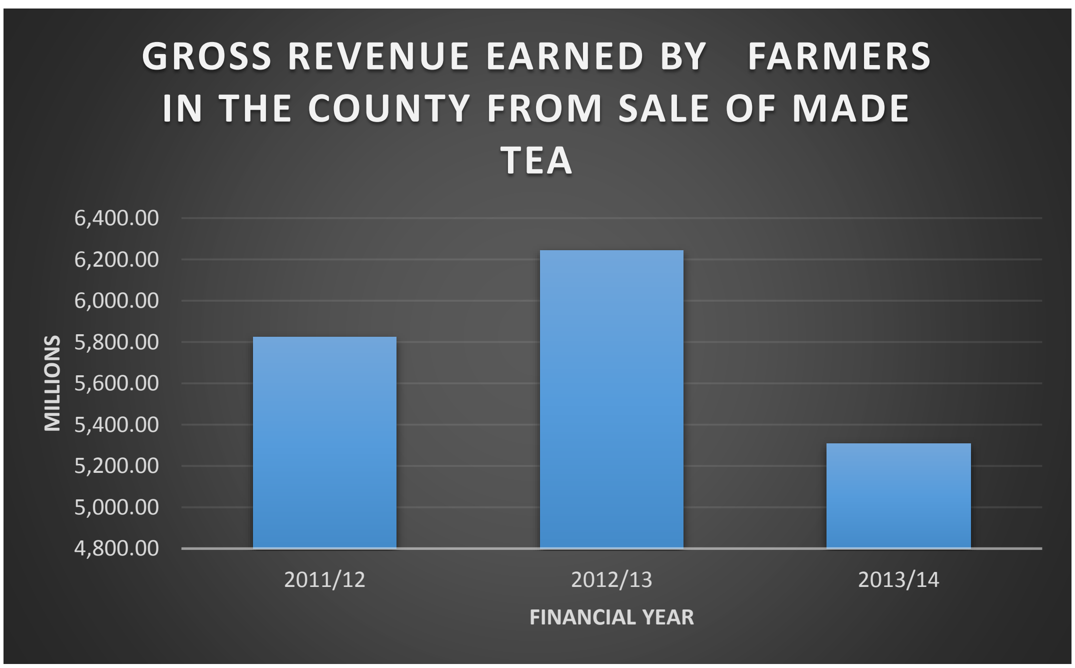
The upper zones of Kirinyaga County bordering the Mt. Kenya Forest are economically characterized by tea production. The area has five Tea processing factories namely: Ndima, Mununga, Kangaita, Kimunye and Thumaita.

The contribution of tea to the economy fluctuates depending on prevailing factors such as: shifting market prices determined through auction, Ever-changing climatic conditions, fluctuating cost of inputs among others. Below is the analysis of the gross revenue earned by farmers through the factories for three consecutive years from 2011/12 FY.

Table3: GROSS REVENUE EARNED BY FARMERS IN THE COUNTY

GROSS REVENUE EARNED BY FARMERS IN THE COUNTY			
YEAR	2011/12	2012/13	2013/14
MILLIONS	5,823.13	6,243.30	5,308.34

Chart3: Gross revenue earned by farmers in the county from sale of made tea



The green leafs produced within the catchment areas of different factories continue to record an increase in production since 2011/12 FY. The increased production gives an assurance of improved livelihood of the farmers in Kirinyaga County as well as those who are secondary beneficiaries of the produce. Below is an analysis of the green leaf production as per the tea factories in the county.

Table 4: Tea Production per factory for three years

TEA PRODUCTION			
GREEN LEAF	2011/12	2012/13	2013/14
Thumaita	18,038,214	19,975,926	21,633,640
Kimunye	19,227,691	21,475,810	23,058,053
Kangaita	14,843,192	17,204,964	19,998,029
Mununga	19,886,273	23,312,869	25,908,437
Ndiwa	14,901,497	19,030,770	20,358,745
Total	**86,896,876**	**101,000,339**	**110,957,005**

Source: KTDA

Table 5: Exports of Coffee and Tea

2014	Quantity(MT)	Value (Kshs Millions)	Quantity(MT)	Value (Kshs Millions)
January	3,168.9	1,054.8	38,651.9	8,784.3
February	3,077.9	1,117.6	33,514.1	7,316.6
March	4,583.6	1,533.2	37,642.4	7,937.6
April	4,858.3	2,013.3	37,439.0	7,781.7
May	4,593.6	2,024.2	36,215.5	7,380.0
June	4,587.4	2,006.8	39,010.7	7,692.3
July	5,424.5	2,383.4	42,393.4	8,468.0
August	3,313.1	1,473.6	38,120.5	7,974.2
September	3,944.1	1,722.0	35,960.6	7,243.6
October	3,617.7	1,645.1	37,637.2	7,444.3
November	3,717.9	1,747.0	38,275.2	7,594.6
December	2,550.9	1,192.3	41,631.3	8,378.6
2015				
January	2,843.8	1,306.5	40,970.1	8,484.7
February	2,883.6	1,338.5	41,086.2	9,313.4
March	4,289.5	2,025.1	35,699.6	8,796.1
April	3,948.3	1,900.5	28,262.1	7,189.1
May	4,382.83	2,235.76	27,016.30	7,505.70

June	4,219.94	2,068.09	35,914.80	11,262.80
July	3,938.27	1,942.96	30,623.00	10,146.37
August	3,991.14	1,790.29	27,687.46	9,480.99
September	3,404.87	1,617.40	33,528.06	11,412.84
October	4,399.90	2,019.11	40,246.10	13,538.28
November	2,769.34	1,243.54	36,714.21	12,125.96

Source: Kenya Revenue Authority
MT denotes Metric Tonnes
*Unroasted Coffee

Table 6: Average Monthly Retail Prices for dry Beans, 2015 (per Kg)

Market/Month	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Kiambu	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	74.67	-
Limuru	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	-
Thika	84.00	82.50	82.50	80.00	82.00	80.00	80.00	78.75	80.00	78.33	80.00	-
Gatundu	79.29	77.38	76.13	77.66	87.36	79.24	78.99	78.42	75.95	75.85	74.46	-
Kutus	83.21	75.65	70.83	68.92	69.32	70.68	70.83	63.07	63.05	62.20	67.54	-
Sagana	71.74	74.19	73.34	76.04	79.13	67.87	70.24	67.03	67.40	62.95	65.22	- -
Kerugoya	70.62	71.15	73.02	71.94	69.57	68.88	69.57	71.15	72.73	65.22	66.70	
Muthithi	63.10	71.43	71.43	62.50	67.05	63.64	63.64	59.09	63.64	63.64	-	-
Makuyu	65.22	65.22	61.41	65.22	65.22	65.22	62.61	63.05	62.65	-	-	-
Kiriaini	65.22	-	-	71.94	70.80	68.18	68.18	58.52	-	-	-	
Engineer	-	-	80.00	90.00	90.00	90.00	80.00	90.00	90.00	90.00	-	91.06
Nyeri	-		-	-		83.09	90.00	157.50	80.00	83.28	87.14	
Endarasha	74.29	76.52	76.19	-	92.92	93.87	77.06	73.33	75.00	78.13	60.00	80.00
Karatina	69.68	74.13	77.38	-	82.78	86.96	79.17	82.49	85.00	86.94	97.02	91.92
Gakindu	78.57	77.98	76.19	-	80.95	80.16	81.19	80.71	89.00	83.28	73.91	74.89
Nanyuki	83.14	87.26	77.96	88.89	89.39	92.36	93.61	90.41	92.76	90.53	89.64	90.62
Nyahururu	75.45	77.27	78.41	81.82	81.82	78.79	80.30	77.28	81.82	71.21	63.64	65.91
Kaloleni	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	
KibauniKilifi	73.00	80.00	71.25	75.00	75.00	73.75	70.00	70.00	70.00	72.00	75.00	
Ukunda	92.50	95.00	80.00	75.00	75.00	85.00	73.75	73.00	80.00	70.00	72.50	77.50
Kwale	65.00	86.25	90.00	83.33	85.00	88.00	73.75	79.00	80.00	80.00	75.00	80.00
MwembeTayari	80.00	80.00	100.00	96.25	98.00	107.50	100.00	102.50	100.00	90.00	97.50	96.67
Majengo	80.00	81.00	85.00	83.00	88.00	90.00	88.00	80.00	83.33	83.00	85.00	85.00
Mackinon	100.00	100.00	85.00	90.00	90.00	95.00	-	-	-	-	-	88.33
Sega		78.75	83.33	85.00	95.00	91.25	88.75	82.00	77.50	85.00	85.00	
Kongowea	74.40	72.25	76.33	78.75	80.00	86.25	91.00	91.25	87.50	69.00	76.67	80.00
Hola	85.00	80.00	90.00	86.00	95.00	92.50	92.50	90.00	90.00	95.00	90.00	
Garsen	-	-	-	80.00	-	90.00	86.00	80.00	80.00	80.00	-	
BuraTana	-		92.50	90.00	83.85	85.00	97.50	95.00	90.00	95.00	100.00	
Runyenjes		56.43	62.82	72.78	64.37	62.73	54.86	57.29	58.93	61.36	63.36	62.20
Embu Town	70.01	61.59	65.96	67.21	64.43	58.33	62.50	60.87	62.32	70.16	68.14	64.87
Siakago	59.78	56.52	63.89	65.94	73.91	50.00	52.58	62.50	56.94	59.03	62.65	60.02
Mwingi	75.00	80.00	77.50	79.17	44.29	75.71	77.41	74.50	77.50	74.49	80.06	75.00

Kalundu	74.00	74.00	71.88	75.00	83.33	80.00	81.25	73.33	74.00	75.38	78.89	
Machakos Town	93.33	70.00	74.44	70.00	76.00	80.00	77.00	73.00	73.75	72.00	73.33	70.00
Tawa	-	-	76.88	76.88	78.75	72.50	68.13	70.83	-	73.75	62.50	-

Source; KNBS, Leading Economic Indicators, December 2015

Table 7: Average Retail Prices for Farm Inputs, 2013-2014

Input KSh per 50Kg	2013	2014*
Di-Ammonium Phosphate(DAP)	2,000	1,800
Calcium Ammonium Nitrate	1,600	1,500
NPK 17 : 17 : 17	2,000	1,800
NPK 23 23 0	2,000	1,800
CAN	1,600	1,500
SA	1,400	1,300

Source: Mininistry of Agriculture/NCPB

Table 8: Retail market Prices for Selected Commodities, Jan–Dec 2014

Commodity	Selling Unit	Average Price (KSh)										
		January	Feb	March	April	May	June	July	AUG	Sept	Oct	NOV	Dec
Dry Maize	90 KG BAG	3,370	3,350	3,120	3,320	3,400	3,400	3,375	2,620	2,540	2,690	2,860	2,680
Green Maize													
millet		5,350	5,867	6,133	6,700	6,700	6,700	6,800	5,660	5,740	5,960	5,650	5,980
Sorghum		3,750	3,750	4,200	4,233	4,167	3,425	3,475	3,350	3,180	3,390	3,563	3,460
Mwitemania		6,460	6,875	6,820	6,440	6,580	6,380	6,620	5,760	5,840	6,100	6,230	6,050
Green grams		8,000	8,000	7,775	7,825	7,700	7,975	8,200	7,540	7,780	8,360	8,210	7,260
Cowpeas		5,575	5,675	5,625	6,025	6,050	5,700	5,625	4,940	5,520	5,780	5,813	5,940
Fresh peas		8,000	8,000	8,000	8,000	6,500	6,500	7,400	6,450	6,667	6,667	6,750	6,767
Ground nuts		8,000	8,200	8,200	8,200	8,200	8,200	8,000	8,000	8,000	8,000	8,000	8,000
I/Potatoes	110 KG BAG	2,880	2,700	2,880	2,600	2,700	2,780	2,840	2,430	2,180	2,438	2,988	2,950
Cassava fresh		1,500	1,500	1,350	1,200	1,200	1,850	3,150	1,850	1,750	1,000	1,300	1,200
Sweet potatoes		2,884	2,884	2,920	3,040	3,120	3,000	3,060	2,480	2,675	2,700	2,670	2,740

Cabbage		3,020	2,775	2,160	1,900	1,816	1,656	2,030	1,908	2,250	2,640	2,530	2,488
Cooking bananas		..	..	..	..	..	..	..	..	..	..	..	..
Ripe bananas			..	..	..	..	..	..	..	..	..	..	..
Tomatoes	CRATE	1,908	3,620	4,040	5,160	4,980	3,960	5,080	5,360	4,575	3,640	3,410	2,852
Onions	13 KG NET	760	868	873	770	673	832	740	746	757	723	769	760
RICE	BALE	4275	4525	7400	4500	4675	4600	3600	5500	5540	5620	5040	4420
Source: Kerugoya,kutus,sagana,kagumo,kagio,gurubani markets													

Table 9: Area(in hectares) under Irrigation by Type of Crop grown, 2013-2014

Type of Crop	2013	2014
Tomatoes	1,322	1,322
Onions	800	800
Cabbages	1,000	1,000
Kales	400	400
Spinach	400	400
Carrots	120	120
Bananas	20	20
Paw Paws	20	20
Melons	52	52
Brinjals	40	40
Sweet Pepper	40	40
French Beans	60	60
Butter Nuts	9	9
Karella	20	20
Ravaya	-	-
Auberrgines	-	-
Chillies	-	-
Okra	8	8
Baby Corn	105	105

Source: Ministry of Agriculture,Kirinyaga, National Irrigation Board

Table 10: livestock, veterinary and fisheries

Increase in production	2013				2014				2015	unit
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
goats										
➢ **Indigenous goats**	51393	48823	47847	46890	37791	37791	38123	38547		No
➢ **Dairy goats**	13535	13535	13535	13535	13535	13600	13723	13790	13806	No
➢ **Sheep wool**										No.
➢ **Sheep hair**	15151	15303	15456	15610	15671	15671	15828	15984		No.
Dairy cattle	77145	77145	77916	78696	79318	80111	80111	80905		No.
zebu	31875	31875	31900	31947	31947	32000	32300	32586		No.
Beef cattle										No.
pigs	9804	9804	9903	9903	11316	11316	11430	11430	11543	No.
rabbits	44218	44218	44660	45106	51126	51000	50614	50295	50104	
poultry										

➢ indigenous	585108	585108	585108	585108	597366	597366	597366	597366	609314	No.
➢ layers	61907	60669	59456	58267	46407	46615	46871	47250	47336	No
➢ broilers	25115	25115	25115	25367	27165	27165	27215	27386	27658	No.
➢ ducks	15000	15000	15000	15000	15142	15142	15142	15142	15300	No.
➢ turkey	1150	1150	1150	1150	1228	1228	1228	1228	1300	No.
➢ gees	980	980	1000	1000	1033	1033	1033	1033	1050	No.
apiculture										
No. of bees	85	90	96	100	724	724	724	724	800	No.
Bee hives										
➢ Lang troth	160	160	160	160	1954	1954	1954	1954	2000	No.
➢ KBTH	360	360	360	360	4768	4768	4768	4768	5000	No.
➢ Log hives	680	680	680	680	4654	4654	4654	4654	4800	No.
Milk production	19,316,455	19,316,455	19316455	19316455	19280568	19280568	19280568	19280568	19666180	ltrs.
Beef production	53,800	153800	153800	153800	267000	267000	267000	267000	272340	Kgs.
Chevon(goat)production	28976	28397	27829	27218	16250	16300	16412	16500	16575	Kgs.
Mutton production	8050	8100	8131	8195	8211	8250	8293	8300	8375	Kgs.
Egg production	84070	84070	84910	84910	85572	85572	86428	86428	87283	trays
Poultry meat production	684420	690251	680732	679200	671000	675242	677110	680321	684487	Kgs.
Honey production	2902	2902	2902	2902	27492	27492	27492	27492	30000	Ltrs.
Pork production	110307	110307	109204	109204	108100	108100	109727	109727	110262	Kgs.
Fish harvest										Kgs.

Health Sector

The Health sector has benefited from increase in health facilities especially in areas that were previously underserved. Currently, the county citizenry enjoy an approximate 4.3km to the nearest health care facility. Increase in personnel providing health care has resulted in reduced doctor/nurse: population ratio. The Health sector has so far started over 90 projects in the county some of which are complete while most of them are ongoing.

The County Government of Kirinyaga has consistently increased annual budgetary allocations to the Health sector as indicated below.

Table 11: Annual budgetary allocations to the Health sector

FY 2013/14	FY 2014/15	FY 2015/16
Kshs 688 Million	Kshs 1.18 billion	1.45 billion

As at 2015/16, about 1.0 billion of financial allocation goes towards cushioning recurrent expenditure including the expansive Human resource in the sector. The Health Sector through the County Public Service has achieved strategic milestones towards improving Health Services by increasing its Human Resources throughout the three years of implementation of the new constitution 2010 with 305 new Health workers having been employed in FY 2014/15, 109 ESP staffs having been absorbed in the public Service while 2 Medical consultants, 14 Medical officers and 3 Pharmacists have since 2013 joined the County Public service in Kirinyaga. Below is a detailed summary of the Human resource milestone.

Table 12: Detailed summary of the Human resource milestone since 2013

Cadre	2013	2015
Medical Consultants	7	9
Medical Officers	19	34
Nurses	407	474
Medical Lab Technologists	46	117
Clinical Officers	52	119
Other Cadres	305	559
TOTAL	836	1312

Table 13: Summary of developments in Health sector by social economic indicators

Milestone	2013/14	2015/16 (as at Dec 2015)	Remarks
Doctor: Population ratio	1: 21,652	1: 13,518	As a result of increased Health workers as analyzed above
Percentage of Children accessing full immunization	85.2%	88.5%	Improvement was due to: • Increased Health Workers • Increase in immunization centers from 56 to 66
Percentage of expectant mothers accessing Maternal Health Care	92.4/48	96.4/60	Improvement was due to: • Increased Health Workers • Increased Health Care facility • Free Maternal Health Care • Free Skilled Delivery
Expectant Mothers accessing skilled delivery	73%	92.5%	
Average distance to the nearest Health Facility	4.6Km	4.3 Km	The reduction in the distance to the nearest Health Facility is attributed to: • Expansion of existing health care facilities • Establishing new facilities in underserved areas.

The County has contemplated to allocate substantial resources with the upper limit for development budget estimated at 21% of the entire development budget for the FY2016/17.

Environment, Natural Resources and Water.

The County remains cognizant of the fact that the social pillar , on which Kenya's vision 2030 is anchored, is very particular on ensuring that every citizen in the county enjoy clean and safe environment which includes water for drinking. In an effort to attain this goal, the county has consistently channeled funds towards water projects. So far, over 14 Water projects have been completed by the county government with emphasis made on connecting as many households with clean, treated and safe water as the capacity of the projects. Further 10 water projects have received and installed pipes while 46 water projects have received water pipes and are in the process of laying the pipes to complete the projects.

Over the last 2+ financial years, the department referenced has covered a number of milestones as outlined in the departments' strategic plan as summarized below.

Table 14: development indicators summary for the department of Environment & water.

OUTPUT	INDICATOR	UNIT	2014/2015				2015/16	
			Q1	Q2	Q3	Q4	Q1	Q2
IMPROVED ACCESS TO CLEAN AND SAFE WATER	Urban households with access to clean water	%	55	55	55	55	70	70
	Rural household with access to clean and safe water	%	52	52	52	52	56.24	56.24
	Number of protected springs	No.	9	9	9	9	11	11
	Number of improved wells	No.	Nil	Nil	Nil	Nil	1	1
	Average distance to the nearest water point		0-2 Km.	0-2 Km.	0-2 Km	0-2 Km	0-2 Km	0-2 Km
IMPROVED SANITATION IN THE COUNTY	No. of household connected to sewer line	No.	Nil	Nil	Nil	Nil	Nil	Nil
	% of latrine coverage	%	90	90	90	90	90	90
Improved natural resources utilization	Number of water resources users association registered	No.	12	12	12	12	12	12

The county government through the referred department shall in the FY 2016/17 endeavor to: allocate resources to increase the number of Rural and Urban households accessing piped clean and safe water, Conserve the environment and natural resources as well as increase the number of people connected to the national electricity grid. The department intends to achieve this and much more by utilizing the 20% ceiling proposed for development in 2016/17 Financial Year.

Gender, Social services, Culture, Youths and Persons living with Disability department

The department is the bearer of the torch that sheds light and gives sense of direction to a group of people perceived by the society as disadvantaged. This disadvantaged group is made up of youths, women and persons with disability. The county government has been looking out for this groups by consistently allocating funds aimed at training the youths, promoting culture , developing and nurturing talent, offering training and promoting anti- gender based violence campaigns while at the same time supporting the persons living with disabilities by giving them equipment necessary for supporting their livelihood like wheelchairs, clutches etc.

Table 15: Gender, Youths, Sports, Culture & PWD's

INDICATOR	2013/2014	2014/2015	2015/2016
			Q1
incidences of early marriages		29	
No of gender based violence reported	6	4	2
Value of tenders		96,563,043	
No of beneficiaries-Women		43	
youth		194	
PWD		19	
Women MCAs	7	7	
Women CECs	3	3	
2/3 gender rule in appointment and recruited		women-23 men-8	
Eligible household with OVC receiving cash transfers	1308	3583	
OVC	1308	3583	
Elderly	792	2258	
Disabled	278	408	
Others			
NGOs			
CBO	11	28	12

Self Help groups	260	577	221
Youth Groups	94	116	36
Women groups	167	245	67
Eligible household with vulnerable persons receiving cash transfers	1070	2666	2666
No of accessing Women			
youth fund	69	95	21
Uwezo fund			
youth			53
women			115
PWD			10
No of sports event held	5	8	

In 2016/17 FY, the county anticipates to appropriate utmost 4% of development budget in support of the departments core functions.

Education

In the **constitution 2010** schedule four, the county department of education is supposed to carry out the following functions

- Pre-primary education,
- village polytechnics,
- home craft centers and
- Childcare facilities.

In order to cushion the poor and the vulnerable groups in the county in the Financial Year 2013/14 a County Ward Bursary Fund was introduced. The fund was introduced to support state education and so far the bursary fund has disbursed funds to needy and bright students worth KShs 189.65 Million.

Table 1.6 : Bursary disbursements and beneficiaries since 2013

Financial Year	Total Allocation 'Million'	Each ward allocation 'Million'	Beneficiaries Students 'no.'		
			Secondary School	**Tertiary Institution**	**University Students**
2013/14	50	2.5	11,037	958	1,342
2014/15	63	3.15	18,346	1,864	2,237

Under ECDE as the foundation phase in the education value chain, the department of education in the period March 2013 to December 2015 has been able to implement projects in all wards in the county.

A total of **66 ECDE toilets** have been constructed in schools in an attempt to improve sanitation among the children while making sure that the young children are not exposed to health hazardous conditions likely to be rampant in primary school that have ECDE.

20 primary schools (one per ward) which house ECDEs' have been equipped with play field facilities such as swings, slides and merry go rounds .

Under home craft centers, Kimweas polytechnic, Kamiigua polytechnic, Nyangati polytechnic, Mutitu polytechnic, Kiamikiyu polytechnic and Kibingoti polytechnic have been supplied with Assorted Platting threads & dyes materials,150cm handlooms with all its accessories,1-Interlocking soil blocks,2-knitting machines and Embroidery machine.

The modern polytechnics namely Kiambatha, Kaitheri, Kiambwe and Muciiwa Urata have each been supplied with 13 desktops computers, a laptop and a printer.

The department has also purchased production equipment like Gas cookers, welding machines, concrete mixer, concrete vibrator, embroidery machine and drilling machine. Essential tools (dough mixer, motor vehicle diesel engine, metal grinder, cutting machines, hair dressing items, jack planes) have also been procured.

The provision of such equipment to polytechnics will go a long way in equipping the beneficiaries with technical skills thus adding value to the members of the community who for one reason or another experienced challenges in acquiring academic qualifications.

The support of polytechnics bundled with support of ECDE is a key priority of the county government of Kirinyaga and though it appears like a strenuous endeavor, especially considering that most of the institutions are being built from scratch, the county government is constantly channeling sizeable resources to the education sector and estimates that a ceiling of 7% of the development budget shall be allocated to the department aimed at its sustainable development while 4% will be utilized to cushion recurrent expenditure in the department including statutory obligation of ECDE and Polytechnic staff. Below is a summary of teacher's establishment in the county as at 2014.

Table 17: Teachers Establishment -2014

S/No	TYPE OF INSTITUTION	TOTAL NUMBER	No of Teachers		
			MALE	FEMALE	TOTAL
1	Public ECD Centers	188		193	193
2	Private ECD Centres	211	23	366	389
3	Public Primary Schools	193	1176	1449	2625
4	SNE Schools	2	13	15	28
5	SNE U Nits	35	21	33	54
6	Private Primary Schools	144	584	925	1509
7	Public Secondary Schools	130	654	545	1199
8	Private Secondary Schools	11	58	50	108
9	NFE Centres	1	2	7	9
10	Adult Education Centres	81	30	45	75

2.3 Medium Term Risks and Challenges

The major risks inherent in the County remains structural and governance emanating from budget indiscipline as witnessed in the 2014/15 financial year. This budget indiscipline arises from disregard of coherence between the County Fiscal Strategy Paper and the Final Budget Estimates. As was witnessed in current Financial Year (2014/15), the County's final budget estimates were far from the letter and the Spirit of the 2014 CFSP. This constitutes and illegality when section 131(3) of the PFM Act 2012. The section states an amendment to the budget estimates may be made by the county assembly only if it is in accordance with the solutions adopted regarding the County Fiscal Strategy Paper.

This variance between the CFSP and final budget estimates makes it hard for the county to stick to its development priority sectors in expenditure plans. The resulting development will be haphazard and uncoordinated.

Capacity continues to pose serious risks/challenges during budget implementation. The CFSP gives ceilings for departments, however, in the process of estimates appropriation, there is allocation of estimates without consideration of BQ's which leads to either under or over appropriation of projects and programs which eventually leads to stalling of projects. The resolve to this challenge can only be achieved if BQ's for the major proposed projects and programs were to be prepared sometime after CFSP public participation and before allocation of estimates in the budget making process.

The second risk/challenge is the ability of the various departments and the County Assembly to stick to the County Integrated Development Plans when preparing programs in the budget estimates. Some County Departments have previously included in their budget estimates projects and programs not contained in the CIDP. Likewise the County Assembly when making amendments to the Budget Estimates have previously made for provisions outside the Planning framework of the CIDP. These issues have generated legal challenges in Courts thus delaying budget execution.

Section 104(1) of the County Government Act states “A county government shall plan for the county and no public funds shall be appropriated outside a planning framework developed by the County Executive Committee and approved by the County Assembly”; with Section 107(2) noting that County Plans shall be the basis for budgeting and spending in the county.

CHAPTER THREE

3.0 FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

The 2016 Medium – term envisions to prudently manage public resources while ensuring that any debt accrued is well anchored in the medium term debt management strategy which aims at ensuring the debt is sustainable. In reference to the PFM Act, 2012section 107 (2) d & e, over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure and the county debt shall be maintained at a sustainable level as approved by county assembly.

Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure. The county has over the medium term, continued to put strategies in place to contain recurrent expenditure so as to allocate more resources towards development. In the Appropriation act FY 2015/16, the development expenditure had been estimated at over 40% of the county revenue.

Resource Envelop mainly depends on Conditional and unconditional transfers from the National Treasury as contained in the County Allocation of Revenue Bill 2015, plus local revenue collection in the form of (a) property taxes (b) entertainment taxes (c) local fees and cess. Local revenue resource base within the county has realized marginal growth. This growth impacts positively to growth of local revenue collected. Since the revenue growth is marginal, the average revenue target for the FY 2016/17 remains at Kshs. 500 Million, same as the current FY 2015/16.

The County Government's expenditure on statutory obligations like wages, pension and other benefits for public officers shall not exceed a percentage of the County Government revenue as prescribed by the regulations anchored under PFM Act 2012 section 107 (2) 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". Once the share is prescribed in the regulations, the County Government will ensure that this principle is strictly adhered to.

3.2 Continuing with Prudent Fiscal Policy

Fiscal policy will continue to support economic activity within a context of sustainable public financing. Over the past two years, the County Government has given substantial allocation towards priority programmes in Water, health, agriculture and infrastructure under the medium-term expenditure framework (MTEF).

CHAPTER FOUR

4.0 MEDIUM TERM EXPENDITURE FRAMEWORK

4.1. Resource Envelope

As in the Previous Financial Years, Resource Envelop projections for the 2016/17 FY and in the Medium Term will depend on Conditional and unconditional transfers from the National Treasury as contained in the County Allocation of Revenue Bill 2015, plus local revenue to be collected as per the County Finance Act.

In the intent of coming up with budget departmental ceilings, It is to be noted that some of the conditional transfers from the National Treasury for various projects in the County will not be included in the Budget Estimates for the county but will be in the National Government Budget Estimates. These includes conditional allocations in the Third Schedule of County Allocation of Revenue Bill, 2015 under loans and grants, like Allocation for rehabilitation of hospital from Government of Netherlands, Rural Electrification Project from BADEA, allocation for Upper-Tana Natural Resource Management Project from IFAD etc. in case there are such estimates..

It is therefore expected that the loans and grants as found in the third schedule will have their financing agreement managed by the National Government but with involvement of County Governments in the Project Steering Committees and Project Implementation Units for each programme/project. The framework for the implementation of such projects /programmes will be clearly spelt out and agreed upon between national Government and the county government prior to the release of the funds and implementation of the projects.

RESPONSES TO THE RECOMMENDATIONS OF THE COMMISSION OF REVENUE ALLOCATION AS PER COUNTY ALLOCATION OF REVENUE BILL 2016

County equitable revenue share adjustment of Kshs 27.8 B for additional County Roads:

- At the time CRA recommended the transfer of an additional Kshs 27.8 B to County Governments, the TA had not gazetted the decision to transfer additional County Roads to County Governments

- National Treasury argues that any additional transfer of resources to be transferred to County Governments in respect of the roads functions should be supported by a TA Gazette notice authorising such transfer and a determination of such resources, if any, to be transferred to County Governments

- As early as 2013/14 FY, some resources relating to roads were transferred to County Governments therefore the equitable revenue share proposed for 2016/17 FY already includes an allocation for County Roads

RESPONSES TO THE RECOMMENDATIONS OF THE INTERGOVERNMENTAL BUDGET AND ECONOMIC COUNCIL (IBEC) AS PER COUNTY ALLOCATION OF REVENUE BILL 2016

IBEC recommended that County Governments be allocated additional conditional grants amounting to Kshs 1.5 B to support rehabilitation of village polytechnics

- National Treasury differed funding this function to the next FY due to a lack of funds!

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

Table 18: Resource Envelope

Revenue Source(1st Schedule of CARA)	Kshs(2015/16)	Kshs(2016/17)
Equitable Share of Revenue Raised Nationally	3,538,217,626	3,817,781,963
Conditional Allocations(2nd Schedule)		
Allocation for free maternal Healthcare	50,716,400	45,389,754
Allocation for User Fees Foregone	12,308,920	11,625,078
Allocations of Roads Maintenance Fuel Levy Fund for repair and Maintenance of county roads	44,947,130	58,660,195
Allocations financed by grant from government of Denmark to supplement financing of County Health facilities	12,770,000	6,385,000
Allocations financed by grant from government of Denmark to supplement financing of County Health facilities (Carried Forward)	5,195,000	
Funds Carried Forward	613,337,633	
Local Revenue	500,000,000	500,000,000
Totals	**4,777,492,709**	**4,439,841,990**

Source: County Allocation of Revenue Bill, 2016

The Kirinyaga County equitable share is just 1.36% of the total sharable revenue estimated by National treasury at about Ks**h287.0 billion**. Allocation from the national equitable share will finance over 80 percent of the county budget. County locally 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 2016/17.

4.2. MTEF Priorities

National Priorities

The national government's Budget Policy Statement shows that national priority sectors will continue to be consistent with the previous financial years within the medium term.

The budget policy statement reflect significant capital investments in the areas of (1)energy, infrastructure, ICT (2) Environment protection, water and Natural resources and development expenditure in general. This reflects the priority assigned to the development in contributing the growth objectives.

County Priorities

In the recurrent expenditure category, non-discretionary direct cost expenditures take priority. These include payment of statutory obligations such as wages, salaries, pensions, amenities and rent. This non – discretionary cost expenditures are estimate to amount to about Kshs 2.0 billion.

County Government plans to set aside Kshs 350 million towards settling pensions and gratuity arrears while Car loans and Mortgage provision scheme for the civil servants as per the directives of the Salaries &Remuneration Commission is estimated at about Kshs 100 Million to be expended in the FY 2016/17.

About 30 percent of the total revenue will be available to fund development projects and programs. 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.

Other factors will include;

(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.

(4) Public interest projects- include proposals made by members of the Public during Public Sector Reviews forums held at ward levels between 25th and 29th February 2016.

4.3 Spending priorities

The County priority sectors are infrastructure, health, agriculture, water and environment which are estimated to receive the lions share accumulating to 65% of the total development expenditure in the county. This is consistent with the priorities in the previous financial years. 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 11percentof the development expenditure. The Department of Housing, Physical Planning and Lands will receive a development allocation of **7 per cent**. This is all to ensure that the spatial plans which is the master plan of key towns upgrade so as to generate more revenue in terms of Land Rents and rates.

4.4 Departmental Ceilings

From the resource envelope of Kshs. 4.1 billions, at least 30% (1.4 billion shillings) will be channeled to development expenditure, in fulfillment of the PFM Act's fiscal responsibility principles. This is the minimum expenditure to be allocated to all county sectors with development budgets, including the County Assembly.

The remaining 70% (3.2 billion shillings) will be channeled towards cushioning the recurrent costs.

The basis of division of revenue between the County Assembly and the County Executive will be guided by recommendations made by the Commission of Revenue Allocation (CRA). The ceilings provide the County Assembly with an approximate recurrent of Kshs. 500 Million for the 2016/17 FY.

The Executive arm of the government will be the beneficiary of the difference between the total estimated recurrent amounting to Kshs 3.2 billion and the estimated County Assembly recurrent of Kshs 500 million.

The salaries are estimated at2.0 billion shillings while deferred pension liabilities approximate to Kshs 350 million shillings. The proposed Car and Mortgage Schemes for county civil as per the guidelines of Salaries & Remuneration Commission sum up to Kshs 100 million shillings. The county has also allocated Kshs. 87 million shillings under the Bursary Program.

Table 19: Departmental Ceilings

Cost Centers	Sub-Department	FY 2015/2016		FY 2016/2017	
		Recurrent Expenditure (%)	Development Expenditure (%)	Recurrent Expenditure (%)	Development Expenditure (%)
County Personal Emoluments + Pension liabilities	All executive arms of the government	Kshs. 1.95 billion	0%	Kshs. 2.0 billion	
Pension and Gratuity Arrears				KSh. 350 Million	
Car and Mortgage scheme for county civil servants	All executive arms of the government	KShs 70 Million		**KShs. 100 Million**	
County Assembly	**County assembly**	**Kshs. 477 Million**	**Ksh. 57 Million**	**Kshs 500 Million**	**KShs. 80 Milion**
OFFICE OF THE GOVERNOR	GOVERNOR		118 Millions(county Hq		KSh. 170 Milion
	DEPUTY GOVERNOR				
	COUNTY EXECUTIVE				
	OFFICERS				
	COUNTY SECRETARY				
	UTILITIES & GENERAL				
	ADMINISTRATION				
	SUB COUNTY				
	ADMINISTRATORS				
	CPSB				
SUB TOTAL		**26%**		**26%**	
FINANCE,	COUNTY TREASURY				

ECONOMIC PLANNING AND MARKETING	BUDGETING				
	ECONOMIC PLANNING				
	REVENUE				
	ICT				
	AUDIT				
	MARKETING				
	PROCUREMENT				
SUB TOTALS		**14%**	**4%**	**14%**	**4%**
HEALTH	Insurances	**KSh 83 Million**		**KSh 85 Million**	
	MEDICAL SERVICES				
	PUBLIC HEALTH				
SUB TOTAL		**17%**	**23%**	**17%**	**21%**
AGRICULTURE	AGRICULTURE				
	VETERINARY SERVICES				
	FISHERIES				
	LIVESTOCK				
SUB TOTALS		**12%**	**6%**	**12%**	**6%**
WATER & ENVIROMENT	WATER				
	ENVIROMENT				
	FOREST				
	NATURALRESOURCE				
SUB TOTALS		**8%**	**25%**	**8%**	**20%**
INFRASTRUCTURE	PUBLIC WORKS				
	ROADS				
	TRANSPORT				
SUB TOTALS		**7%**	**18%**	**7%**	**25%**
TRADE & CO-OPERATIVES	TRADE				
	CO-OPERATIVES				
	TOURISM				
	INDUSTRIALIZATION				
SUB TOTAL		**5%**	**7%**	**5%**	**7%**
PHYSICAL PLANNING & HOUSING	PHYSCAL PLANNING				
	SURVEY				
	HOUSING				
	LAND				
SUB TOTALS		**2%**	**7%**	**2%**	**7%**
EDUCATION	POLYTECHNICS & ECDE				

	BURSARY	Kshs. 63 millions		KSh 87 Million	
SUB TOTALS		**4%**	**7%**	**4%**	**7%**
GENDER & SOCIAL SERVICES	GENDER				
	YOUTH				
	SOCIAL SERVICES				
	CULTURE				
	SPORTS				
	ALCOHOL FUND				
SUB TOTALS		**6%**	**4%**	**6%**	**4%**
GRAND TOTAL FOR ALL SUB DEPARTMENTS		**100%**	**100%**	**100%**	**100%**
GRAND TOTAL		**3.1 Billion**	**1.4 Billion**	**3.02 Billion**	**1.29 Billion**

CHAPTER FIVE

5.0 SUMMARY & CONCLUSION

In FY 2016/17, the key sectors of Agriculture, Health, Infrastructure, Water & Natural Resources continues to be priorities as is outlined in the medium term. These four priority departments have a combined development ceiling of Kshs 65%. Allocation of funds to the County departments will generally go a long way in absorbing the critical economic shocks of the county residents thus driving the County economy up by creating greater supply hence improving the per capita income of households.

The county has rolled out the Car loan and Mortgage schemes for the County Civil servants as advised by Salaries and remuneration commission and has allocated an estimate of Kshs 100 Million towards the scheme. The county has made provisions for deferred pension liabilities from 2014/15 to the 2016/17 FY. These liabilities are expected to total Kshs. 350 million.

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), E-Prcourement and Performance Monitoring Tools will make it possible for the County to track the resources to results achieved in a more efficient manner.
The county has already drafted a policy that outlines the framework for an elaborate M&E system and is awaiting approval by the Cabinet and later on the County Assembly. The M&E system will form the basis of tracking the quality of development done within the county. Flagship projects within the current Medium Term include but not limited to completion of the County Headquarters at Kutus town, development of the County Spatial Plan.

The county government has adopted Program Based Budgeting (PBB) which goes a long way in ensuring that all County resources are managed openly and accountably and most importantly, that the resources are linked to specific projects outputs and outcomes.