



REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KIRINYAGA

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

SEPTEMBER 2018

© Kirinyaga County Budget Review and Outlook Paper (CBROP) 2018

To obtain copies of the document, please contact:

Kirinyaga County Treasury

P. O. Box 260

KUTUS,

KENYA

Tel: 020-2054354

The document is also available on the County website: www.kirinyaga.go.ke

Table of Contents

TABLE OF CONTENTS.....	IV
ABBREVIATIONS/ACRONYMS.....	VIII
1.0 INTRODUCTION	9
1.1 BACKGROUND.....	9
1.2 LEGAL FRAMEWORK FOR THE PUBLICATION OF THE CBROP	9
1.3 FISCAL RESPONSIBILITY PRINCIPLES IN THE PFM LAW	10
1.4 OBJECTIVES OF THE CBROP	11
2.0 REVIEW OF FISCAL PERFORMANCE FOR 2017/18 FINANCIAL YEAR.....	12
2.1 REVENUE ANALYSIS	12
2.1.1 Performance of the Revenue sources	13
2.1.2 CHALLENGES IN REVENUE COLLECTION.....	15
2.2 EXPENDITURE ANALYSIS	16
2.2.1 Development Expenditure	17
2.2.2 Recurrent Expenditure	20
3.0 ECONOMIC AND FINANCIAL FORECAST FOR 2019/20 FY AND THE MEDIUM TERM.....	26
3.1 OVERVIEW	26
3.2 REVENUE FORECAST	26
3.3 EXPENDITURE FORECAST	27
3.4 FISCAL POLICY OPTIONS.....	27
3.4.1 Recurrent Expenditure	28
3.4.2 Development Expenditure	28
4.0 MEDIUM TERM SECTORAL PRIORITIES AND RESOURCE ALLOCATION	28
4.1 OVERVIEW	28
4.2 DETAILS OF SECTORAL PRIORITIES AND RESOURCE ALLOCATION.....	29
4.2.1 COUNTY EXECUTIVE.....	29
4.2.2 AGRICULTURE, VETERINARY, LIVESTOCK & FISHERIES.....	29
4.2.3 HEALTH SERVICES.....	31
4.2.4 FINANCE, ECONOMIC PLANNING, MARKETING AND ICT.....	32
4.2.5 CO-OPERATIVE DEVELOPMENT, TOURISM, TRADE AND INDUSTRIALIZATION.....	33
4.2.6 TRANSPORT AND INFRASTRUCTURE.....	34
4.2.7 EDUCATION AND PUBLIC SERVICE.....	34
4.2.8 GENDER, CULTURE AND SOCIAL SERVICES	36
4.2.9 YOUTH AND SPORTS.....	36
4.2.10 ENVIRONMENT, WATER AND NATURAL RESOURCES.....	37
4.2.11 LANDS, HOUSING AND PHYSICAL PLANNING.....	37
4.3 RISKS TO THE ECONOMIC OUTLOOK	37
5.0 CONCLUSION AND WAY FORWARD	38

APPENDIX 1 : INDICATIVE SECTOR/ ALLOCATIONS 2018/19-2019/20.....40

Foreword

This County Budget Review Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012. It reviews the actual fiscal performance of the financial year 2017/18 and makes comparisons to the budget appropriations of the same year. It presents the recent economic developments and actual fiscal performance of FY 2017/18. It further provides forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP).

In reviewing the fiscal performance, this paper analyzes the performance of county own revenue in the FY 2017/18. It has included the total revenue collected and made comparison to projected revenue for the same year. In addition, the policy document analyses causes of underperformance of local revenue hence detailing the challenges of budget implementation. Included in the analysis is also performance of ministerial expenditures for the period under review.

It is projected that, the projected revenue and expenditure for 2019/20 will be achieved with strict expenditure controls and enhanced revenue collection measures. This will be achieved through fiscal discipline to ensure proper management of public resources and delivery of expected output. To ensure transparency and accountability the executive will involve and relay our performance indicators to all stakeholders as required by the constitution 2010 and Public Finance Management Act, 2012.

The approved second supplementary budget 2017/18 FY amounted to KShs. 5.244 Billion. Recurrent expenditure estimates allocated 64% at KShs 3.369 Billion and Development expenditure estimates at 36% with KShs. 1.875 Billion. Recurrent expenditure for 2017/18 FY amounted to Ksh 3.717 Billion against an allocation of 3.985 Billion. Development expenditure amounted to Ksh 706.4 Million.

Own source revenue for 2017/18 amounted to Ksh 344.4 Million. This is an improvement of Ksh 23.7 Million from 2016/17 FY. It is worth noting that revenue collection in fourth quarter amounted to Kshs 134.9 Million, an increase of 66.6 Million from similar period in 2016/17 FY.

Hon. Moses M. Maina

County Executive Committee Member for Finance and Economic Planning

Acknowledgment

Preparation of the County Budget Review and Outlook Paper is a product of unwavering commitment and efforts. First and foremost I would like to acknowledge H.E the Governor and Deputy Governor and the entire County Executive Committee for continued leadership, guidance and resources support in preparation of this document. Special acknowledgment goes to CEC Member Finance and Economic Planning, Marketing and ICT, for his guidance, direction and support.

Sincere gratitude goes to all the Chief Officers and Directors of County Departments for their input in providing necessary information and submissions, and their participation which forms the core of this paper. Also highly appreciated is Mr. James Gitahi (County Budget Cordinator-Office of Controller of Budget) for vital submissions towards production of this paper.

I would also wish to convey my gratitude to the Economic Planning and Budget staff led by, Naftaly Mwangi, Head County Budget, Mr. J.N. Mbugua, Director Economic Planning, and Economists in the department. The team worked tirelessly in ensuring accurate and timely completion of this paper.

Finally, other officers not mentioned here and have contributed towards preparation of this paper remains highly appreciated.

Hon. Moses M. Maina

County Executive Committee Member for Finance and Economic Planning

Abbreviations/Acronyms

CA	County Assembly
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CE	County Executive
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
ICT	Information Communication Technology
MTEF	Medium Term Expenditure Framework
OCoB	Office of Controller of Budget
PFMA	Public Finance Management Act
PPPs	Public Private Partnerships
SBP	Single Business Permit

1.0 INTRODUCTION

1.1 Background

This CBROP is the fourth to be prepared by Kirinyaga County in continued adherence to Section 118 of the Public Finance and Management Act (PFMA), 2012. The CBROP contains a review of the fiscal performance of the financial year 2017/18 updated macroeconomic forecast, and the experiences in the implementation of the budget estimates for the financial year 2017/18.

1.2 Legal Framework for the publication of the CBROP

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

1) A County Treasury shall —

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

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

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

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

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

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

1.3 Fiscal Responsibility Principles in the PFM Law

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

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

1.4 Objectives of the CBROP

The objective of the County Budget Review and Outlook Paper is to provide—

- (i) A review of the County Fiscal performance in the financial year 2017/18 compared to the appropriation of that year and how this had an effect on the economic performance of the County.
- (ii) An updated economic and financial forecast with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy paper.
- (iii) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper.
- (iv) Reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and the time estimated for doing so.

Therefore, this CBROP will aim at informing the basis for preparation of the 2019/20 FY budget.

2.0 REVIEW OF FISCAL PERFORMANCE FOR 2017/18 FINANCIAL YEAR

2.1 Revenue Analysis

In the Financial Year 2017/2018 Kirinyaga County had a budget amounting to KShs 5,694,392,162 which was supposed to be financed as per the below resource envelope.

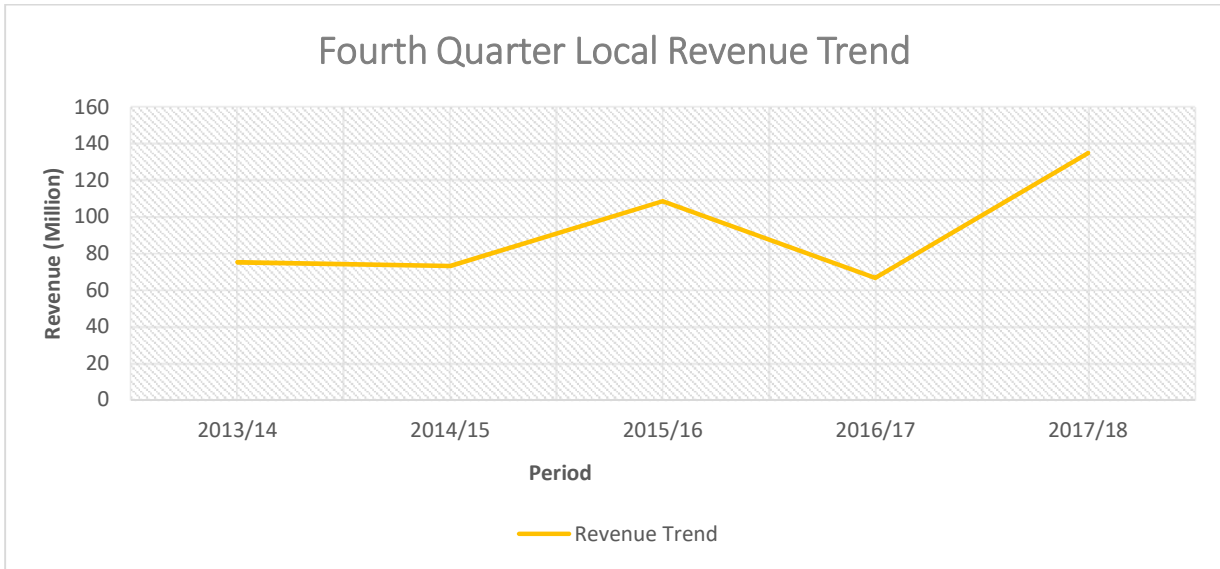
DESCRIPTION	APPROVED FY 2017/2018 BUDGET
Equitable Share	4,409,200,000
Allocation - User Fees Foregone	11,282,570
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	150,752,571
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	10,215,585
Local Revenues	600,000,000
Grant for Youth Polytechnics	37,339,283
Loan to support Health System	22,000,000
Loan to support Agriculture and Rural Development	50,000,000
World Bank Devolution Support Programme Grant	38,364,055
Rolled over Funds	365,238,098
TOTAL	5,694,392,162

2.1.1 Performance of the Revenue sources

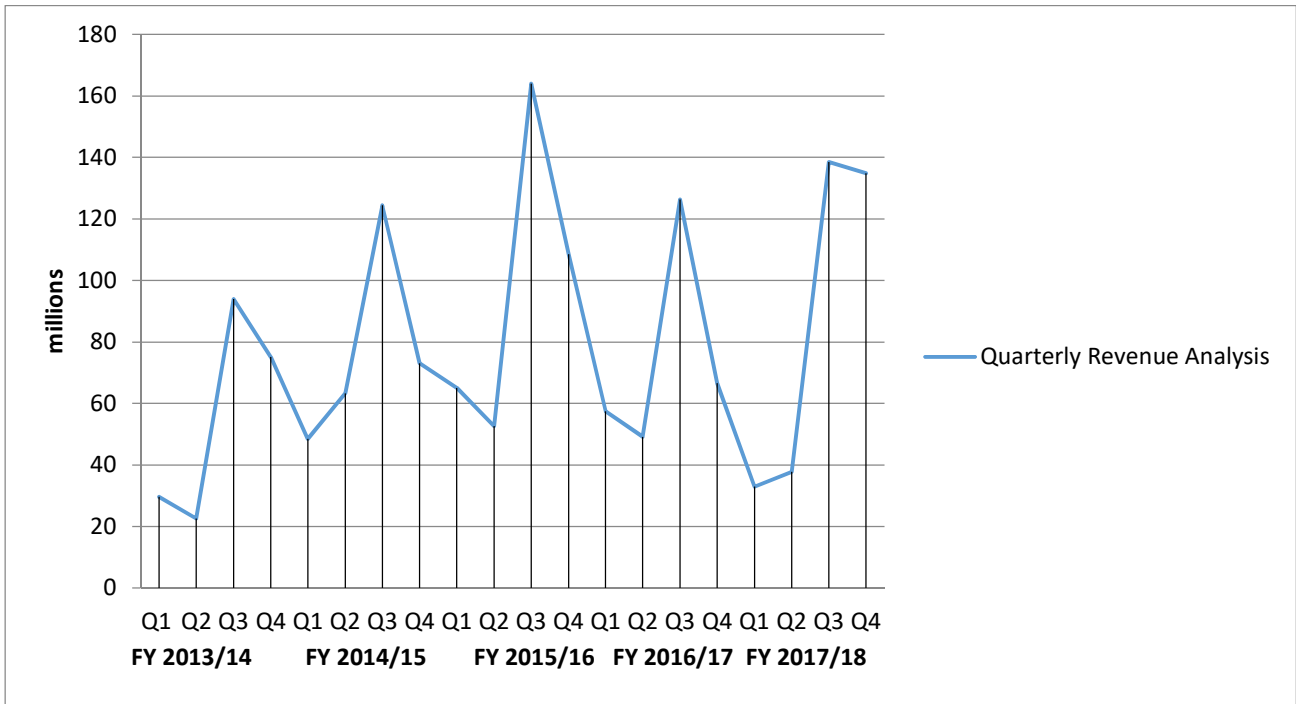
The local revenue target was KShs 600 Million and the actual annual revenue collection amounted to KShs 344,408,120.30 representing 57.40% target achievement. The county collected KShs 23,769,821.95 more compared to the Financial Year 2016/2017 as shown in the table below.

REVENUE SOURCE	ANNUAL TARGET (A)	ACTUAL COLLECTION (B)	VARIANCE (A-B)	COLLECTION IN FY 2016/17 (C)	VARIANCE (B-C)
business permits	109,862,816.00	84,814,771.00	-25,048,045.00	69,893,973.00	14,920,798.00
market entrance/gate fee	53,771,858.03	31,035,845.00	-22,736,013.03	34,478,330.00	-3,442,485.00
quarry cess/fee	8,730,832.97	3,425,550.00	-5,305,282.97	5,598,180.00	-2,172,630.00
parking fee	26,448,629.41	18,036,760.00	-8,411,869.41	16,958,770.00	1,077,990.00
Land,Ground Rates &Arrears	80,000,000.00	27,515,987.00	-52,484,013.00	27,876,425.00	-360,438.00
Liquor license	27,000,000.00	32,762,220.00	5,762,220.00	24,271,350.00	8,490,870.00
Health(Hospitals)	207,806,035.00	73,774,016.00	-134,032,019.00	55,414,680.50	18,359,335.50
Veterinary Services	5,205,891.99	4,852,870.00	-353,021.99	3,338,000.00	1,514,870.00
buildings plans	5,000,000.00	6,350,618.00	1,350,618.00	4,547,705.00	1,802,913.00
Public Health	20,000,000.00	29,738,800.00	9,738,800.00	17,281,820.00	12,456,980.00
Sub Division Fee	2,000,000.00	347,100.00	-1,652,900.00	844,100.00	-497,000.00
plot transfer fee	1,500,000.00	1,062,300.00	-437,700.00	754,620.00	307,680.00
house rent	8,000,000.00	6,371,610.00	-1,628,390.00	6,683,351.00	-311,741.00
Survey fee	1,500,000.00	559,546.00	-940,454.00	408,700.00	150,846.00
Sale of minutes	1,500,000.00	1,003,400.00	-496,600.00	1,017,500.00	-14,100.00
Advertisement	5,000,000.00	5,582,859.00	582,859.00	3,263,424.00	2,319,435.00
Produce cess	2,500,000.00	1,841,600.00	-658,400.00	2,140,030.00	-298,430.00
Trade-Weights	1,200,000.00	882,010.00	-317,990.00	947,660.00	-65,650.00
Coop Audit	600,000.00	434,400.00	-165,600.00	504,745.00	-70,345.00
Group Registration	1,300,000.00	785,700.00	-514,300.00	1,094,800.00	-309,100.00
Refuse collecton	7,000,000.00	7,496,486.00	496,486.00	2,632,321.00	4,864,165.00
Kamweti	5,500,000.00	2,107,327.30	-3,392,672.70	4,620,592.85	-2,513,265.55
Other Charges	18,573,936.60	3,626,345.00	-14,947,591.60	15,249,997.00	-11,623,652.00
Agricultural Food Authority	0.00	0.00	0.00	20,817,224.00	-20,817,224.00
TOTAL	600,000,000.00	344,408,120.30	-255,591,879.70	320,638,298.35	23,769,821.95

During the fourth quarter period April-June the County collected KShs134,999,865.95 compared to KShs66,618,669.75 in the Financial Year 2016/2017. This is also the highest fourth quarter revenue collection since inception of the county governments and the county executive expects the same positive revenue collection trajectory to be maintained.



Fourth Quarter Local Revenue trend for the last five Financial Years



From the above line graph, it is clear that there was low revenue collection in the first and second quarters however a lot of revenue collection gains were made in the third and fourth quarters. The first and second quarters experiences a lot of industrial strikes from the medical practitioners thus also affecting service delivery in our major hospitals. The period also experienced low

rainfall thus there were limited farm produce entering our markets hence low market gate fees and finally the prolonged electioneering period had a negative impact on all economic activities thus affecting local revenue collection.

2.1.2 Challenges in Revenue Collection

- People engaging in Professional Services like lawyers, medical practitioners, accountants, surveyors etc do not pay Business Licenses due to a court injunction stopping the same {Petition no.19 of 2016. Petition no.19(2). 21(1). 22, 23, 24(2) a&b. 27(1) and 40, 191(2). 209(2). 258. The Sixth Schedule-Transitional provision- Section 7(1)}. This has greatly denied the county government the much-needed revenue.
- The county has experienced an influx of unlicensed PSV operators (probox) who have almost taken over the local public transport Industry and they do not pay enclosed bus park. There is a need to come up with a legal framework to control the unlicensed PSVs.
- The county currently does not have a public prosecutor to prosecute offenders and defaulters so as to fully implement some of the already approved County Acts.
- The county applied for an authority to place cess collection barriers points from KENHA which was not approved and hence to date the County Government has not been able to fully tap and enforce on cess collection for goods being exported out of Kirinyaga County given the huge agricultural potential the county enjoys.
- Most of the County Markets are not fenced and hence it makes it difficult to control the merchandise entering the markets. These markets need to have one entry and one exit point for optimal market fee collection.
- There are so many mushrooming markets and banana sheds in the county and hence not all our agricultural produce is sold through our markets.
- Bodaboda operators do not pay the prescribed fees and charges

2.2 Expenditure Analysis

The County Government in the approved second supplementary budget amounting to KShs. 5.695 Billion. Recurrent expenditure estimates allocated 70% at Kshs3.985 Billion and Development expenditure estimates at 30% with Kshs. 1.709 Billion.

Supplementary II Budget Estimates

	Approved Recurrent Supplementary II Budget 2017/2018 FY	Approved Development Supplementary II Budget 2017/2018 FY	TOTAL
	KSHS		
County Assembly	627,122,175	93,000,000	720,122,175
County Executive	466,165,696	118,715,000	584,880,696
Finance and Economic Planning	428,133,410	19,000,000	447,133,410
County Health Services	1,706,763,306	214,110,623	1,920,873,929
Education	213,657,151	15,300,000	228,957,151
Agriculture, Livestock and Fisheries	247,547,194	54,200,000	301,747,194
Gender, Culture, Children and Social Services	55,785,848	7,000,000	62,785,848
Youth and Sports	24,243,114	53,100,000	77,343,114
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	41,191,050	109,500,000	150,691,050
Environment, Water and Natural Resources	80,274,397	168,400,000	248,674,397

Lands, Housing and Urban Development	22,842,934	9,320,086	32,163,020
Transport and Infrastructure	72,073,522	847,556,512	919,630,034
TOTAL	3,985,799,797	1,709,202,221	5,695,002,018

Source: County Treasury

2.2.1 Development Expenditure

Total Development Expenditure per Department

Total cumulative development expenditure amounted to Ksh 706.4 Million. This represents utilization of 41.3% of the Development estimates in the Supplementary II budget.

Total Development Expenditure per Department

ENTITY	DEVELOPMENT EXPENDITURE	Approved Budget
County Assembly	25,139,403	93,000,000
County Executive	1,270,710	118,715,000
Finance and Economic Planning	3,364,280	19,000,000
County Health Services	51,368,930	214,110,623
Education	6,091,320	15,300,000
Agriculture, Livestock and Fisheries	17,612,183	54,200,000
Gender, Culture, Children and Social Services	-	7,000,000
Youth and Sports	3,365,713	53,100,000
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	62,120,666	109,500,000
Environment, Water and Natural Resources	27,799,218	168,400,000

Lands, Housing and Urban Development	-	9,320,086
Transport and Infrastructure	508,283,481	847,556,512
TOTAL	706,415,904	1,709,202,221

Source: County Treasury

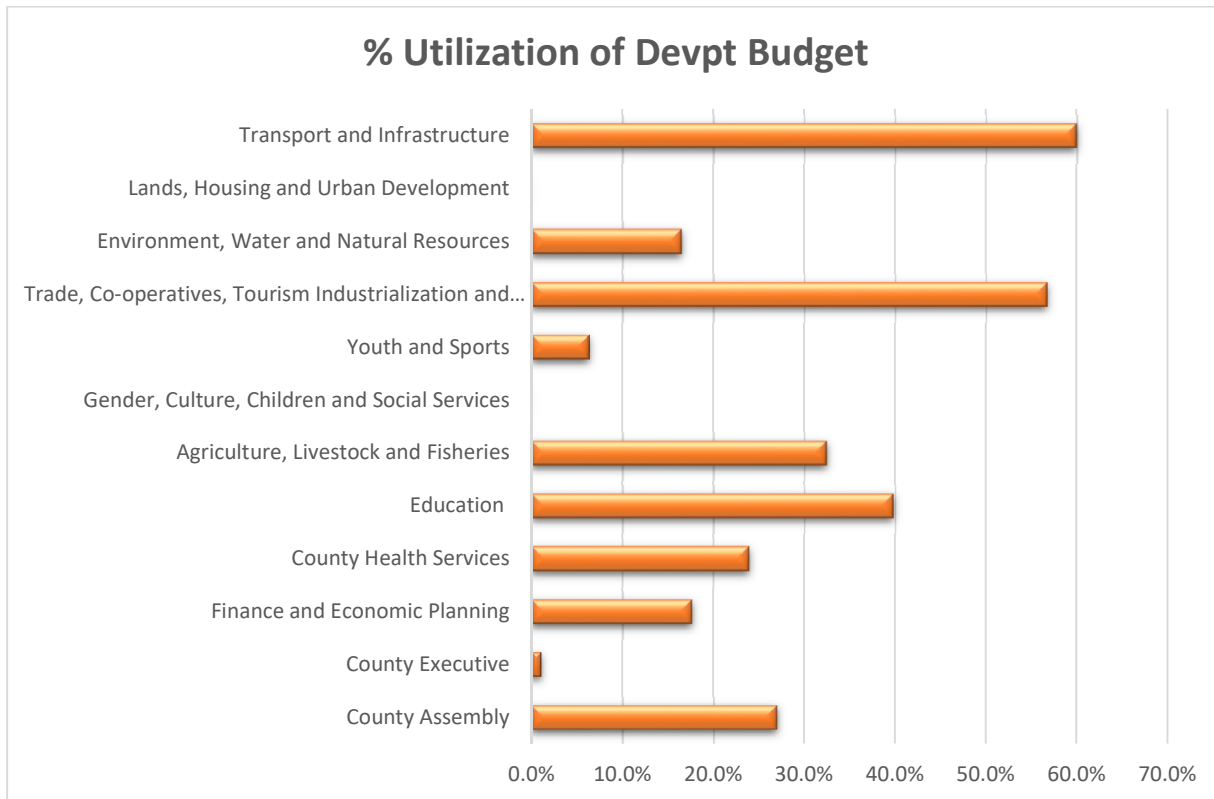
Expenditure Analysis against budget allocations

County Department of Transport and Infrastructure leads with utilization of development expenditure absorbing 60% of its budgetary allocation. Others are Trade (56.7%), Agriculture and Livestock at 32.5%.

Development Expenditure and Absorption Rate

ENTITY	DEVELOPMENT EXPENDITURE	Approved Budget	% Utilization of Development Budget
County Assembly	25,139,403	93,000,000	27.0%
County Executive	1,270,710	118,715,000	1.1%
Finance and Economic Planning	3,364,280	19,000,000	17.7%
County Health Services	51,368,930	214,110,623	24.0%
Education	6,091,320	15,300,000	39.8%
Agriculture, Livestock and Fisheries	17,612,183	54,200,000	32.5%
Gender, Culture, Children and Social Services	-	7,000,000	0.0%
Youth and Sports	3,365,713	53,100,000	6.3%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	62,120,666	109,500,000	56.7%
Environment, Water and Natural Resources	27,799,218	168,400,000	16.5%
Lands, Housing and Urban Development	-	9,320,086	0.0%
Transport and Infrastructure	508,283,481	847,556,512	60.0%
TOTAL	706,415,904	1,709,202,221	41.3%

Source: County Treasury

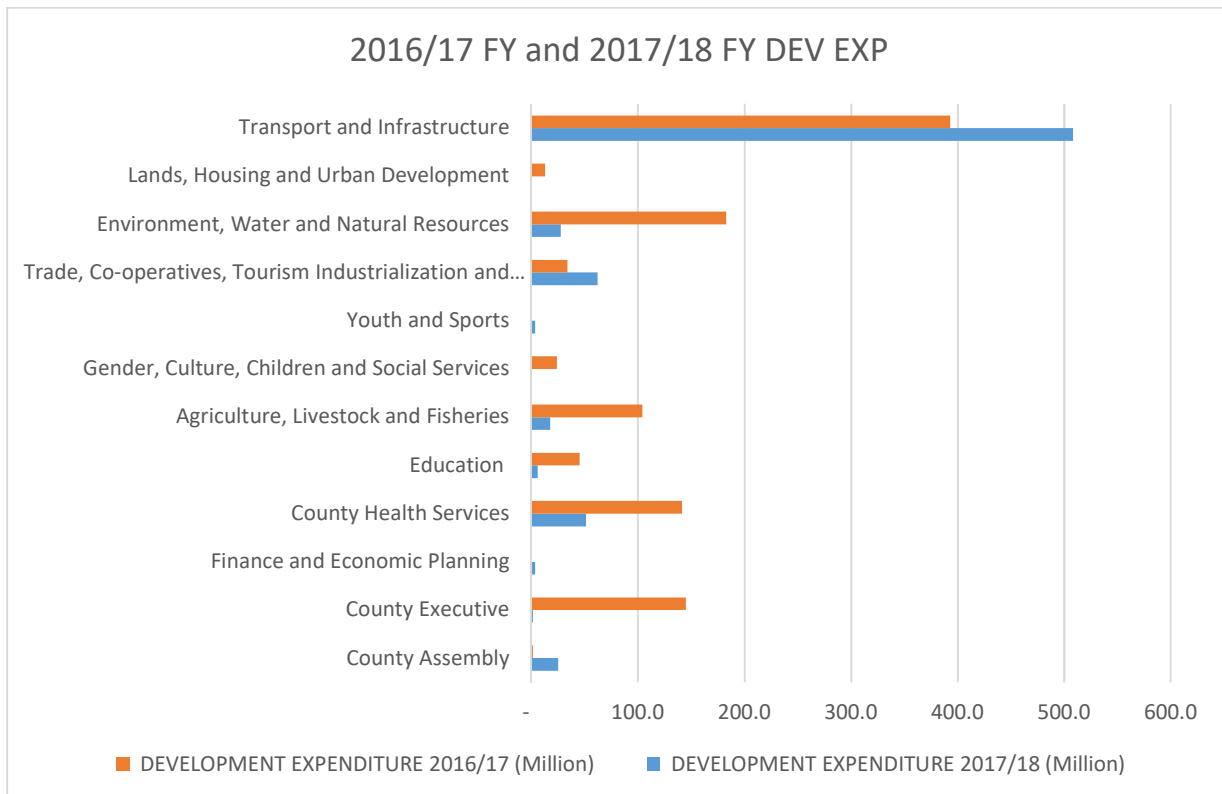


Comparison in Development Expenditure 2016/17 FY and 2017/18 FY

Overall Development Expenditure for 2017/18 FY declined by 35% from similar period in 2016/17 FY. However, Ministry of Transport and infrastructure recorded an increase of 29% from similar period in 2016/17. Ministry of Trade also recorded an increase of 84% in expenditure from 2016/17.

ENTITY	DEVELOPMENT EXPENDITURE 2017/18 (Million)	DEVELOPMENT EXPENDITURE 2016/17 (Million)
County Assembly	25.1	1.5
County Executive	1.3	144.8
Finance and Economic Planning	3.4	0.2
County Health Services	51.4	141.3
Education	6.1	45.2
Agriculture, Livestock and Fisheries	17.6	104.2
Gender, Culture, Children and Social Services	-	23.8
Youth and Sports	3.4	

Trade, Co-operatives, Tourism Industrialization and Enterprise Development	62.1	33.8
Environment, Water and Natural Resources	27.8	182.8
Lands, Housing and Urban Development	-	12.9
Transport and Infrastructure	508.3	393.0
TOTAL	706.4	1,083.5



Source: COB

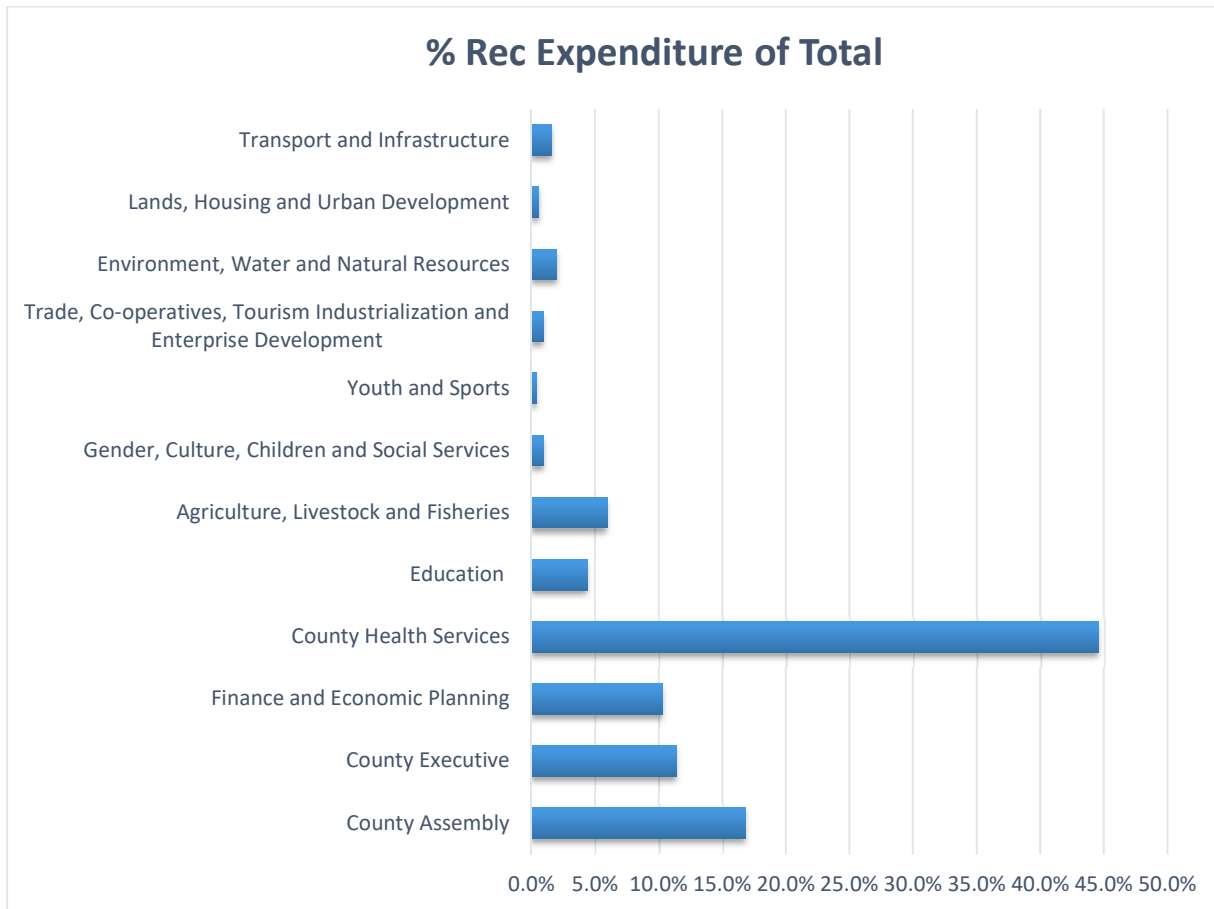
2.2.2 Recurrent Expenditure

Total recurrent expenditure for 2017-18 FY amounted to KShs 3.717 Billion. This represents utilization of 93.28 % of the total budgetary allocation. County health services constituted 45% of the total recurrent expenditure. Followed by the County assembly at 17%, County Executive at 11% of total recurrent expenditure.

Recurrent expenditure proportion by Department

Recurrent Expenditure per Department

ENTITY	RECURRENT EXPENDITURE
County Assembly	624,250,866
County Executive	423,306,896
Finance and Economic Planning	384,345,351
County Health Services	1,656,550,413
Education	163,138,788
Agriculture, Livestock and Fisheries	221,002,506
Gender, Culture, Children and Social Services	36,877,229
Youth and Sports	14,885,413
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	35,119,862
Environment, Water and Natural Resources	75,935,819
Lands, Housing and Urban Development	21,577,840
Transport and Infrastructure	60,831,597
TOTAL	3,717,822,580

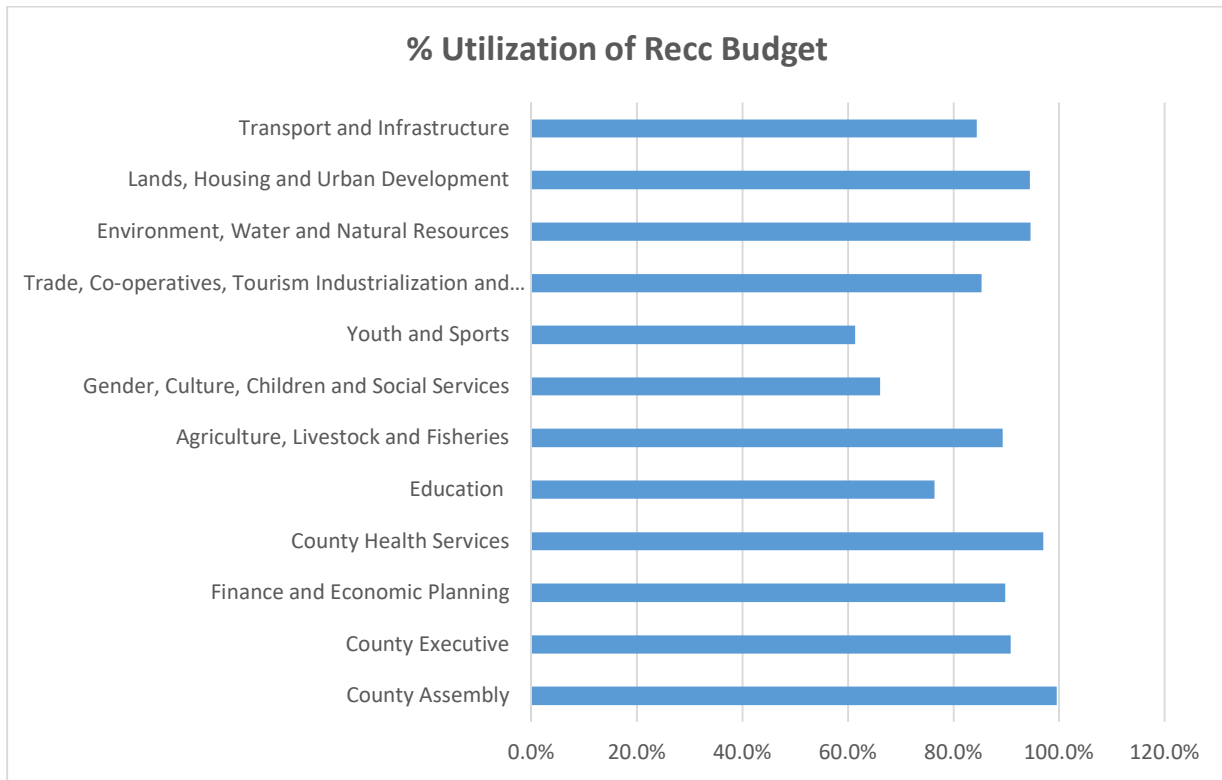


Recurrent Expenditure Absorption by department

Absorption rate for Recurrent Budget stood at 93.28%. County Assembly leads with 99.54%, Health (97%), Environment, Water and Natural Resources (94%), Lands, Housing and Urban Development (94%).

ENTITY	RECURRENT EXPENDITURE	Approved Budget	% Utilization of Recc Budget
County Assembly	624,250,866	627,122,175	99.54%
County Executive	423,306,896	466,165,696	90.81%

Finance and Economic Planning	384,345,351	428,133,410	89.77%
County Health Services	1,656,550,413	1,706,763,306	97.06%
Education	163,138,788	213,657,151	76.36%
Agriculture, Livestock and Fisheries	221,002,506	247,547,194	89.28%
Gender, Culture, Children and Social Services	36,877,229	55,785,848	66.10%
Youth and Sports	14,885,413	24,243,114	61.40%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	35,119,862	41,191,050	85.26%
Environment, Water and Natural Resources	75,935,819	80,274,397	94.60%
Lands, Housing and Urban Development	21,577,840	22,842,934	94.46%
Transport and Infrastructure	60,831,597	72,073,522	84.40%
TOTAL	3,717,822,580	3,985,799,797	93.28%

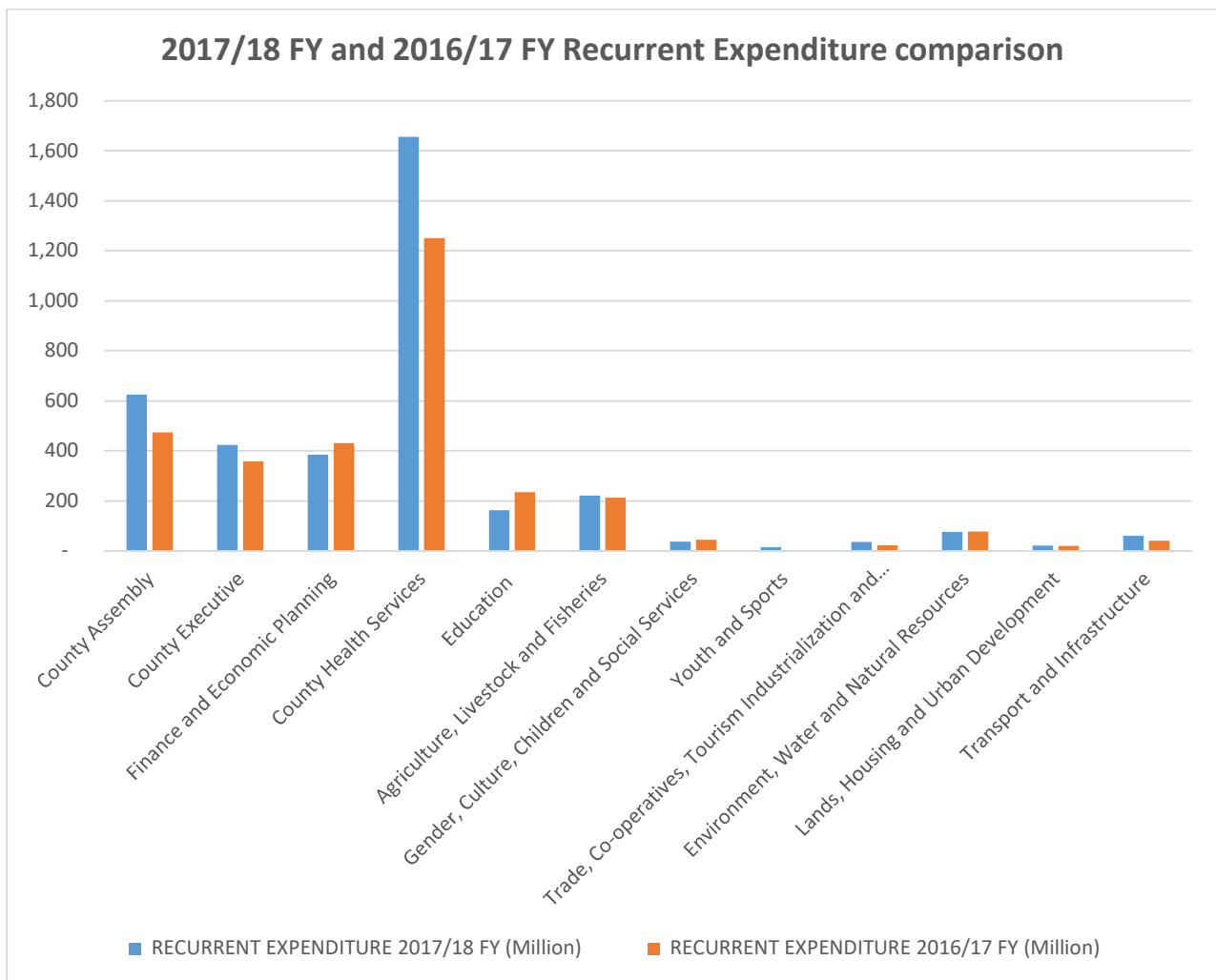


Recurrent Expenditure Comparison 2017/18 FY and 2016/17 FY

Overall Recurrent expenditure for 2017/18 FY increased by 17.5% from Kshs 3163 Million in 2016/17 FY to Kshs 3718 Million.

ENTITY	RECURRENT EXPENDITURE 2017/18 FY (Million)	RECURRENT EXPENDITURE 2016/17 FY (Million)
County Assembly	624	473.4
County Executive	423	357.0
Finance and Economic Planning	384	430.9
County Health Services	1,657	1,251.7
Education	163	235.0
Agriculture, Livestock and Fisheries	221	211.9

Gender, Culture, Children and Social Services	37	43.4
Youth and Sports	15	
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	35	22.9
Environment, Water and Natural Resources	76	77.2
Lands, Housing and Urban Development	22	19.6
Transport and Infrastructure	61	40.1
TOTAL	3,718	3,163.0



3.0 ECONOMIC AND FINANCIAL FORECAST FOR 2019/20 FY AND THE MEDIUM TERM

3.1 Overview

Over the medium term, the County Government will allocate resources to ensure accelerated economic growth in the county. Economic growth is anchored in major pillars of health wellbeing, improved doing business conditions, improved infrastructure (improved road networks, water connectivity), increased rate of industrialization to spur job creation.

The focus will be on the priority programs as identified in the Sessional Paper 2032. Spending on infrastructure, health, agriculture and manufacturing remains a priority in line with Kenya's 'Big Four' economic transformation. Implementation of the priority programs will be monitored closely so as to realize benefits and maintain positive growth momentum, create jobs, reduce poverty.

Over the medium term, the county fiscal policy will be anchored on the following broad areas:

- The County will continue to fund the budgets using raised revenues and transfers from the National Government. The county is also looking forward to initiating programmes that are aimed at accelerating economic growth in the area. The county may seek financiers to fill the resource gap that cannot be covered through the budgetary allocations in accordance with Section 140 of the Public Finance Management Act, 2012.
- Ensuring a sustainable recurrent expenditure to aid the county in compliance to fiscal responsibilities principles. The county will continue to allocate a minimum of 30% of the budgetary allocations towards development expenditure.
- Exercising austerity measures in government expenditure on less productive areas of government spending.

3.2 Revenue Forecast

The realization of revenue targets for the medium term will depend on the stability in the country's macroeconomic environment, improved revenue collection as well as county's adherence to fiscal responsibilities principles.

For this to be achieved, it is assumed that;

- i. There will be increased economic activities in the county and therefore contributing to the growth in GDP over the medium term period;
- ii. The Kenyan shilling will remain stable against other foreign currencies over the medium term period;
- iii. There will be improved revenue collection due to diversification of revenue sources and enhancement of revenue collection;
- iv. There will be favorable weather conditions for agribusiness which is the back bone of Kirinyaga county' economy

Revenue Analysis

Revenue Sources	2018/19 FY	2019/20 FY (Projections)
Equitable share	4,113,400,000	4,524,740,000
Allocation - User Fees Foregone	11,282,570	11,282,570
Transforming Healthcare Systems for Universal Care Project (THSUCP)	50,000,000	50,000,000
Allocation of Roads Maintenance Fuel Levy Fund for Repair and Maintenance of County Roads	108,302,240	108,302,240
Allocation Financed by Grant from Government of Denmark to Supplement Financing of County Health facilities (DANIDA)	14,782,500	14,782,500
Local Revenues	650,000,000	650,000,000
World Bank Devolution Support Programme Grant	41,078,830	41,078,830
Grant for Youth Polytechnics	52,210,000	52,210,000
Kenya Urban Support Project (KUSP)	71,302,200	71,302,200
Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163
Rolled Over Funds	900,123,444	
TOTAL	6,152,916,947	5,664,133,503

3.3 Expenditure Forecast

The 2019/20 FY budget will target improved service delivery. The key priority areas will be building on progress achieved in the infrastructural development to accelerate economic growth. Invest in a healthy citizenry by improving the volume of services offered in the health facilities, medical infrastructure improvement, coverage of vulnerable groups in NHIF cover geared towards universal health coverage. Improving the agricultural sector output and productivity. Support the youth and women in business start-ups to ensure job creation, employment.

3.4 Fiscal policy options

Over the medium term, the county will seek implement the following fiscal policy options

3.4.1 Recurrent Expenditure

Higher recurrent expenditures impact negatively on allocations on development expenditures. Therefore, to foster economic growth it's imperative to maintain a sustainable recurrent expenditure over the medium term. Growth in recurrent allocations will be maintained at sustainable levels.

3.4.2 Development Expenditure

The county will over the medium term will adhere to fiscal responsibility principles by allocating a minimum 30% of total allocations towards development expenditure. Development projects with high impact and multiplier effects to economic growth will be prioritized. In order to accelerate the economic developments, more resources are needed in the medium term. However, due to constraints in low revenue bases and inadequate national government transfers, the county is open to utilize other resources raising measures to fill the resource gap. Measure to market and showcase potential areas for investment in the county will be enhanced with more emphasis focusing on agro- processing, value addition and manufacturing.

4.0 MEDIUM TERM SECTORAL PRIORITIES AND RESOURCE ALLOCATION

4.1 Overview

Going forward, resource allocations in various sectors will be anchored in the second County Integrated Development Plan (2018-2022). The plan will aim at leveraging on the progress achieved especially in the infrastructure sector to spur economic growth in the county. In addition, more resources will be allocated towards sectors with potential to create employment. The plan will also ensure alignment of the priority areas to the national development agenda captured in the president's Big Four Agenda; enhancing manufacturing, food security and nutrition, universal health coverage.

The main priority areas in this plan will include the following areas

- Investment in Infrastructure development (Murraming and grading of Access Roads). In the previous years, a lot of progress has been made towards opening up and rehabilitating access roads. In the medium term more areas will have all-weather, improved road network.

- Provision of affordable health services. A lot of health infrastructure has been put in place in previous years. This includes rehabilitation of existing and construction of new dispensaries. In the medium term, focus is more on efficiency in service delivery in these health facilities through provision of health equipment and systems to avail a wide range of services offered.
- Improvement of water distribution infrastructure by funding various water projects, ensuring clean and habitable environment. More effort will be put in building on the progress achieved. This will ensure more water connections access both for domestic use and irrigation.
- Promotion of agriculture productivity and management through improved extension advisory support services, appropriate technology transfer, management of pests & diseases, Increased livestock production through extension services and advisory support services and improved breeding, as well as building capacity of both farmers and extension staff.

4.2 Details of Sectoral Priorities and Resource Allocation

4.2.1 COUNTY EXECUTIVE

This sector is key to providing leadership in the County's governance and development. The key strategic areas in this sector are;

- Instituting county public service reforms to ensure effective and efficient service delivery
- Providing leadership and guidance in human resource management
- Development of appropriate county organization structures
- Enhancement of transparency and accountability in all county entities
- Effective management and coordination of county government operations

To meet the above objectives, the County Executive is projected to be allocated 11% of the total expenditure.

4.2.2 AGRICULTURE, VETERINARY, LIVESTOCK & FISHERIES

At least 80% of Kirinyaga County residents rely on agriculture as their source of revenue as well as providing for their daily food basket. In order to strengthen this important sector, the county government will continue to offer services that are aimed at equipping farmers with vital skills

to be competitive either in agribusiness or subsistence farming, increase support for agricultural infrastructure, equipment and materials.

To improve the livelihoods of Kirinyaga people by promoting Innovative, commercially oriented and modern agriculture enabled through appropriate policy environment, effective support services and sustainable agricultural resources management.

The department will implement the following six strategic objectives:

- i. Create an enabling environment and enhance institutional efficiency and effectiveness for agricultural development
- ii. Increase agricultural productivity and outputs
- iii. Enhance institutional efficiency and effectiveness in implementation and extension
- iv. Identification of market opportunities and linking of farmers and producers to markets
- v. Increase livestock productivity and outputs
- vi. Enhancing farmer access to affordable inputs and credit.

To increase fish production by;

- Improve access to affordable fish feeds.
- Developing aquaculture.
- Promoting fish safety, quality assurance, value addition and marketing.

In 2017/18 FY the Agriculture sector made the following progress;

- ✓ Refurbishment of Kiamerera Tea Buying Centre
- ✓ Equipping Kamweti ATC with Value addition workshop
- ✓ Capacity Building and Training of Coffee Factory Managers and Extension Officers
- ✓ County Agricultural Census
- ✓ Animal Vaccination/Disease control
- ✓ Operationalization of Kiaga Animal and Fish Feed Plant
- ✓ Purchase of Pedigree Animals for Kamweti

To implement the above priorities the sector is projected to be allocated 6% of the total expenditure

4.2.3 HEALTH SERVICES

The health sector is a vital service delivery sector with the mandate of delivering quality health care to the community with particular mid-term focus on:

- Maternal and child healthcare;
- Prevention, management and control of communicable and non-communicable diseases;
- Health promotion through provision of community health education and training of community health workers; and
- Promotion of public health interventions on environmental health and safety

The aforementioned priority areas are in line with the third Sustainable Development Goal (SDG) that seeks to ensure healthy lives and promote well-being for all at all ages. Due to the critical role that the sector holds in the county, it's projected to be allocated 39% of the total expenditure.

In 2017/18 FY the department made the following achievements;

Project name and location	Objectives/ purpose	Output	Performance indicators	Status (based on the Indicators)
Purchase 50KVA automatic generators in 5 health centres (Uceru, Kang'aru, Kiamutugu, Mutithi and Murinduko Health Centres)	To ensure back up is in place in case of power blackouts	Backed up facilities	No of facilities with installed and operation backup generator	Procurement done, generators being installed
Purchase of 2 emergency response vehicle	To improve referral system	Improved referrals	No of ambulances bought	Purchased and operational
Commercial Laundry Ironer (Kerugoya & Kimbimbi)	To improve cleanliness of the hospital linen	Clean linen	No of laundry and ironers installed and operational	Installed and operational
Assorted biomedical, physiotherapy and dental equipment for hospitals	To improve on maintenance, rehabilitative and dental services in our hospitals	Availability of equipment	Procured and operational equipment in the inventory	Procured and operational
Construction of a medical complex 250 Beds - Phase 1	To increase bed capacity	Increased bed capacity	No of hospital beds added	Relocation of kitchen, laundry and power house to pave way for phase one construction of the complex ongoing
Renovation, Equipping of	To improve on the infrastructure	Improved working conditions	Renovated and commissioned outpatient department	done

outpatient department & ablution block				
Construct and equip 1 Isolation ward in Kerugoya County referral hospital	To provide isolation facilities for infectious disease	Improved infection prevention	Constructed and equipped ward	in procurement
Construction and equipping of maternity ward (completion) at Kimbimbi Hospital	To improve maternal and child health services	Well-equipped modern maternity block	Constructed, equipped and operational maternity	80% complete
Purchase of a 250KVA generator at Kimbimbi Hospital	To ensure back up is in place in case of power blackouts	Backed up facility	installed and operation backup generator	Procurement done, generator being installed
Conversion of morgue to ward and equipping (Completion) at Kianyaga Hospital	To increase bed capacity	Increased bed capacity	No of hospital beds added	90%
Construction and Equipping an X-ray Department in Phases (Completion) at Kianyaga Hospital	To improve on radiology services	Availability of radiology services	Installed, commissioned and operational radiology unit	80%
Construction and equipping of female ward (Completion) at Sagana Hospital	To increase bed capacity	Increased bed capacity	No of hospital beds added	90%
Construction and Equipping an X-ray Department in Phases and link to wards (completion) at Sagana Hospital	To improve on radiology services	Availability of radiology services	Installed, commissioned and operational radiology unit	complete
Construction of a maternity ward (new) at South Ngariama Dispensary	To improve maternal and child health services	Well-equipped modern maternity	Constructed, equipped and operational maternity	80% complete

4.2.4 FINANCE, ECONOMIC PLANNING, MARKETING AND ICT

The major role of this sector is to ensure fully compliance to the provisions of the public finance management in management of fiscal matters in the county. Providing effective monitor, evaluate in programmes implemented by the county government. It also ensures that the county has sound financial policies that will spur its economic growth. To this end, the sector has singled out the following key priority areas to implement over the medium term:

- Coordination of the MTEF process and ensure prudent fiscal policies are developed;
- Enhancement of revenue collection mechanisms

- Automation of County Government systems
- Supply chain management
- Coordination of the County Monitoring and Evaluation framework

In order to implement the above programmes, this sector is projected to be allocated 6% of the total expenditure.

4.2.5 CO-OPERATIVE DEVELOPMENT, TOURISM, TRADE AND INDUSTRIALIZATION

The county government is committed to providing an enabling environment for a vibrant economy through promotion of trade and investment opportunities in the county.

The resources for this sector are targeted for the following key priority areas:

- Capacity building of all co-operatives to ensure effective and efficient management;
- Construction and rehabilitation of markets across major centres which will lead to improved business environment through access to market infrastructure;
- Tourism development and marketing

In order to implement the above priorities, the sector is projected to be allocated 3% of the total projected expenditure.

Achievements in 2017/18 FY includes;

Project name and location	Objectives/purpose	Output	Performance indicators	Status (based on the Indicators)
Upgrading of of Kagio markets – Kiine ward	Provide a conducive trading environment for market traders and buyers	Paved floor, gates constructed, Floodlight and revenue office.	Increased revenue.	Approximate 75% of the markets upgraded by close of financial year
Upgrading of of Kiamutugu market in Kiamutugu- Ngariama ward	Provide a conducive trading environment for market traders and buyers	Paved floor, gates constructed, constructed revenue office, constructed eco toilet.	Increased revenue.	Approximate 90% of the markets upgraded by close of financial year
Upgrading of Makutano market in Mutithi ward	Provide a conducive trading environment for market traders and buyers	Paved floor, gates constructed, constructed revenue office, constructed eco toilet.	Increased revenue.	Approximate 90% of the markets upgraded by close of financial year
Upgrading of wanguru market in Tebere ward.	Provide a conducive trading environment for market traders and buyers	Paved floor, gates constructed, fencing of market constructed eco toilet and installation of floodlight.	Increased revenue.	Approximate 70% of the markets upgraded by close of financial year

Upgrading of of Kutus market in Kutus town in Nyangati ward	Provide a conducive trading environment for market traders and buyers	Upgraded market Paved floor, gates constructed, constructed revenue office, constructed eco toilet.	Increased revenue.	Approximate 20% of the markets upgraded by close of financial year
Project name and location	Objectives/purpose	Output	Performance indicators	Status (based on the Indicators)
Purchase, installation and commissioning of coffee Roaster, grinder, and packaging machine. Location: Mukure ward	-Promotion of coffee value addition -promote local consumption of coffee - increase farmers earnings	delivery of machines	- delivered machines	- Coffee Roaster and grinder delivered on 22/06 /2018
Purchase of milk packaging machine – Location : Mutira ward	Promotion of milk value addition initiatives -enhancing market accessibility	Delivery of machines	Delivered machine	- machine not delivered yet

4.2.6 TRANSPORT AND INFRASTRUCTURE

The county government realizes that having a well maintained rural road network is a key component to unlocking the potential of key agricultural areas and increase integration of the areas. Towards this, the county government has constantly allocated resources towards transforming rural feeder roads to all weather roads.

Priorities for this sector include:

- Construction, rehabilitation and maintenance of existing road infrastructure under County Government
- Development and maintenance of civil works
- Construction and maintenance of footbridges

This sector is key to ulocking the economic potential in the County and is projected to be allocated 10% of the total projected expenditure, which will include the largest allocation of development expenditure at 28%.

4.2.7 EDUCATION AND PUBLIC SERVICE

- The roles of the counties towards education in the devolution context is in pre-primary education, village polytechnics and home craft centers. To ensure accessibility to universal early childhood education, the department has increased the classrooms capacity by construction of new classrooms in ECDE centres. To improve the hygiene in

these centres, the county government has also invested in construction of modern toilets. Provision of playing equipment have also been revamped to aid the physical development of ECDE curriculum.

- In the DVET, county has continued to support the vocational training centres by rehabilitation of existing ones, provision of equipment to improve the quality of skills provided.

In order to implement the above programmes, the sector is projected to receive 5% of the total expenditure.

Below is a summary of achievements in the department in 2017/18 FY

Project name and location	Objectives/ purpose	Output	Performance indicators	Status (based on the Indicators)
1. Construction of ECDE Classes.	To provide conducive environment for learning	Each class to shelter 45 children	No, of classes constructed.	3 classes constructed
2. Fencing of Thaita Primary school.	To provide security to the school	Size to be fenced	5 acres	2 acres
3. Buying of furniture	To provide learners and teachers with appropriate furniture and have conducive learning environment	No. of learners catered for	No, classes equipped.	3 classes were equipped with furniture
4. Purchase of ECDE Teaching and Learning materials.	To ensure quality education for all and promote lifelong learning	No. of learners	198 ECDE Centres	All the 198 ECDE Centres were supplied with teaching and learning materials
5. Purchasing of teaching learning materials for DVET	To ensure quality education to all our learners in all our polytechnics	No. of learners	13 polytechnics.	All the 13 polytechnics were supplied with teaching learning materials.
6. Bursary	To support needy, bright and deserving students.	Wards	20 Wards	All the 20 Wards benefited
7. Grant	To support education and improvement of	No. of learners	13	

	infrastructures of the polytechnics			All the polytechnics benefited	13
8. Construction of a Dormitory in Nyangati Polytechnic.	Provide conducive shelter and security for the students.	No. of learners	1 in No.	Only 1 Done	
9. Aquisition of title deeds for polytechnics	To have ownership	No. of polytechnics.	13	5	
10. Training of ECDE caregivers	To have knowledge on Competence Based Curriculum	No. of care givers	447	125	
11. Recruitment of ECDE Care giver	To offer quality education	No. of care givers required	120	47	

Bursary and Grants

Type of payment (e.g. Education bursary, biashara funds e.t.c)	Actual amount paid
BURSARY	70,000,000
YOUTH POLYTECHNIC GRANT.	28,004,462

4.2.8 GENDER, CULTURE AND SOCIAL SERVICES

This sector is mandated to ensure social development and wellbeing of the society by focusing on the following key areas.

- Support the vulnerable groups to access aid services
- Ensuring marginalized groups mainstreaming and economic empowerment
- Improve the heritage and culture awareness, knowledge, appreciation and conservation

This sector is projected to receive an allocation of 1% of the total county expenditure.

4.2.9 YOUTH AND SPORTS

The sector is responsible for the promotion and development of sports talents and empowerment of youths. The county through the department of youth and sports will improve sporting standards through training and improvement of sports infrastructure. It will also empower youths through trainings and improving access to employment information and opportunities to employment and business.

To implement the above programmes, this department is projected to receive 1% of the total projected expenditure.

4.2.10 ENVIRONMENT, WATER AND NATURAL RESOURCES

The sector aims at ensuring a clean, habitable environment. It is also mandated to ensure provision of clean water for domestic and farm uses. Ensuring environmental conservation by reclamation of riparian land, re-afforestation. Enforcing the environmental policies at the county level.

This department is projected to be allocated 3% of the total expenditure

4.2.11 LANDS, HOUSING AND PHYSICAL PLANNING

This sector is tasked with providing a framework for land use management to ensure sustainable land use and development, to improve housing, sanitation and storm water management in urban centers.

To implement the programmes, the department is projected to be allocated 2% of the total projected expenditure

4.3 Risks to the Economic Outlook

Risks facing the country's economy will also affect the county's economic performance. These factors includes;

High inflation rates are contributing to higher cost of living. This will affect the ease of doing business in the county, access to credit to small and micro enterprises will be affected negatively due to tight liquidity in the economy.

The National Treasury is considering a reduction in the overall budget for 2018/19 budget which might affect negatively the allocation to counties.

Weakening global economies results in reduced demand for commodities from the country. This will have an effect on the county's economy cognizant of the fact that the County plays a major role in the exports sector for commodities like tea, coffee and horticultural produce.

Weak revenue base thereby leading to over-reliance on the transfers from the national government resources which are inadequate and limits resources allocations to key sectors.

Expenditure pressures especially high recurrent expenditures pose fiscal risks. The county is going to maintain a sustainable recurrent expenditure by strictly adherence to austerity measures and free more resources to development expenditure over the medium term.

Reliance on rain fed agriculture also poses a risk to this outlook. Instances of prolonged drought has resulted on decrease in own revenue collections as well as curtailing the purchasing power of the residents. However, the government continues to allocate more resources to sustainable farming methods by providing more connections for irrigation water.

5.0 CONCLUSION AND WAY FORWARD

This CBROP intends to outline expectations in the budget period 2018/19- 2019/20 taking into considerations of the fiscal performance in the previous year together with economic outlook in the medium term. The county will seek to address issues relating to resource allocations to sector priorities with adjustments from the ceilings set out in the County Fiscal strategy Paper where necessary.

Going forward the second County Integrated Development Plan (CIDP 2018-2022), the Annual Development Plan and the sectoral departmental strategic plans shall continue to advise the priorities in resource allocation. In addition, in order to continue adhering to the fiscal discipline, the County Government will continue to entrench the fiscal responsibility principal set out in the PFM Act 2012 in making forecasts realistic and reasonable. The county will also continue with prudent management of funds and delivery of expected output. Effective and efficient utilization of funds will be crucial in ensuring that the county deliver on its functions

The set departmental expenditure projections will further be reaffirmed in the next County Fiscal Strategy Paper which shall be the final basis for development of the MTEF

APPENDIX 1 : INDICATIVE SECTOR/ ALLOCATIONS 2018/19-2019/20

ENTITY	2018/19 Budget			2019/20 projections		
	REC	DEV	TOTAL Budget	REC	DEV	TOTAL Budget
County Assembly	601,734,809	158,317,442	760,052,251	601,734,809	110,492,094	712,226,904
County Executive	461,171,843	250,000,000	711,171,843	461,171,843	174,478,713	635,650,556
Finance and Economic Planning	304,647,247	38,390,025	343,037,272	335,111,972	26,792,969	361,904,940
County Health Services	1,628,817,358	598,167,500	2,226,984,858	1,791,699,094	417,469,983	2,209,169,077
Education	241,200,427	37,057,788	278,258,215	265,320,470	25,863,181	291,183,650
Agriculture, Livestock and Fisheries	173,431,599	191,178,123	364,609,722	190,774,759	133,426,052	324,200,811
Gender, Culture, Children and Social Services	37,538,139	33,705,350	71,243,489	41,291,953	23,523,464	64,815,417
Youth and Sports	19,506,969	50,491,400	69,998,369	21,457,666	35,238,698	56,696,364
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	43,134,726	158,217,402	201,352,128	47,448,199	110,422,275	157,870,473
Environment, Water and Natural Resources	76,225,182	115,911,928	192,137,110	83,847,700	80,896,656	164,744,356
Lands, Housing and Urban Development	19,689,018	165,078,312	184,767,330	21,657,920	115,210,606	136,868,525
Transport and Infrastructure	64,294,307	685,010,054	749,304,361	70,723,738	478,078,691	548,802,429
TOTAL	3,671,391,624	2,481,525,323	6,152,916,948	3,932,240,121	1,731,893,382	5,664,133,503