REPUBLIC OF KENYA

MAKUENI COUNTY

COUNTY FISCAL STRATEGY PAPER

VISION

"A COUNTY WHERE RESOURCES ARE SUSTAINABLY HARNESSED AND EQUITABLY SHARED FOR THE BENEFIT OF EVERY HOUSEHOLD"

FOREWORD

The Makueni 2014 County Fiscal Strategy Paper is the first to be prepared. The CFSP sets out the priorities of the County in the medium term as outlined in the County Integrated Development Plan (2013-2017) and aligned with the Second Medium Term Plan of the Vision 2030.

The CFSP outlines the key government interventions in the next fiscal year. The emphasis will be on allocating resources to programs. This year's budget will be programme based as required by the Public Finance Management Act, 2012.

The County Government will continue to invest in the infrastructure, health, agriculture and water sectors to spur county growth. More emphasis will be geared towards increasing equity in sharing of the resources in line with the County Vision *"A County where resources are sustainably harnessed and equitably shared for the benefit of every household"*

The County is prone to perennial droughts, which are development challenges that are likely to hamper growth. To address such challenges, the county government will introduce sorghum farming targeting 20,000 farmers and 60,000 hectares of plantation.

Governance and accountability in the management of public resources remain key in the implementation of planned programmes. Efforts to create awareness in the citizenry on the importance of paying taxes and rates through tax clinics will be undertaken.

Continuous monitoring and evaluation will be undertaken through the socio economic planning section. A monitoring and evaluation policy will be developed and submitted to the executive for approval.
Monthly and quarterly Budget expenditure reports will be submitted to the executive by the budget and expenditure section. This will enhance adherence to the budget estimates and ensure value for money is realized.

ALIDAN MBINDA
COUNTY EXECUTIVE COMMITTEE MEMBER - FINANCE & ECONOMIC PLANNING

ACKNOWLDGEMENT

The preparation of the first Makueni County Fiscal Strategy Paper was realized through collaborative efforts through the respective departments and sector working groups.

We are grateful to the departments who collaborated in the sector working groups and worked diligently to provide information that proved valuable in consolidating the county fiscal strategy paper.

We would like to acknowledge the unlimited support and guidance by the Executive Committee Member – Finance and Economic Planning. A team from the Finance and Socio-Economic Planning spent valuable time to put together this strategy paper. The Officers included; Justus Suka – Director Financial Accounting Services, Boniface Mutua – Director Socio-Economic Planning, Sospeter Musembi – Revenue Department, Karanja Waigi– Economist I, Maina G. C – Economist I, Amos Bitok – Economist II, Shadrack Muendo – Finance and secretariat.

Since it would not be possible to list everybody individually in this page, I would like to take this opportunity to thank the entire staff of Makueni County Government for their dedication and commitment to public service.

ANNASTACIA M. MUENDO
DIRECTOR-BUDGET AND EXPENDITURE

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1.0 INTRODUCTION

1.1 Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal strategy Paper (CFSP) is prepared in accordance with the provisions of Section 117 of the Public Finance Management Act (PFMA), 2012. The said provisions state as follows:

1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of;
    a. The Commission on Revenue Allocation,
    b. The public,
    c. Any interested persons or groups,
    d. Any other forum that is established by legislation.
6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
7) The County Treasury shall consider any recommendations made by the county assembly when finalising the budget proposal for the financial year concerned.
8) The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

The fiscal policy statement 2014 is the first to be prepared under the new County Governance system which came into being with the enactment of the Constitution of Kenya 2010.

2.0 Background

This Makueni County Fiscal Strategy Paper is the first one to be prepared in the County. It sets out the administrations priority programmes to be implemented in the medium term expenditure framework (MTEF) of the county government system. This strategy for economic transformation covers four broad areas;

i. Creating conducive environment in order to encourage innovation, investments, growth and expansion of economic and employment opportunities;
ii. Investing in agricultural transformation and food security to expand food supply, support agro-processing industries and promote irrigated agriculture;
iii. Scaling up of investments in key infrastructure, including roads, energy and water to reduce cost of doing business and improve competitiveness;
iv. Investing in quality and accessible healthcare services and education as well as social safety net to reduce burden on the households and complement and sustain long term growth and development.

This Fiscal Strategy Paper, therefore, sets out priority programs for economic transformation and building a shared prosperity to be implemented in the Medium Term Expenditure Framework for 2014/15–2016/17. The implementation of these programs is expected to accelerate and sustain a broad-based economic growth and to transform our economy into a frontier middle-income status within a decade.

3.0 ECONOMIC OUTLOOK

3.1 Global Economic Outlook

Global prospects have improved again but the road to recovery in the advanced economies will remain bumpy. World output growth is forecast to reach 3¼ percent in 2013 and 4 percent in 2014. In the major advanced economies, activity is expected to gradually accelerate, following a weak start to 2013, with the United States in the lead. In emerging market and developing economies, activity has already picked up steam. Advanced economy policymakers have successfully defused two of the biggest threats to the global recovery, a breakup of the euro area and a sharp fiscal contraction the United States caused by a plunge off the "fiscal cliff ." However, old dangers remain and new risks have come to the fore. In the short term, risks mainly relate to developments in the euro area, including uncertainty about the fallout from events in Cyprus and politics in Italy as well as vulnerabilities in the periphery. In the medium term, the key risks relate to adjustment fatigue, insufficient institutional reform, and prolonged stagnation in the euro area as well as high fiscal deficits and debt in the United States and Japan. In this setting, policymakers cannot afford to relax their efforts. In advanced economies, the right macroeconomic approach continues to be gradual but sustained fiscal adjustment, built on measures that limit damage to activity and accommodative monetary policy aimed at supporting internal demand. In emerging market and developing economies, some tightening of policies appears appropriate in the medium term. This tightening should begin with monetary policy and be supported with prudential measures as needed to rein in budding excesses in financial sectors. Eventually, policymakers should also return fiscal balances to their healthy pre-2008 levels, rebuilding ample room for policy manoeuvring. Some will need to take significant action now; others will need only limited improvements in the medium term.

Growth in emerging market economies for 2013 has been revised downwards to 4.5 percent down from 5.3 percent. This slowdown reflects both cyclical factors and a decrease in potential output growth. As commodity prices stabilize and financial conditions tighten, potential growth is lower, leading in some cases to a sharp cyclical adjustment. Growth in China is slowing, which will affect many other economies, notably commodity exporters among the emerging market and developing economies.

3.2 National Economic Outlook

Nationally the macroeconomic environment has continued to improve after the shocks in the first half of 2013 due to the general elections. The economy experienced moderate growth of 4.4% in 2011 and 4.2% in 2012 and is expected to reach 4.5% in 2013 and 5.2% in 2014. Having witnessed drastic currency depreciation and rapid inflation in 2011, the economy experienced stability for both indicators in 2012. This stability is expected to continue in 2013.

Kenya's economy continued to record slow growth in 2012, primarily driven by financial intermediation, tourism, construction and agriculture. The first half-year GDP growth rate in 2012 was an estimated 3.4 %, compared to an annual real GDP growth rate of 4.4% in 2011 and 5.8% in 2010. The estimated growth of 4.2% in 2012 was mainly curtailed by a slowdown in most economic sectors. Agriculture – the mainstay of Kenya's economy – recorded suppressed activity (mainly in the industrial crops sub-sector) and was further affected by slowed demand for Kenyan horticultural exports in the European market.

Value of marketed tea rose marginally in spite of a decline in production due to high prices. Production was mainly affected by adverse weather conditions characterized by frost attack in some tea growing regions. Volume of marketed coffee registered an increase of 35% while price contracted by 47% owing to unfavourable international prices. Similarly, the tourism, manufacturing and construction sectors did not reach the anticipated growth levels. Tourism earnings decreased by 1.9% from 97.9 B in 2011 to 96B in 2012. Real GDP growth is expected to increase to 4.5% in 2013 and 5.2% in 2014. Similarly, consumer price index inflation is expected to remain in the single-digit range over the same period. Annual inflation is stood at 7.1% as at January 2014.

The Kenya Shilling exchange rate remains stable against major world currencies on account of:

i. Increased short term capital inflows
ii. Remittances,
iii. CBK activity in the foreign exchange market.

Average lending and deposit rates gradually declined to 16.9% and 6.6%, respectively, in Nov. 2013 compared with 18.1% and 6.8% in Dec. 2012.

The interest rate spread narrowed from 11.3% in Dec. 2012 to 10.3% in Nov.2013 reflecting a larger decline in the lending rate. The economic growth prospects remain strong despite instability witnessed in the sub region, including conflicts in Central African Republic and Southern Sudan.

The recent withdrawal of aid by western countries in Uganda will have adverse effect on Kenyan economy; Uganda is the main trading partner in the region.

Easing of inflation, stable interest rates and stable exchange rates, we expect growth of 5.1% in 2013 up from 4.6% in 2012.

Over the medium-term, growth is expected to pick gradually across most sector, 2014 Growth is projected at 5.8%, 2015 6.4% and reaching the 7% by 2017, as global conditions improve, continued investment programmes and macroeconomic stability is sustained.

Overall month on month inflation declined to 7.15% in Dec. 2013 from 3.2% in Dec. 2012. Inflation is expected to decline to 5 percent target.

The April 2013 debt sustainability analysis (DSA) for Kenya indicates that Kenya‘s debt is sustainable. The DSA compares debt burden indicators to indicative thresholds over a 20-year projection period. A debt-burden indicator that exceeds its indicative threshold suggests a risk of experiencing some form of debt distress.

The Present Value of public (PV) debt-to-GDP increases from 39.4 percent in 2012 to 40.3 percent in 2013 but will gradually decline to 38.1 percent of GDP by 2015. In the long term, the PV of public debt-to-GDP is expected to decline to about 36.2 percent by 2023. Given Kenya‘s relatively strong revenue performance, the PV of public debt-to-revenue remains well below the threshold of 250 percent throughout the period of analysis. The debt service-to-revenue ratio consistently remains below the 30 percent threshold. Overall, the results from the DSA indicate that Kenya‘s public debt remain sustainable over the medium term.

The construction of the standard railway gauge will have a positive impact on the local economy; the anticipated impacts include creation of job opportunities and utilization of local resources such as sand and generate revenue for the county.

3.3 County Economic Outlook

Livestock production is a major economic activity in the County. The main breeds reared include livestock (dairy cattle, beef cattle, sheep, goats and donkeys, Poultry farming, pig farming and bee keeping).

The total area under cash and food crop is 23,356 Ha and 65,453 Ha respectively which is 2.9 per cent and 8.1 per cent respectively of the total County area. The main crops produced in the County are Maize, Green grams, pigeon peas and sorghum. Mangoes, pawpaw and oranges are also being produced. Grafted mangoes are vastly gaining momentum due to the high demand and favourable weather conditions.

Fish farming was introduced recently in the County through the Economic Stimulus Programme, where more than 825 fish ponds were established and stocked with Tilapia fish. Despite the effort, water shortage and high temperatures are the major challenges facing fish farming.

The County has limited industries mainly due to limited natural resources, location from major urban centres and low level of investment. The four main industries include cotton ginnery and a bakery, motorcycles assembly and concrete crushing. However, there are light industries especially in the *jua kali* sector which produce for the local market.

The County shares a small part of the famous Tsavo National park which is considered as one of the world's biodiversity strongholds. Tourism activities are mainly confined within the park which is rich in diverse wildlife which include the famous 'big five' consisting of maasai lion, black rhino, cape buffalo, red elephant and leopard.

There are downside risks to the outlook:

i. Continued weak growth in advanced economies that will impact negatively on our exports and tourism activities.
ii. Further, geopolitical uncertainty on the international oil market will slow down the manufacturing sector.
iii. Public expenditure pressures, especially recurrent expenditures and in particular wage and interest payment, pose a fiscal risk;
iv. Implementation of devolved governance – especially PFM related challenges.
v. Government will undertake appropriate measures to safeguard macroeconomic stability should these risks materialize.

4.0 FISCAL POLICY AND BUDGET FRAMEWORK

4.1 Overview

The county will pursue prudent fiscal policy to ensure economic and financial stability. The activities in the county will be implemented within sustainable public finances.

The 2014 Medium-Term Fiscal Framework aims at striking an appropriate balance between fiscal consolidations and supporting the expenditures of the county government all these within sustainable public finances. Specifically, the 2014 Budget Policy Statement emphasizes:

- Fiscal consolidation while ensuring that the resources in the County are adequate to promote growth. The County Government is committed to a reduction in the recurrent expenditure to devote more resources to development.
- Reforms in expenditure management and tax administration. This will improve revenue collection and thus create fiscal space for spending on infrastructure and other priority development programmes.
- Efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations and maintenance.
- The county government will create the appropriate political and economic environment to attract private investors and create the possibility of public private partnerships in the financing of key development projects which will have positive economic impact and multiplier effect to accelerate development in the county.

Due to the historical economic marginalization of the county, high poverty index at 64.1%, persistent drought in the county and other adverse effects. The Makueni County Government will continue to pursue to a share in the Equalization fund from the national government.

Uwezo fund administered through the Constituency Development framework is expected to increase youth participation in entrepreneurship ventures. The uptake of the funds will be increased through publicity and awareness creation.

During the period, efforts to push for funding for Konza city ICT Park and Thwake multi-purpose dam vision 2030 flagship projects will be given priority. Supply of subsidized fertilizer to farmers will be pursued during the period to spur economic growth through increased yields.

The county government will exploit intergovernmental relationships on projects of mutual interest and benefits to stir social economic development.

4.2 Promoting Prudent Fiscal Policy

Fiscal policy will continue to support economic activity within a context of sustainable public financing. The county Government has reoriented expenditure towards priority programmes in water, health, agriculture, infrastructure and education under the medium-term expenditure framework.

4.3 County Government Fiscal Projections, 2013/14-2016/17

Item	2013/14	2014/15	2015/16	2016/17
Revenue & Grants				
Allocation from National GoK	4,721,151,803	5,082,646,941	5,471,821,497	5,890,794,864
Revenue	350,000,000	420,000,000	504,000,000	604,800,000
Others	0	0	0	0
Total	5,071,151,803	5,502,646,941	5,975,821,497	6,495,594,864
Expenditures				
Recurrent	**3,053,089,206**	**3,478,694,883**	**3,826,564,372**	**4,209,220,809**
Development	**1,663,200,000**	**2,023,952,057**	**2,226,347,262**	**2,448,981,988**

The recurrent expenditure in the FY 2014/15 is expected to increase marginally from the allocation in FY 2013/14. This can be attributed to the devolved functions and the continued recruitment by the County Government. The ratio of recurrent to the total revenue is 63.3% leaving 36.7% for development. This meets the threshold set in the Public Finance Management Act, 2012.

4.4 Observing Fiscal Responsibility Principles

The County Government recognizes that the fiscal stance it takes today will have implications into the future. Therefore, and in line with the Constitution and the Public Finance Management (PFM) Act of 2012, the principle of sharing the burdens and benefits of the use of resources and public borrowing between the present and future generation implies that we have to make prudent policy decisions today so that we do not impose an unwarranted debt burden on future generations. Makueni county Government shall ensure adherence to the ratio of development to recurrent of at least 30:70 over the medium term, as set out in the law. The development to recurrent ratio is 39:61 for the FY 2013/14. In the proposed estimates the development to recurrent ratio will be 36:64.

The respect and observance of these fiscal rules set out in the PFM law and its regulations is important and necessary to entrench fiscal discipline. In this regard, the Government will observe the fiscal rules set out in the PFM law so as to entrench fiscal discipline.

Fiscal responsibility has become even more important since the Constitution requires the County Government's to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. In order for spending to increase on a sustainable basis to meet these basic needs, we should be prepared to match the increased expenditure demands with a corresponding increase in tax revenue yield through efficient collection and widening of tax bases. It is therefore imperative to reform and modernize the tax regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund these basic needs expenditures on sustainable basis.

The Government will pursue public private partnerships in major activities and programs such as Thwake Multi-purpose dam. The large capital infrastructure projects in the Energy, Infrastructure and ICT sector will require the government to adopt public private partnerships.

4.5 Fiscal Structural Reforms

Underpinning the fiscal program are measures to raise revenue collection to Kshs 420 Million. This will be achieved through measures to enhance revenue collection and also improve tax compliance and minimize delays.

The Makueni County Government will create and maintain effective revenue collection and accounting system from the revenue sources available. Measures to achieve this will include improved surveillance, public awareness and broadened revenue sources. Measures will also be instituted to reform the tax administration to eliminate leakages and to expand revenue base.

On the expenditure side, the County Government will undertake expenditure management reforms to improve efficiency and reduce wastage in line with the PFM law. Expenditure management will be strengthened with expansion of Integrated Financial Management Information System (IFMIS) modules which is being used across all departments in the county. Financial management in the county will be done in accordance with the provisions of The

Public Finance Management Act, 2012 The Public Procurement and Disposal Act, 2005 and all other applicable regulatory statutes.

The County Government will institute measures to contain the public wage bill and release needed resources for development funding. These would include payroll cleansing, staff rationalization, identification and redeploying of excess staff.

The county government has restructured the procurement process by creating a central tender committee at the headquarters and creating clusters to ensure efficient procurement processes.

The budget section will prepare monthly budget expenditure reports to the county executive committee as means of tracking budget implementation.

The county being an arid there are plans to introduce sorghum farming targeting 20,000 farmers to grow 60,000 hectares. This will improve food security and end reliance on relief food.

The revenue section will introduce regular awareness creation to the citizenry as means of ensuring adherence to the Finance Act. A bill is being prepared for tabling in the County Assembly on sand harvesting to regulate the activity. There has been a ban on sand harvesting since April 2013 and this has negatively affected the revenue stream for the County.

To avoid leakages in revenue collection, efforts to automate revenue collection will be considered, this will enforce the efforts by the revenue collectors. The County public service board has recruited sub-county revenue officers in a bid to strengthen the revenue section.

Monitoring and evaluation is an important component in budget execution and implementation. The County planning unit is developing a monitoring and evaluation framework that will be institutionalized in all departments. Preparation of monitoring and evaluation policy is fundamental in development. The planning unit will prepare the policy and submit to the executive for approval.

In the 2013/14 budget the County Government had set aside Kshs 70M for setting up of a fruit processing plant, this reiterates the importance the county government places on value addition to agricultural products. This in turn will lead to employment creation and enhance income for the farmers. This will lead to overall socio-economic development of the county.

4.6 Deficit financing policy

Any borrowing by the county, if at all, will be done in accordance with the Constitution of Kenya 2010 and the PFMA.

5.0 2014/15 BUDGET FRAMEWORK

The 2014/15 budget framework is set against the background of the medium-term macro-fiscal framework set out above, the County Government's strategic objectives as outlined in County Integrated Development Plan.

5.1 Revenue Projections

The 2014/15 budget targets revenue collection of Kshs 420Million The County is expected to institute measures to expand revenue base and eliminate revenue leakages. These measures include;

i. Automation and restructuring of revenue collection
ii. Close supervision
iii. Training of revenue collectors
iv. Target setting and monitoring
v. Mapping of all revenue streams
vi. Rapid Results Initiative in revenue collection
vii. Restructuring and reorganizing revenue collection
viii. Introduction of parking bays.

5.2 Expenditure Forecasts

In 2014/15, overall expenditures estimated at Kshs 5,502,646,941. This includes both the county executive and the county assembly.

5.3 Recurrent Expenditure

Recurrent expenditures in the FY 2014/15 is Kshs 3,478,694,883. With respect to goods and services, expenditure ceilings for sectors/ministries are determined by the funding allocation for goods and services in the previous year budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in FY 2013/14 and then an adjustment factor is applied to take into account the general increase in prices.

5.4 Development Expenditure

The projected development expenditures excluding donor funded projects is Kshs 2,023,952,057 Most of the outlays are expected to support critical infrastructure that will crowd in private sector investment as well as facilitate critical interventions to remove binding constraints to growth.

5.5 Summary

Prudent utilization of public resources will remain critical and ensure that citizens get value for money in all development projects undertaken. Corruption and misuse of public resources will not be tolerated.

Efficiency and economical spending of government resources will be enhanced to ensure more funds are available for development. The county government is committed to ensuring that at least 30% of all government tenders are allocated to youth, women and persons living with disability.

The county government will ensure there is meaningful public participation from the inception to the completion of all projects undertaken at the community level. It will also ensure that some of the projects which are labour intensive will be undertaken by the local community. Monitoring and evaluation of development projects will be key to ensure there is proper tracking of how projects are being implemented.

6.0 RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

The Makueni County 2014 MTEF Fiscal Framework is being prepared at a time when significant progress has been made in operationalizing the County Government of Makueni in accordance with the provision of the constitution and the County government Act 2012. The jurisdiction area of the Makueni County Government comprises of the defunct County Council of Makueni, Town Council of Wote and Town Council of Mtito-Andei which used to plan distinctively.
The Makueni County has already set the development agenda for the next year by commencing the budget preparation process and also a long term plan-the county integrated development plan covering the period 2013-2017. The two processes were highly consultative through public hearings held at the ward, sub-county and county levels. This has helped the County Government to set up its list of key priority areas that are important in the growth of the county and also in line with peoples' aspirations.

The County Executive Committee and the County Assembly have been formally constituted and operationalized. The County Public service Board has embarked on the recruitment of the requisite staff in addition to the ones adopted from the defunct local authority and the other staff devolved by the national Government following the devolvement of their functions to facilitate service delivery by the County Government of Makueni.
Previous financial year(s) was not under the County Government and hence the fiscal performance review will not be done as outlined in the PFMA. This implies that the earliest review will be for the 2013/2014 financial year and therefore the review and comparison aspect will not be applicable.

7.0 RESOURCE ALLOCATION FRAMEWORK

7.1 Adjustment to 2013/14 Budget

The County Governments came into operation after elections in March 2013 and there was no adequate time for Counties to develop the required plans and budgets for 2013/14 and therefore the full cycle of a budget process was not attained. It is therefore potential that such budgets may have some excesses and hence it is expected that as the reality unfolds the 2014/2015 budget will address this issue by subjecting its budget to the full cycle.

The 2013/14 budget was not formulated against the various sectors priorities rather it was done on simple projections on various development projects. This resulted to a budget with over / under projections both on recurrent and development expenditure. For instance the wage bill had been under funded in most of the departments.

Adjustments to the 2013/14 budget will take into account actual performance of expenditure and absorption capacity during the time the county government was in place during the 2013/14 financial year. Expenditure in non- priority areas will be cut by slowing down or reprioritizing development expenditures in order for the county Government to live within its means.

Wage bill will be a major challenge in the implementation of the budget alongside timely release of funds by the national government and local revenue collection capacity

7.2 2014/15 Budget framework

The 2014/15 budget framework will be guided by the county integrated development plan. The projections assume normal weather pattern during the year and improved private sector investors' confidence in the county. There is anticipated stable national macro-economic conditions which will directly affect the county performance. Key among them include; low and stable inflation, favourable interest rates and low oil prices.

7.3 Resources Available

7.3.1 Equitable Shares

Article 202 of the Constitution requires that revenue raised nationally be shared equitably among the national and county governments. According to Article 203(2) of the Constitution, in dividing the shareable revenue between the two levels of government each financial year, county governments must be allocated an equitable share of revenue that is not less than 15% of most recent audited revenue received as approved by the National Assembly. In this regard, the equitable share of revenue allocated to county governments in 2014/15 is not expected to be less than Kshs 102.3 billion, based on the latest audited revenues of Kshs 682 billion for FY 2011/12.

The equitable share of revenue is an unconditional allocation to the county governments and therefore county governments are expected to plan, budget, spend and account on the funds allocated independently.

7.3.2 Revenue Allocation from the national government for FY 2014/15

County	Ratio	FY 2013/14	FY 2014/15.
		Allocations (Kshs.)	Equitable Share
Makueni County	2.30%	4,721,151,803	5,082,646,941

7.3.3 Additional Resources

In addition to the equitable share of revenue, county government of Makueni is expected to get additional resources from own revenues through imposition of property taxes, entertainment taxes, as well as any other tax they are authorised to impose by an Act of County Assembly as well as user fees.

7.3.4 Revenue projections

The FY 2014/2015 budget will target increased revenue collection in the county from Kshs 350 Million in the FY2013/2014 budget to Kshs 420Million.

7.3.5 Expenditure Forecasts

In FY 2014/15, overall expenditures are projected at Kshs. 5,502,646,941.00 up from the estimated Kshs. 4,716,289,207.00 in FY 2013/14 budget due to increased recurrent and capital expenditures.

7.3.6 Recurrent expenditures

The recurrent expenditure in FY 2014/2015 is projected to be 63.3% of the total budget an increase from 61% in 2013/2014 budget. This is majorly attributed to the recruited staff. The wage bill is expected to stabilize at 40% of revenue in the FY 2014/2015.

Expenditure ceilings on goods and services for the departments are based on funding allocation in the FY 2013/2014 budget as the starting point. Then an adjustment factor is applied to take into account the general increase in prices and the CIDP which the development strategy for the county.

7.3.7 Development expenditures

The ceiling for development expenditures excluding donor funded projects will be Kshs. 2,023,952,057 in the FY 2014/2015 from Kshs 1,663,200,000.00 in the FY 2013/2014.

7.3.8 Fiscal Discipline

Article 201 (d) of the Constitution requires public money to be used in a prudent and responsible way while Section 107 of the PFM Act, 2012 sets out the fiscal responsibility principles to be enforced by the County Treasuries. Current trends in the county planning and budgeting as well as execution of budgets suggest that county governments may have difficulty meeting these requirements. The county may not realise the ambitious targets set for revenue collection for financial year 2013/14. There is therefore a risk that the county may end up with unfunded budget deficits at the end of the financial year.

The County government of Makueni will therefore be conservative in projecting its revenue collections. In addition, it will not include deficits in its budget for financial year 2014/15 without a clear and realistic plan of how the deficit will be funded.

The County Government has embarked on staff recruitment exercise. The recruitment should ensure that there is sustainable wage bill by the county government. It is therefore advisable to ensure that staff numbers are commensurate to the functions assigned. The County government will also ensure compliance with the requirement of section 107(2) (b) which requires county governments to spend a minimum of 30 percent of their budgets on development expenditure over the medium term.

7.3.9 Key Focus areas

The key focus areas for the county government are;

i. Creating conducive environment in order to encourage innovation, investments, growth and expansion of economic and employment opportunities;
ii. Investing in agricultural transformation and food security to expand food supply, support agro-processing industries and promote irrigated agriculture;
iii. Scaling up of investments in key infrastructure, including roads, energy and water to reduce cost of doing business and improve competitiveness;
iv. Investing in quality and accessible healthcare services and education as well as social safety net to reduce burden on the households and complement and sustain long term growth and development.

ANNEXES

ANNEX 1: SECTOR CEILING

SECTOR		ESTIMATES 2013/14	BROP CEILING 2014/15	CFSP CEILING 2014/15	PROJECTIONS 2015/16	2016/17
AGRICULTURE, RURAL & URBAN DEVELOPMENT						
	Rec. Gross	255,308,833.00	280,839,716.30	295,738,093.79	325,311,903.16	357,843,093.48
	Dev. Gross	312,000,000.00	343,200,000.00	256,167,184.37	281,783,902.81	309,962,293.09
ENERGY, INFRASTRUCTURE AND ICT						
	Rec. Gross	193,749,989.00	213,124,987.90	155,073,972.33	170,581,369.57	187,639,506.52
	Dev. Gross	295,500,000.00	325,050,000.00	263,334,312.17	289,667,743.39	318,634,517.72
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS						
	Rec. Gross	71,523,990.00	78,676,389.00	79,395,968.30	87,335,565.13	96,069,121.64
	Dev. Gross	140,500,000.00	154,550,000.00	87,933,896.62	96,727,286.29	106,400,014.91
HEALTH						
	Rec. Gross	1,171,478,091.00	1,288,625,900.10	1,274,285,516.40	1,401,714,068.04	1,541,885,474.84
	Dev. Gross	213,800,000.00	235,180,000.00	347,935,163.03	382,728,679.33	421,001,547.27
EDUCATION						
	Rec. Gross	134,771,560.00	148,248,716.00	266,685,514.60	293,354,066.06	322,689,472.67
	Dev. Gross	146,050,000.00	160,655,000.00	80,527,760.31	88,580,536.34	97,438,589.97
PUBLIC ADMINISTRATION AND						

INTERNATIONAL AFFAIRS						
	Rec. Gross	1,089,820,182.00	1,198,802,200.20	1,220,443,769.14	1,342,488,146.06	1,476,736,960.66
	Dev. Gross	92,000,000.00	101,200,000.00	238,901,506.00	262,791,656.60	289,070,822.25
SOCIAL PROTECTION, CULTURE AND RECREATION						
	Rec. Gross	48,186,253.00	53,004,878.30	85,053,000.80	93,558,300.88	102,914,130.97
	Dev. Gross	184,900,000.00	203,390,000.00	148,268,329.11	163,095,162.02	179,404,678.23
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES						
	Rec. Gross	88,250,308.00	97,075,338.80	102,019,048.00	112,220,952.80	123,443,048.08
	Dev. Gross	278,450,000.00	306,295,000.00	600,883,904.97	660,972,295.47	727,069,525.02
TOTAL	TOTAL					
	Rec. Gross	**3,053,089,206.00**	**3,358,398,126.60**	**3,478,694,883**	**3,826,564,372**	**4,209,220,809**
	Dev. Gross	**1,663,200,000.00**	**1,829,520,000.00**	**2,023,952,057**	**2,226,347,262**	**2,448,981,988**
			Development %	36.78		

ANNEX 2: Development Sector Ceilings 2014/15 - 2016/17 (KShs)

SECTOR /DEPARTMENT		ESTIMATE S 2013/14	BROP CEILING	CFSP CEILING	PROJECTIONS	
			2014/15	2014/15	2015/16	2016/17
AGRICULTURE, RURAL & URBAN DEVELOPMENT	Gross	312,000,000	343,200,000	256,167,184	281,783,903	309,962,293
ENERGY, INFRASTRUCTURE AND ICT	Gross	295,500,000	325,050,000	263,334,312	289,667,743	318,634,518
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS	Gross	140,500,000	154,550,000	87,933,897	96,727,286	106,400,015
HEALTH	Gross	213,800,000	235,180,000	347,935,163	382,728,679	421,001,547
EDUCATION	Gross	146,050,000	160,655,000	80,527,760	88,580,536	97,438,590
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS	Gross	92,000,000	101,200,000	238,901,506	262,791,657	289,070,822
SOCIAL PROTECTION, CULTURE AND RECREATION	Gross	184,900,000	203,390,000	148,268,329	163,095,162	179,404,678
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	Gross	278,450,000	306,295,000	600,883,905	660,972,295	727,069,525
TOTAL	Gross	**1,663,200,000**	**1,829,520,000**	**2,023,952,057**	**2,226,347,262**	**2,448,981,988**

Notes:

[1] *The amount include Kshs 50M bursary allocation*

[2] *The amount include Kshs 30M for emergency allocation*

Annex 3: Summary of Sector Programmes, 2014/15 - 2016/17

AGRICULTURE, RURAL AND URBAN DEVELOPMENT
Agriculture and livelihood sub sector
Programme 1: Policy strategy and management of agriculture
Programme 2: Crop development and Productivity
Programme 3: Agribusiness and information management
Programme 4: Fisheries development
Programme 5: Livestock resource management and development
Programme 6: General administration and support services
Land, rural and urban development sub sector
Programme 1: land policy and planning
Programme 2:housing development and human settlement
Programme 3:infrastructure development
Programme 4: General Administration and Support Services for land services
ENERGY, INFRASTRUCTURE & ICT
Energy sub sector
Programme 1: Electrification
Programme 2: Renewable energy sources
Programme 3: General administration and support services
Transport and infrastructure sub sector
Programme 1: Policy formulation and administrative services
Programme 2: Road Transport
Programme 3: Infrastructure development
Information Communication and Technology sub sector
Programme 1: Information and communication services
Programme 2: ICT systems and applications
Programme 3: ICT infrastructure development
Programme 4:General Administration services
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS
Programme 1: Commerce and tourism development
Programme 2: Commerce and tourism promotion and marketing
Programme 3: Industrial and entrepreneurship development
Programme 4: Standards and business incubation
Programme 5: Cooperative Development & Management
Programme 6: Policy, Planning and administrative Services

HEALTH
Programme 1: General Administration & Planning
Programme 2: Curative health
Programme 3: Preventive & Promotive
Programme 4: Infrastructure & Equipment development
Programme 5: Research & Human resource development
EDUCATION
Programme 1: General administration and planning
Programme 2: Basic education
Programme 3: Secondary education and tertiary support
Programme 4: Quality assurance and standards
Programme 5: Civic education
Programme 6: Youth training
Programme 7: Home craft and performing arts
PUBLIC ADMINISTRATION & INTERNATIONAL RELATIONS
Office of the Governor
Programme 1: Governance services programme
Programme 2: General administration and support services
County public service - CS
Programme 1: Coordination and direction of functions of departments
Programme 2: General administration and support services
Programme 3: Human resource management & Development
Finance and planning
Programme 1: Economic development planning coordination services
Programme 2: Data collection and county statistical information services
Programme 3: Monitoring and evaluation services
Programme 4: Audit services
Programme 5: Coordination of humanitarian response
Programme 6: Performance management
Programme 7: General administration and support services
Programme 8: Administration Planning and support services
Programme 9: Public Financial management
Programme 10: County coordination services
Programme 11: Control and management of public finances

County Public Service board
Programme 1: Transformation of human resource in public service
Programme 2: General administration and support services
Legal services
Programme 1: Legal and public services
Programme 2: General administration and support services
SOCIAL PROTECTION, CULTURE AND RECREATION
Programme 1: General administration and policy
Programme 2: Gender and social services
Programme 3: Youth development, management of sports and development of sport facilities
ENVIRONMENTAL PROTECTION, WATER AND NATURAL RESOURCES
Programme 1: Water supply services
Programme 2: Water resources management and water storage
Programme 3: Irrigation development
Programme 4: Environment management and protection
Programme 5: Forestry development and management
Programme 6: Policy formulation and administrative services

NNEX 4: Recurrent Sector Ceilings, 2014/15 - 2016/17 (KShs Million)

SECTOR		ESTIMATE	BROP CEILING	CFSP CEILING	PROJECTIONS	
					2015/16	2016/17
AGRICULTURE, RURAL & URBAN DEVELOPMENT						
	Gross	255,308,833	280,839,716	295,738,094	325,311,903	357,843,093
	Salaries	182,305,231	200,535,754	230,752,600	253,827,860	279,210,646
	Other Recurrent	73,003,602	80,303,962	64,985,493	71,484,043	78,632,447
ENERGY, INFRASTRUCTURE AND ICT						
	Gross	193,749,989	213,124,988	155,073,972	170,581,370	187,639,507
	Salaries	53,310,989	58,642,088	64,107,038	70,517,741	77,569,515
	Other Recurrent	140,439,000	154,482,900	90,966,935	100,063,628	110,069,991
GENERAL ECONOMIC AND COMMERCIAL AFFAIRS						
	Gross	71,523,990	78,676,389	79,395,968	87,335,565	96,069,122
	Salaries	21,957,893	24,153,682	24,873,262	27,360,588	30,096,647
	Other Recurrent	49,566,097	54,522,707	54,522,707	59,974,977	65,972,475
HEALTH	Gross	1,171,478,091	1,288,625,900	1,274,285,516	1,401,714,068	1,541,885,475
	Salaries	686,778,091	755,455,900	839,585,516	923,544,068	1,015,898,475
	Other Recurrent	484,700,000	533,170,000	434,700,000	478,170,000	525,987,000
EDUCATION	Gross	134,771,560	148,248,716	266,685,515	293,354,066	322,689,473
	Salaries	99,480,758	109,428,834	227,865,632	250,652,196	275,717,415

	Other Recurrent	35,290,802	38,819,882	38,819,882	42,701,870	46,972,057
PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS						
	Gross	1,089,820,182	1,198,802,200	1,220,443,769	1,342,488,146	1,476,736,961
	Salaries	447,556,159	492,311,775	725,581,538	798,139,692	877,953,661
	Other Recurrent	642,264,023	706,490,425	494,862,231	544,348,454	598,783,300
SOCIAL PROTECTION, CULTURE AND RECREATI						
	Gross	48,186,253	53,004,878	85,053,001	93,558,301	102,914,131
	Salaries	15,466,905	17,013,596	49,061,718	53,967,890	59,364,679
	Other Recurrent	32,719,348	35,991,283	35,991,283	39,590,411	43,549,452
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES						
	Gross	88,250,308	97,075,339	102,019,048	112,220,953	123,443,048
	Salaries	46,890,308	51,579,339	46,523,048	51,175,353	56,292,888
	Other Recurrent	41,360,000	45,496,000	55,496,000	61,045,600	67,150,160
TOTAL	**Gross**	**3,053,089,206**	**3,358,398,127**	**3,478,694,883**	**3,826,564,372**	**4,209,220,809**
	Salaries	**1,553,746,334**	**1,709,120,967**	**2,208,350,352**	**2,429,185,388**	**2,672,103,926**
	Other Recurrent	**1,499,342,872**	**1,649,277,159**	**1,270,344,531**	**1,397,378,984**	**1,537,116,882**

ANNEX 5: DEPARTMENT CEILING

N.O	DEPARTMENT	O&M	Salaries	Development	Total Allocations	Ratio of Allocation to total
1.	Department of legal services	18,480,000.00	10,670,818	-	29,150,818.00	0.53
2.	Department of ICT	8,266,735.22	25,585,529	12,834,312.17	46,686,576.39	0.85
3.	County Public service board	46,155,305.79	18,288,692	-	64,443,997.79	1.17
4.	Department of lands	21,201,531.27	42,494,561	45,296,718.04	108,992,810.31	1.98
5.	Office of Governor	102,073,789.11	41,524,880	-	143,598,669.11	2.61
6.	Department of trade	54,522,706.70	24,873,262	87,933,896.62	167,329,865.32	3.04
7.	Department of gender	35,991,282.80	49,061,718	148,268,329.11	233,321,329.91	4.24
8.	County Public service	59,340,941.09	189,488,990	3,354,830.11	252,184,761.20	4.58
9.	Department of finance	68,812,195.00	193,956,626	33,410,305.04	296,179,126.04	5.38
10.	Department of education	38,819,882.20	227,865,632	80,527,760.31	347,213,274.51	6.31
11.	Department of transport	82,700,199.56	38,521,509	250,500,000.00	371,721,708.56	6.76
12.	Department of agriculture	43,783,962.20	188,258,039	210,870,466.33	442,912,467.53	8.05
13.	County Assembly	200,000,000.00	271,651,532	202,136,370.85	673,787,902.85	12.24
14.	Department of water	55,496,000.00	46,523,048	600,883,904.97	702,902,952.97	12.77
15.	Department of health	434,700,000.00	839,585,516	347,935,163.03	1,622,220,679.03	29.48
	Total	1,270,344,530.94	2,208,350,352	2,023,952,056.58	5,502,646,939.52	100.00