



**KISII COUNTY GOVERNMENT**

**COUNTY TREASURY**

**MEDIUM TERM**

**FISCAL STRATEGY PAPER**

**OCTOBER ,2016**

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## **FOREWORD**

This Fiscal Strategy Paper is the fourth to be prepared for Kisii County Government in accordance to the Public Finance Management (PFM) Act, 2012 section 117. It sets out the County policy goals and strategic priorities that will be the basis for formulation of the County's Financial Year 2017/18 budget and the Medium Term projections. This is an annual planning document that shows the various fiscal strategies that the County Government of Kisii intends to employ to meet its overall objective of improving the livelihoods of its citizens.

The Fiscal Strategy Paper outlines the Medium-Term Fiscal Framework, which offers mechanisms for entrenching sustainable growth and development for efficient service delivery in Kisii County. Kisii County Government is dedicated to prudently utilizing the available resources and enhancing fiscal discipline so as to improve the living standards of its residents. The County Government will focus in this Fiscal Strategy Paper and in the Medium Term to expand and maintain infrastructure development specifically roads network, improve health care, increase water reticulation and/ or environmental preservation, enhance social protection, increase employment opportunities and reduce poverty levels in the County.

This Fiscal Strategy Paper articulates economic policies and structural reforms as well as sector based expenditure programmes that the County intends to implement in order to achieve the broad goal of its development agenda of employment creation and poverty reduction. In particular, it emphasizes continued shift of resources in favour of programmes that enhance growth and job creation, and to support stronger private sector investment in pursuit of new opportunities in a changing economic environment.

This Fiscal Strategy Paper is presented in four Chapters. Chapter one, provides an overview and objective of the Paper. Chapter Two, outlines the economic context within which the FY 2017/18 budget will be prepared. It also presents an overview of the recent economic developments and the macroeconomic outlook covering the Global, National and County scene. Chapter Three presents the Fiscal Policy and Budget Framework that will support planned growth over the medium to long term and Chapter Four presents the resource envelope and spending priorities for the proposed FY 2017/18 budget and medium term, sector ceilings, as well as sector achievements and priorities are also reviewed.

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## **ACKNOWLEDGEMENTS**

The content of this Fiscal Strategy Paper has benefited from an array of expertise of professionals and key stakeholders in the County. Their tireless efforts have informed the four chapters of this Strategic paper. We wish to express our gratitude to all those persons that participated in the preparation of this paper.

We are grateful to His Excellency the Governor for his lead role, direction and guidance in developing this document; His Excellency the Deputy Governor, County Executive Member for finance and economic planning and other County Executive Committee Members for their input in providing much needed information to the team working on the fourth Fiscal Strategy Paper for Kisii County Government. Similarly, the technical role played by Chief Officers in preparation of this paper is highly appreciated.

We would like to acknowledge the immense contributions of staff from Finance and Economic Planning sector, Strategy, Delivery and Project Management department who were involved in the preparation of this Paper. We also wish to thank the County Treasury staff for working with the drafting team in the provision of the much needed information for this document.

We acknowledge the input of the Members of the County Assembly, County Budget and Economic Forum (CBEF) and members of the public during the consultative meetings.

**Wilfred Auma**

CHIEF OFFICER

FINANCE AND ECONOMIC PLANNING

## CHAPTER ONE: BACKGROUND INFORMATION

### 1.1 Overview

1. Kisii County Fiscal Strategy Paper (FSP), 2017 sets out County goals and strategic priorities that will form the basis for formulation of County's Financial Year (FY) 2017/18 budget and the Medium Term. The paper is prepared in accordance with Section 117 of the Public Finance Management Act, 2012.
2. This Fiscal Strategy Paper outlines the performance of the FY 2016/2017 budget up to 30<sup>th</sup> September, 2016 which forms the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for FY 2017/18 and over the Medium Term.
3. This paper provides specific expenditure ceilings for County departments and detailed guidelines of structured expenditure in priority areas. The framework ensures adherence to public finance and fiscal responsibility principles as set out in the Constitution, 2010 and the Public Finance Management Act, 2012. It also outlines guidelines to ensure that the development to recurrent expenditure has been maintained within the required ratios of 30:70. It further details how the expenditures will be funded fully from the allocations from the equitable share, conditional grants, local revenue sources and revenue from the development partners.
4. This FSP covers the following broad areas: review of the fiscal performance of first quarter of the FY 2016/2017; highlights of the recent economic developments and economic outlook; broad strategic priorities and policies for FY 2017/2018 as spelt out in the Annual Development Plan and the Medium Term Fiscal Framework as outlined in the County Integrated Development Plan (CIDP) 2013-2017.
5. The priorities outlined in this Paper are in line with those set out in the Annual Development Plan 2016, namely:
  - a) Infrastructure Development
  - b) Health Care
  - c) Water Reticulation and Environmental Preservation
  - d) Social Protection
  - e) Economic Development

6. The main focus of this FSP in the Medium Term is to lay emphasis on how to enhance infrastructure development specifically roads network, improve health care, increase water reticulation and/ or environmental preservation, enhance social protection, enhance value addition, animal health and husbandry. These will lead to increased employment opportunities and reduce poverty levels in the County.

7. This FSP articulates economic policies and structural reforms in revenue, procurement and performance management as well as sector based expenditure programmes that the County intends to implement in order to achieve the broad goal of its development agenda. In particular, it emphasizes continued shift of resources in favour of programmes that enhance growth and job creation, and to support stronger private sector investment in pursuit of new opportunities in a changing economic environment. It takes cognizance of the reality of scarce resources and the fact that there is need to invest in high impact programmes with a framework of sustainable fiscal stance.

8. The County Government is committed in creating an enabling environment for private sector ventures which will promote employment creation and reduce poverty levels. These ventures include street lighting, value addition in soap stone mining and Agriculture produce.

9. The fiscal framework outlined in this FSP requires greater fiscal discipline and alignment of resources to priority areas. In particular, better control of expenditure and a clear focus on core mandates by County departments will be emphasized.

## **1.2 Objective**

10. The objective of the Fiscal Strategy Paper, 2017 sets the frame work for the preparation of the County budget for the FY 2017/2018. It is a requirement under section 117 of the Public Finance Management Act, 2012 that each County Treasury shall prepare and submit to the County Executive Committee the FSP for approval, and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly every year. This FSP contains the following:

- The principles that will guide the 2017/2018 budgetary process;
- The broad fiscal parameters for the 2017/2018 budget and the key strategies and policies for management of revenues and expenditures;

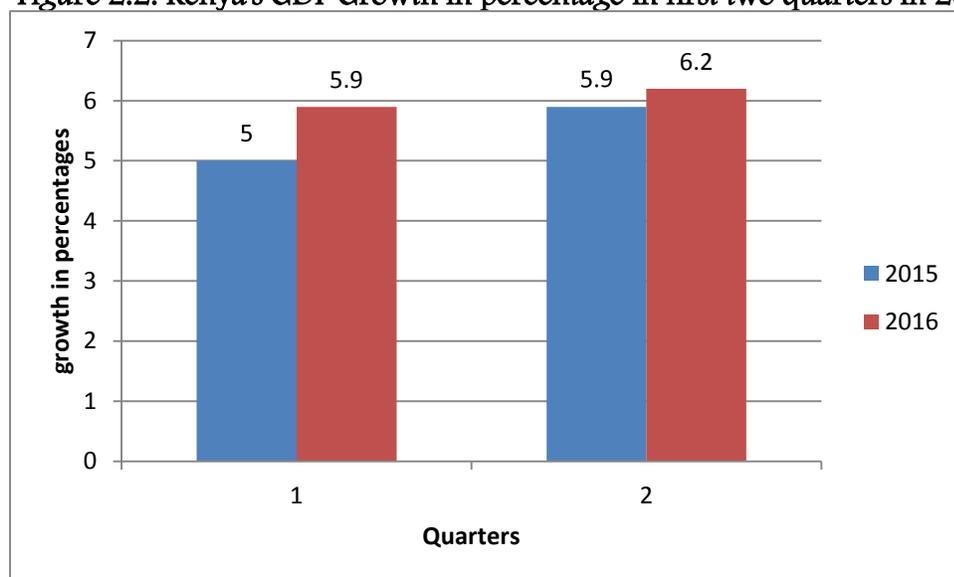
- The broad strategic priorities and policy goals that will guide the preparation of the budget over the medium term;
- A discussion of risks to the Budget Parameters and Budget Strategies;
- The medium-term outlook for County Government revenues and expenditures;
- A discussion of how the Budget Strategies relates to the County priorities as drawn from the County Integrated Development Plan (CIDP); and
- A framework for the preparation of departmental forward budget estimates and the development of detailed budget policies.

## CHAPTER TWO: ECONOMIC PERFORMANCE

### 2.1 Overview

11. The County's economic performance depends on the national performance. The Kenyan economy registered a growth of 6.2 percent in the second quarter of 2016, compared to 5.9 percent growth in the same period of 2015 according to KNBS (2016) as indicated in Figure 2.1. This growth is attributed to growth in infrastructure development, increased tea output coupled with the ongoing recovery in the tourism sector. Kisii County experienced the impact of Economic growth as witnessed by booming of business across the County.

**Figure 2.2: Kenya's GDP Growth in percentage in first two quarters in 2015 and 2016**



Source: KNBS, 2016

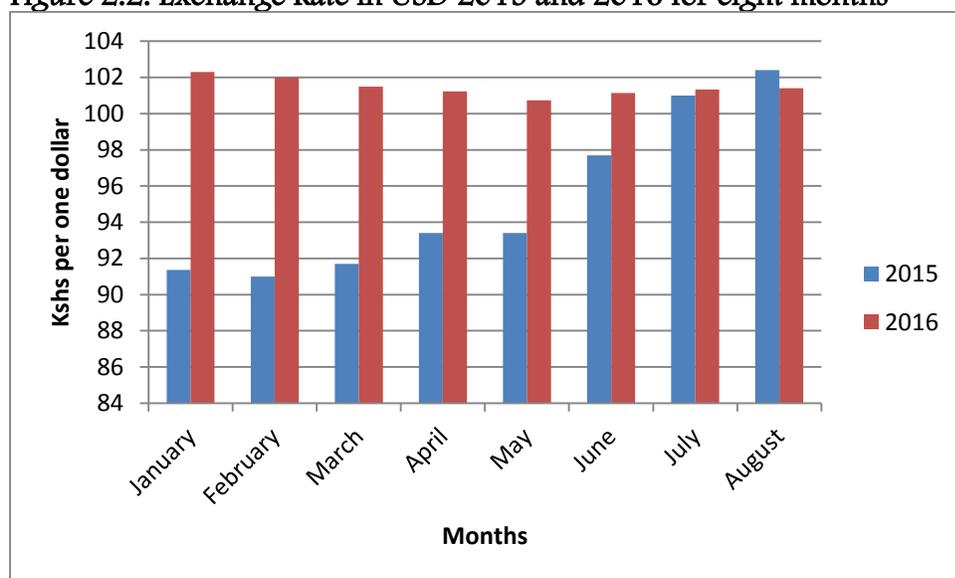
12. The capping of lending interest rates at 4 percent above the Central Bank Rate is likely to increase investment in future due to attractive rates. The September 2016 CBK rate remained at 8.5 percent pushing the commercial banks rate to a maximum of 14.5 percent the monetary policy stance is considered to deliver the desired objective of price stability. However, the introduction of the capping policy of the interest rates is expected to cause a decline in investments in the financial sector in the Country due to the reduced margin of return on investments in the sector.

13. According to CBK website, inflation stood at 6.3% in August 2016, slightly exceeding market expectations of moderation to 6.2%, but within the Central Bank's inflation target range of 5.0% plus/minus 2.5 percentage points. Annual average inflation remained at 6.5%. With

the capping of interest rate, inflation is expected to increase due to anticipated increase in credits from the commercial banks.

14. The Kenyan Shilling continued to lose value against the dollar between January and August 2016 as compared to the same period in 2015 as shown in Figure 2.2. 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. This affected the market prices of Kenyan exports in the foreign markets. Tea and coffee which are the major exports from the county fetched low prices as compared to 2015. This had adversely affected the returns accrued by the tea farmers in the County from foreign markets.

**Figure 2.2: Exchange Rate in USD 2015 and 2016 for eight months**



*Source: The County Planning Unit using Central Bank of Kenya data from the website.*

## 2.2 County growth prospects

The growth prospects for the County will largely depend on the performance in the key County priority areas, namely:

- a) investment in infrastructural development

15. The County Government will ensure adequate allocation of resources in roads, transport, public works, energy, sewerage system, market development and information and communications technology (ICT) programmes. Investment in these areas will lead to the reduction of transport costs, promote competitiveness, open up business opportunities for the

people and facilitate faster and more inclusive county development, employment creation and poverty reduction.

16. Due to scarcity of resources, the County Government will reach out the private sector through the Public Private Partnership (PPP) arrangement to mobilise resources for infrastructure development.

b) investment in health care

17. The County Government will invest in quality healthcare services in the development of a healthy population with higher productivity for sustained economic growth and development. The County will in partnership with the development partners and the national government, invest in the upgrading of healthcare infrastructure and modernizing equipment. This will ensure health work force and consequently long working hours.

c) investment in water reticulation

18. The County Government will ensure access to safe and affordable drinking water for the County residents and improve water quality by reducing pollution and elimination of dumping, protecting and restoring water- related ecosystems and increasing afforestation and re-afforestation in the County. This will reduce health related cases and increase preventive health measures.

d) investment in social protection

19. The County Government will prioritize the development and support of sports through the establishment and improvement of stadia, culture and heritage so as to nature talents of the youth and safeguard the County heritage. This will encourage growth in the County and at the same time act as a catalyst for the County development. The County will also develop, preserve and protect our culture and heritage through the construction of cultural centers.

20. The County will also invest in affirmative action intervention safety nets so as to empower community members and enable them to actively participate in Economic transformation.

21. The County Government will direct resources towards NHIF to support the elderly so as to enable them to actively participate in the County development agenda. Bursaries will also be provided to the needy students across the County to enable them access education.

e) investment in economic development

22. To realize the County vision of prosperity for all, promotion of food security, generation of farm income and creation of farm and off farm rural employment will be prioritized. Information management on market and product development will be rolled out, while extension services will be enhanced through integrated efforts to improve both crop and animal husbandry. This will increase productivity and increase market accessibility consequently reducing wastages.

23. The County Government will focus on the intensification and diversification of livestock production activities to some of the specific interventions towards improvement of the performance in the livestock sub sector which include increasing the number of hybrid cattle as well as ensuring affordable and accessible artificial insemination services to farmers. The County will also intensify vaccination and surveillance operations to control livestock and zoonotic diseases while meat hygiene will be emphasised.

24. The County Government will also mobilize resources from development partners like the World Bank, European Union among others to complement its efforts in the promotion of Value addition and Artificial insemination services and food security.

### **2.3 Fiscal performance and emerging challenges**

25. The approved budget for the Kisii County Government in the FY 2016/2017 had expenditures amounting to Kshs 9,365,959,839. This budget will be financed by the equitable share revenue receipts, conditional shares, local revenue and development partners.

26. As at 30<sup>th</sup> September, 2016, the County had only received disbursements of KShs 2,045,997,760 from the National Treasury out of which KShs 1,533,558,719 was for recurrent expenditure and KShs 512,439,041 for development expenditure. The total County Government expenditure in the period comprised of KShs 1,327,799,762 on recurrent expenditure and KShs 229,561,154 on development expenditure.

27. Tables 2.1 and 2.2 show departmental expenditures for both recurrent and development budget as at a 30<sup>th</sup> September 2016.

**Table 2.1: Recurrent Budget Outturn for the first three months 2016/2017**

Department	Budget Estimates (Kshs.)	Exchequer Issues as at 30/09/2016	Expenditure as at 30/09/2016 (Kshs.)	Balance as at 30/09/2016 (Kshs.)	Absorption Rate (%)
County Assembly	883,788,862	183,000,000	151,019,392	31,980,608	82.5
Office of the Governor & Deputy Governor	340,180,152	88,041,555	64,200,927	23,840,628	72.9
County Public Service Board	45,324,280	6,451,569	7,977,385	(1,525,816)	123.6
Administration, C. Services & Stakeholder Management	511,976,001	125,098,490	121,188,501	3,909,989	96.9
Finance and Economic	595,615,284	142,111,493	97,734,486	44,377,007	68.8
Agriculture, Livestock, Fisheries	319,376,120	72,265,280	67,326,181	4,939,099	93.2
Health services	2,296,072,666	644,309,296	618,379,033	25,930,263	96.0
Energy, Water, Environment	151,999,029	49,936,549	17,761,014	32,175,535	35.6
Trade Dev't and Regulations	68,919,585	19,510,878	8,906,302	10,604,576	45.6
Land, Physical Planning	85,244,712	28,765,723	21,020,135	7,745,588	73.1
Culture, Sports, Youth	82,742,198	25,893,602	25,223,871	669,731	97.4
Education and Youth affairs	545,757,158	98,533,214	87,081,230	11,451,984	88.4
Public Works, Roads and Transport	130,583,663	32,357,928	19,341,774	13,016,154	59.8
Kisii Town	69,387,714	17,283,143	20,639,531	3,356,388	119.4
<b>Total</b>	<b>6,011,967,425</b>	<b>1,533,558,719</b>	<b>1,327,799,762</b>	<b>205,758,957</b>	<b>86.6</b>

*Source: Kisii County Treasury*

**Table 2.2 Development Budget Out turns for the first three months 2016/2017**

Department	Budget Estimates FY 2016/2017 (Kshs.)	Exchequer Issues as at 30/09/2016 (Kshs.)	Expenditure as at 30/09/2016 (Kshs.)	Balance as at 30/09/2016 (Kshs.)	Absorption Rate (%)
County Assembly	195,000,000		0	195,000,000	0
Office of the Governor & DG Administration, C S & S.Mgt	20,000,000		0	20,000,000	0
Finance and Economic Agriculture, Livestock, Fisheries	143,500,000	29,000,000	11,995,966	17,004,034	41
Health services	92,000,000	12,000,000	6,283,010	5,716,990	52
Energy, Water, Environment	238,500,000	24,500,000	14,211,890	10,288,110	58
Trade Dev and Regulations	776,595,622	102,881,233	37,186,610	65,694,623	36
Land, Physical planning	327,500,000	25,000,000	0	25,000,000	0
Culture, Sports, Youth	256,000,000	18,000,000	12,173,136	5,826,864	68
Education and Youth affairs	169,700,000	22,850,000	0	22,850,000	0
Public Works, Roads and Transport	253,000,000	34,000,000	0	34,000,000	0
Kisii Town	327,500,000	24,500,000	0	24,500,000	0
	983,806,154	214,707,808	147,710,542	66,997,266	69
<b>Total</b>	<b>4,044,040,240</b>	<b>512,439,041</b>	<b>229,561,154</b>	<b>282,877,887</b>	<b>45</b>

*Source: Kisii County Treasury*

Note: The County Public Service Board is not included in the table because it does not have a development budget.

28. Tables 2.1 and 2.2 indicate that the County Government has absorbed 45 percent and 86.6 percent of development and recurrent funds released by the National Government respectively. However, delays in exchequer releases by the National Government still remains a source of concern as it affects the implementation of planned programmes and projects.

29. To ensure proper implementation of the budget in the County, various measures have been put in place including preparation of procurement plans, annual work plans, deployment of procurement officers and accountants to departments, regular monitoring and evaluation of projects and programmes and the rolling out of e-procurement platform.

30. To enhance prudence in financial management, The County Treasury shall ensure that departments spend within their budgets, not more than the exchequer releases as we move towards the closure of the FY. Departmental expenditures should be for votes in the budget and within the ceilings.

31. Additionally, there is need to establish a budget monitoring and implementation committee to oversee the management of public finances and economic affairs of the County Government on quarterly basis in line with Section 166 of the PFM Act. This will lead to efficient reporting of the ongoing development projects to ensure that they are implemented as per the budget and timeframe.

32. The County Government will put measures in place to ensure budget revisions are minimized. Where necessary such revisions should be informed by appropriate reconciliation of withdrawals and expenditures and should be undertaken in good time to allow time for budget execution.

33. The County Government projected to raise KShs 150 million from local sources in the first three months of FY 2016/2017. However, only KShs 76 million was realised in the same period as show in Table 2.3. To address the challenges of revenue shortfalls and expenditure pressures, the County Government will step up efforts on revenue administration and mobilization to eliminate leakages and increase revenue collection as targeted in the FY 2016/2017. The County Government is in the process of automating revenue collection which is past the evaluation stage, broadening revenue base, enhancing enforcement services through the retraining of enforcement officers, structuring staff, setting targets, updating of register for all the traders in the market sheds and kiosks; development of valuation role, registering all the vehicles using the enclosed bus park; fencing all open air markets in the county and enhancing

collection of coffee, tea, sugarcane, log and other cess and particularly enforcing the collection of land rates in the county.

**Table 2.3: Revenue outturn for the first three months FY 2016/2017**

<b>LOCAL LEVIES: 1-2000</b>	<b>JULY</b>	<b>AUGUST</b>	<b>SEPTEMBER</b>	<b>TOTAL</b>
1-2101 PROPERTY RATES	367,464	624,742	451,559	1,443,765
PROPERTY RATES ARREARS	204,536	194,034	248,172	646,742
1-2104 OTHER PROPERTY CHARGES	311,435	4,000	4,000	319,435
1-2201 BUSINESS PERMITS CURRENT YEAR	2,038,175	1,415,635	768,048	4,221,858
1-2202 BUSINESS PERMITS PENALTIES	65,363	71,238	73,578	210,179
1-2302 COFFEE CESS	0	0	10,840	10,840
1-2311 FRUITS & VEGETABLES / PRODUCE CESS	344,850	400,080	592,278	1,337,208
1-2314 LOG CESS	2,040	2,440	1,280	5,760
1-2501 GROUND RENT - CURRENT YEAR	18,361	11,052	26,498	55,911
1-3105 MISCELLENOUS INCOME	191,465	191,100	32,671	415,236
1-3203 IMPOUNDING CHARGES	23,450	31,100	26,850	81,400
1-3501 COUNTY PREMISES MONTHLY RENT (OFFICES, ETC.)	493,104	0	0	493,104
1-5101 MARKET ENTRANCE / GATE FEE	5,214,410	5,609,670	5,400,980	16,225,060
1-5102 MARKET PLOTS RENT	39,000	70,000	130,802	239,802
1-5105 MARKET STALLS RENT	304,700	501,050	319,050	1,124,800
1-5201 ENCLOSED BUS PARK FEE	2,780,570	3,942,500	3,009,810	9,732,880
1-5211 OTHER VEHICLES ENCLOSED PARK FEES (CARS, LORRIES, ETC.)	0	0	68,250	68,250
MOTORCYCLE PARKING STICKERS	1,674,200	1,606,400	1,508,500	4,789,100
1-5221 STREET PARKING FEE	1,680,250	1,754,100	1,471,385	4,905,735
1-5225 CLAMPING FINE	14,700	27,950	14,850	57,500
1-5226 TOWING FINE	60,700	13,070	19,640	93,410
1-5227 STORAGE FEE	9,500	4,950	7,500	21,950
1-8401 SLAUGHTERING FEE	58,700	49,150	45,600	153,450
1-9112 BUILDINGS PLAN APPROVAL FEE	1,752,549	1,271,452	923,042	3,947,043
1-9113 BUILDINGS INSPECTION FEE	4,000	0	0	4,000
1-9132 SIGN BOARDS & ADVERTISEMENT FEE	1,856,468	526,045	656,400	3,038,913
1-9201 FIRE-COMPLIANCE FEE	258,050	171,700	82,720	512,470
REVENUE FROM AGRICULTURAL TRAINING CENTRE	1,104,328	16,349,403	0	17,453,731
DEVOLVED FUNCTION REVENUES	62,600	109,280	87,140	259,020
<b>TOTAL</b>	<b>20,934,967</b>	<b>34,952,141</b>	<b>15,981,443</b>	<b>71,868,551</b>

*Source: County Treasury*

## CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK

### 3.1 Overview

34. The County Government will pursue principles of fiscal policy to ensure macroeconomic stability. The focus will be to provide an avenue to support economic activity while allowing for implementation of devolution mandates within a sustainable public finances management system. With respect to revenue, the county will maintain a strong revenue effort over the medium term. Measures to achieve this effort include improved tax and cess compliance with enhanced administrative measures and adoption of revenue enhancement best practices.

35. On expenditure the County Government will continue with rationalization of expenditure to improve efficiency, reduce overlaps and wastage. Expenditure management will be strengthened through the Integrated Financial Management Information System (IFMIS) and other appropriate financial management systems across all departments. In addition, the PFM regulations are expected to accelerate reforms in expenditure management system at the county.

36. Furthermore, the Government has instituted various measures aimed at aligning the expenditures with the resource envelope. These include; measures to curb non priority expenditures and to free resources for more productive purposes.

### 3.2 Fiscal Policy Framework

37. The County Government has reoriented expenditure towards priority programmes and projects in infrastructure development, health care, social protection, economic development, water reticulation and environmental conservation. This Fiscal policy therefore, will continue to support County development agenda while providing room for the implementation of the CIDP (2013-2017) within a context of sustainable public financing. This process will be strengthened in the FY 2017/18 with relevant legislative frameworks in place like the Public Private Partnership (PPP) to enable the County Government implement critical programmes that will accelerate socio-economic development while endeavouring to run a balanced budget. Table 3.1 presents the County Government fiscal projections over the medium term.

**Table 3.1: County Government Fiscal Projections, 2016/2017- 2019/2020**

Item	2016/2017	2017/2018	2018/2019	2019/2020
<b>Revenue/Grants</b>	<b>10,056,007,665</b>	<b>9,106,570,013</b>	<b>9,470,832,814</b>	<b>9,849,666,126</b>
National Gov't – equitable share	7,654,114,596	8,300,000,000	8,632,000,000	8,977,280,000
Conditional allocation – Kisii Level 5	397,687,861	397,687,861	413,595,375	430,139,190
Conditional allocation – Free maternal health care	168,133,301	168,133,301	174,858,633	181,852,978
E.U. Instruments for Devolution Advice and Support	110,000,000	~	~	~
Leasing of medical equipment	95,744,681	95,744,681	99,574,468	103,557,447
DANIDA – Health care support services	11,475,000	~	~	~
Conditional allocation for compensation for user fee forgone	26,947,170	26,947,170	28,025,057	29,146,059
Road Maintenance Fuel Levy Fund	117,457,000	117,457,000	122,155,280	127,041,491
kenya Devolution Support Programme	34,251,811	~	~	~
Loans and grants	0	0	0	0
Unreleased balances for FY 2015/2016	690,047,826	0	0	0
Local revenue	750,000,000	600,000	624,000	648,960
<b>Expenditure</b>		<b>9,106,570,013</b>	<b>9,470,832,814</b>	<b>9,849,666,126</b>
Recurrent	5,436,857,429	5,810,420,000	6,042,836,800	6,284,550,272
Development	3,798,155,162	3,296,150,013	3,427,996,014	3,565,115,854

*Source; Kisii County Planning Unit*

Note: The FY 2016/17 revenue/grants contains unspent balances from FY 2015/16.

### **3.3 Fiscal Responsibility Principles**

38. In preparing the FY 2017/2018 budget, the County Government will continue to adhere to the fiscal responsibility principles as outlined in Section 107 of the Public Finance Management (PFM) Act, 2012. Development is projected to constitute 36 percent of the total budget over the medium term. This is within the fiscal responsibility ceiling which is at 30 percent.

### **3.4 Fiscal Structural Reforms**

39. The County Government will continue to pursue structural reforms aimed at enhancing prudent financial management and resource mobilisation. These will include revenue automation, digitization of procurement and other financial management processes. The cash less revenue system will seal leakages in the current revenue system. This will lead to the realization of the revenue target and consequently implementation of all planned projects and programmes.

### **3.5 Financing Policy**

40. The FY 2017/2018 budget will be financed by the National Government, development partners and from own revenue sources. This will be a balanced budget as required by law, however, funding from the development partners will be included once commitments are made.

### **3.6 Kisii County 2017/2018 Budget Framework**

41. The Kisii County 2017/2018 budget framework is set against the background of the County Government's strategic objectives and priorities as outlined in the CIDP, 2013-2017 and the Annual Development Plan (ADP) 2016. The County is expected to realize key developments through adequate budgetary allocations in the project activities and programmes of the priority areas.

#### **3.6.1 Revenue Projections**

42. In the FY 2017/2018 the County Government targets to collect local revenue of Kshs. 600 million and equitable share and conditional allocations of KShs.9.1 billion from the National Government. This performance will be underpinned by the on-going reforms in revenue administration. The revenue department will institute measures to expand the revenue base and curb revenue leakages.

### **3.6.2 Expenditure Forecasts**

43. The County Government's funding allocation decisions for the FY 2017/2018 are guided by the Annual Development Plan 2016 which outlines the priority areas to be addressed in the FY 2017/2018 in the realization of the CIDP (2013-2017). Overall expenditures are projected to Kshs.9.1 billion comprising of Kshs.3.3 billion for development and Kshs.5.8 billion for recurrent.

44. The County Government will adhere to fiscal responsibility principles on recurrent expenditures which are capped at 70 percent of the County budget. The County Government will exercise essential controls to manage the wage bill by ensuring that recruitment will be based on vacancies that arise from natural attrition, retirement and, need for specialized and essential staff.

45. The County Government will allocate sufficient resources towards development expenditure including completion of ongoing projects and pending bills.

## **CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK**

### **4.1 Sources of funds**

46. Kisii County Government has two main sources of funding namely revenue from local sources and revenue from the National Government as provided under Article 201 of the Constitution, 2010. The resource envelope available for allocation among the spending units is based on the recommendations from Commission on Revenue Allocation, the Senate and National Assembly among others.

### **4.2 Spending priorities**

47. The prioritization of resource allocation will be based on the ADP, 2016 which spells out the following County priorities.

#### **i. Infrastructure Development**

48. The County Government will undertake infrastructural development programmes in the departments of Finance and Economic Planning, Roads, Transport and Public Works, Culture, Trade, Tourism and Industry, Lands, Physical Planning and Urban Development. These programmes will include construction of roads, erection of street lights in major markets and urban centers, construction of ECDE classrooms and polytechnics, establishment of sewerage and waste management system, markets development and digitization of government services among others. This will lead to reduction in costs of doing business within the County, provide an enabling environment for the private sector to thrive, facilitate access to basic and quality education and creation of employment and poverty reduction.

#### **ii. Health Care**

49. The County Government will endeavour to provide affordable and accessible preventive and curative health services to all the citizens. This will be through stocking of the health facilities with drugs and non-pharmaceutical supplies, provision of ambulatory services, construction and equipping of health facilities with medical equipment, completion of a 100 bed-capacity modern mortuary, construction and establishment of a Cancer Care Centre,

recruitment and retraining of health personnel; anti-malarial campaign; family planning campaigns; HIV/AIDS campaigns; training of health care providers on customer care; commemoration of health days.

iii. Water Reticulation and Environmental Preservation

50. The overall goal of the strategic priority is to provide equitable access to safe and clean drinking water, protecting and restoring water-related ecosystem and increasing forest cover by afforestation and re-afforestation.

51. Funds in this priority area will be allocated towards water reticulation schemes, spring protection, drilling and equipping of boreholes, promotion of green energy, cleaning of rivers, garbage collection in markets and urban centres, establishment of tree nurseries and tree planting.

iv. Social Protection

52. Under Social Protection, opportunities will be opened to tap the latent talents and entrepreneurial capabilities of the youth, women and persons with disability by encouraging them to form groups and supporting them to start income generating activities. Resources will be directed towards the identification and nurturing of talents, provision of safety nets through the NHIF cover, Affirmative Fund, Disabled Fund and Youth Fund to the elderly and vulnerable groups in the society and provision of bursaries to the needy and bright school going students.

v. Economic Development

53. This strategic priority constitutes of programmes in Crop Production, Livestock Development and Fisheries, Agribusiness and value addition, Veterinary Services, Agricultural Engineering Services, Corporative development, Trade and Markets Development.

54. Funds in this priority area will be directed towards value addition, promotion of greenhouse technology, artificial insemination, dry feed production, tissue culture bananas, fish production, revitalization of cooperative societies to assist in produce marketing, provision of soft loans through Joint Loans Board Scheme (JLBS), extension services and vaccination and surveillance operations against zoonotic diseases. The County Government will continue to identify slow moving budget items and redirect funds to other priority areas.

### 4.3 Medium term expenditure estimates

55. The departments of Health, Roads and Public Works, Education and manpower development, Energy, Water, Environment and Natural resources will continue to receive more resources relative to other departments. In the recurrent expenditure category, non-discretionary expenditures will be given priority.

56. Sufficient resources will be directed towards clearing of pending bills and completion of ongoing projects.

56. The fiscal responsibility principles as outlined in Section 107 of the PFM Act, 2012 will guide allocation of resources for recurrent and development expenditure. The medium term spending estimates for Kisii County 2017/18-2019/20 as summarized in Table 4.1 will ensure continuity in resource allocation from the last FY based on prioritized programmes aligned to the CIDP, ADP 2016 and policy initiatives to accelerate growth, employment creation and poverty reduction.

#### a. County Assembly

57. This is a key sector in the implementation of development programmes in the County as it does the oversight role. It also plays the role of strengthening the democratic space and governance in the County. Due to the crucial role of the sector, it has been allocated KShs 800 million in FY 2017/2018 which represent 8.8 percent of the total County budget.

#### b. County Executive

58. This is the department is responsible for management of County affairs. It also links the County to the outside world and thus bolstering its relationships. Due to the vital role the department plays, in the FY 2017/2018 budget, the sector has been allocated KShs 390 million.

#### c. Administration and Corporate and Stakeholders Management

59. The department is responsible for steering public participation and carrying out civic education campaigns, enforcement of rules and regulation regarding resource mobilisation bringing orderliness in County departments and in urban centres and markets, responsive management of disasters and emergencies, human resource management and general administrative functions. To achieve its mandate, the sector has been allocated KShs 580 million in the FY 2017/2018.

**Table 4.1: Projected Medium Term ceilings by sector**

Department	2016/2017 budget	2017/2018 Budget ceiling	2018/2019 Estimate	2019/2010 Estimate
County Assembly	1,078	800	832	865
County Executive	360	390	406	422
Public Service	45	50	52	54
Administration Stakeholder Management and Corporate Services	655	580	603	627
Finance and Economic Planning	741	660	686	714
Agriculture, Livestock , Fisheries and Cooperate Development	535	500	520	541
Energy, Water, Environment and Natural Resources	552	500	520	541
Education, Labor and Manpower Development	873	680	707	735
Health Services	3,073	3,000	3120	3,245
Lands, Housing, Physical Planning and Urban Development	255	290	302	314
Roads, Public Works and Transport	1,115	940	977	1,017
Trade and Industry	325	300	312	324
Culture, Sport, Youth and Social Services	336	300	312	324
Kisii Town	113	110	114	119
	<b>10,056</b>	<b>9,100</b>	<b>9,464</b>	<b>9,842</b>

**Source: County Planning Unit**

*Note: The FY2016/17 budget stands at Kshs. 10.056 billion and it includes unspent balances of Kshs. 690 from last financial year.*

d. Agriculture, Livestock and Fisheries

60. The county is mandated to carry out the following functions as spelled out in Schedule Four of the Kenya Constitution 2010: crop and animal husbandry, livestock sale yards, abattoirs, plant and animal diseases control, fisheries and cooperative societies.

61. This sector is critical to the county's economic growth, employment creation and poverty reduction. It contributes about 80 percent of the Kisii County economy and contains multiple linkages with other key sectors such as manufacturing, wholesale and retail, transport and distribution and other service related sectors. The challenges facing the sector include land fragmentation, uncertified seeds, low productivity, poor marketing, reliance on out-dated farming methods, low value addition and competitiveness, inadequate physical infrastructure and low access to financial services as well as affordable credit.

62. The sector aims to address the above challenges in the 2017/2018 budget by raising agricultural productivity through improvement in the provision of extension services; improved livestock breeds through subsidised artificial insemination; increased adoption of appropriate livestock production technologies; introduction of traditional food crops; provision of subsidised farm inputs package to needy farmers, increased agricultural commercialization through value addition and forming of farming SACCOs to assist in marketing; improving governance of agricultural intuitions and departments, land development, and promotion of sustainable management of fisheries and forestry. To achieve the above targets, KShs 500 million has been set aside for the sector in the 2017/2018 budget.

e. Education, Manpower and Labour Development

63. The sector's goal is to enhance access to basic quality education, reduce inequality, and exploit knowledge and skills in science, technology and innovation to achieve global competitiveness of County labour force. The sector faces many challenges including inadequate infrastructure, inadequate learning materials and staffing.

64. In the FY 2017/2018, the sector intends to put up more ECD centers, disburse bursary fund, purchase learning materials and construct toilets for ECD centers. For village polytechnics, the sector intends to construct workshops and classrooms, purchase tools, formulate and promote relevant bills/regulations for efficient management of the institutions. The sector has been allocated KShs. 680 million in FY 2017/2018.

f. Energy, Water, Environment and Natural Resources

65. This is a critical sector in the County economy with the role of ensuring that every citizen has access to safe and clean water. Under the sector, the assigned functions to the County Governments include soil and water conservation, forestry, storm water management, water sanitation services, air pollution, noise pollution, other public nuisance and outdoor advertising.

66. In the FY 2017/2018 the department will encourage the usage of green or renewable sources of energy, supply clean and safe drinking water through expansion of the existing water schemes and spring protection, starting new water schemes, drilling boreholes, encouraging and supporting roof harvesting in public institutions. The goal in the medium term is to reduce the distance to the water points through water reticulation.

67. The sector will increase forest cover by establishing a tree nursery, plant trees along the roads, market centres and in public institutions as a way of dealing with the challenge of global warming. In the area of sanitation, the sector plans to expand the sewer system in Kisii Town and its environs; identify and secure dumping sites in all the towns in the County. To achieve its objective, the sector has been allocated KShs. 500 million in the FY 2017/18.

g. Finance and Economic Planning

68. The department will continue to invest in information technology with the aim of digitizing the County Government operations and enhancing resource mobilization and management through automation of revenue collection. In meeting the above targets, the sector has been allocated KShs 660 million in the FY 2017/2018 budget.

h. Health Services

69. The department is responsible for providing equitable and affordable health care to the County residents. To achieve this department will construct and equip the health facilities within the County, provide ambulatory services, purchase of pharmaceutical and non-pharmaceutical supplies, retrain and hire medical specialists, establishment of cancer care centre. To achieve the above the department has been allocated KShs 3,000 billion in FY 2017/2018.

i. Land, Housing, Physical Planning and Urban Development

70. The department is responsible for preparation of physical and spatial plans, street lighting project, solid waste management, construction and maintenance of urban roads, beaconing of public land. To achieve the above targets, in the FY 2017/2018, the sector has been allocated KShs 290 million.

j. Roads, Public Works and Transport

71. The sector is a key enabler for sustained development of our economy through provision of the necessary infrastructure. In order to provide the infrastructure, the sector will develop roads and bridges, organized transport system, supervision of buildings among others.

72. The sector faces a number of challenges that limit its optimal operations, including: inadequate funds, inadequate road construction equipment, topographical problem, inadequate

road reserve, continuous heavy rains which destroy roads and sweep culverts, lack of adequate local construction capacity and few private partners willing to invest in the sector.

73. To address the above challenges, the department will adopt the labour based approach system of roads construction, purchase more road construction equipment, sensitize the community on the importance of development, do continuous roads maintenance and woo development partners to invest in the County. The total budget estimate for the sector is KShs 940 million in FY 2017/2018.

k. Culture, Sports, Youth and Social Services

74. The sector is involved in vocational rehabilitation and training; social infrastructure development and gender mainstreaming; provision of safety nets to the elderly and vulnerable groups through NHIF, community support services, transfers to the old persons; People Living with severe Disabilities, Orphans and Vulnerable Children; prevention and promotion of County culture and heritage; provision of public library services; training of youth in entrepreneurial skills and refurbishment of sports facilities. Though, some of the programmes are executed by the National Government, the County Government is undertaking for the wellbeing of the residents. To achieve the above targets, the sector has been allocated KShs 300 million in FY 2017/2018.

l. Trade Development, Regulation and Industry

75. This department is responsible for market development, provision of soft loans through the JLB, promotion of tourism development, creating conducive environment for investment. To achieve these goals, the County Government has allocated KShs 300 million in FY 2017/2018.

m. Kisii Town

76. This is a department in charge of the management of County headquarters through waste management, firefighting services, access to safe and clean water, and improved sewerage systems among others. The sector intends to rehabilitate the sewer lines and drainage system, improve access to clean and safe water, ease congestion, organize transport system, beautify the town and ensure proper waste management. To achieve the above targets, in the FY 2017/2018 budget, the county has allocated the department KShs 110 million.