

KISII COUNTY GOVERNMENT



**FINANCE AND ECONOMIC PLANNING**

County Fiscal Strategy Paper (CFSP)

2019

February, 2019

## **FOREWORD**

Kisii County Fiscal Strategy Paper, 2019 sets out the county policy goals and strategic priorities that will be the basis for formulation of the County's Financial Year 2019/2020 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. Preparation of this Paper is a requirement under Section 117 of the Public Finance Management Act, 2012.

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. This calls for openness, transparency, accountability, responsiveness, and abiding by the rule of law to facilitate fiscal discipline and maintain macroeconomic stability.

In compliance with the mandate bestowed on the County Governments by the Constitution of Kenya, 2010, Kisii County Government is dedicated to prudently utilizing the available resources and enhancing fiscal discipline so as improve the living standards of its residents. The County Government will focus on expanding and maintaining the road network, improve health care, increase water reticulation, enhancing food security and urban development.

This 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 favor 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.

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## **ACKNOWLEDGEMENTS**

The Kisii County Fiscal Strategy Paper, 2019 sets out the framework for the preparation of the 2019/2020 budget as a requirement under Section 117 of the Public Finance Management Act, 2012. It articulates economic policies and structural reforms as well as sector based expenditure programs that the County intends to implement in line with the Annual Development Plan, 2018 in realization of the Kisii County Integrated Development Plan 2018-2022.

The contents 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 five 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 that drafted this Paper. Similarly, the technical role played by Chief Officers in preparation of this paper is highly appreciated.

As it is the responsibility of County Treasury to ensure timely submission of the CFSP, a team from the department of Finance and Economic Planning spent valuable time to put together this Paper. These officers include Onchari Kenani (Economic Advisor), Peterson Nyakeri, Chrispinus Ibalai, Edward Mayogi, Penuel Ondiengá, Steve Siso; Joshua Simba, Alfred Keter, Johnes Chacha, Douglas Siocha, Lukio Obwoye, Lucas Arasa and Wycliff Nyaundi for working tirelessly in the development of this document.

While it is not possible to list everybody individually in this page, I would like to take this opportunity to thank the entire staff of the County Government of Kisii for their dedication, sacrifice and commitment to public service that enabled the timely production of the CFSP, 2019.

We also 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.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

ADP	Annual Development Plan
AI	Artificial Insemination
ATC	Agricultural Training Centre
BPS	Budget Policy Statement
CBR	Central Bank Rate
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
ECDE	Early Childhood Development Education
EYE	Early Years in Education
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographical Information System
ICT	Information Communication Technology
KIEP	Kenya Industry and Entrepreneurship Project
KNBS	Kenya National Bureau of Statistics
KTDA	Kenya Tea Development Agency
KTRH	Kisii Teaching and Referral Hospital
KYEOP	Kenya Youth Employment and Opportunities Project
MSMEs	Micro, Small and Medium Enterprises
MTP	Medium Term Plan
PFM	Public Finance Management
SDGs	Sustainable Development Goals
KDSP	Kenya Devolution Support Programme
NHIF	National Hospital Insurance Fund

## **CHAPTER ONE**

### **BACKGROUND INFORMATION**

#### **1.0 Overview**

1. The preparation of the County Fiscal Strategy Paper (CFSP) is a requirement of Section 117 of the Public Finance Management (PFM) Act, 2012 and thus plays an integral part of the budget making process. It specifies the broad strategic priorities and policy goals and guides the County Government in preparing its budget for the coming financial year and over the medium term.
2. The CFSP, 2019 forms the basis for implementation of the second generation County Integrated Development Plan (CIDP 2018-2022). This Paper has, therefore, been formulated by adopting the five priority areas as outlined in the Annual Development Plan, 2018 namely:
  - a. Water Reticulation
  - b. Roads Development
  - c. Healthcare
  - d. Food Security
  - e. Urban Development (Kisii Municipality)

#### **1.1 Legal Framework**

3. The preparation of the CFSP is anchored in the Constitution of Kenya, 2010; and, PFM Act, 2012.

##### **1.1.1 Constitution of Kenya, 2010**

4. Article 220 (1) states that budgets of the National and County Governments shall contain:-
  - (a) estimates of revenue and expenditure, differentiating between recurrent and development expenditure;
  - (b) proposals for financing any anticipated deficit for the period to which they apply; and
  - (c) proposals regarding borrowing and other forms of public debt during the following year.

Sub-article (2) National legislation shall prescribe -



- a) the structure of the development plans and budgets of counties;
- b) when the plans and budgets of the counties shall be tabled in the county assemblies;  
and
- c) the form and manner of consultation between the national government and county governments in the process of preparing plans and budgets.

### **1.1.2 Public Finance Management (PFM) Act, 2012**

5. Section 117 of the PFM Act, 2012 states that:-

- a) The County Treasury shall prepare and submit to the County Executive Committee a County Fiscal Strategy Paper (CFSP) for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- b) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- c) 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.
- d) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing from and within for the subsequent financial year and over the medium term.
- e) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of -
  - i. the Commission on Revenue Allocation;
  - ii. the public;
  - iii. any interested persons or groups; and
  - iv. any other forum that is established by legislation.
- f) 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.
- g) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
- h) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

## **1.2 Principles of Public Finance and Fiscal Responsibility Principles**

### **1.2.1 Principles of Public Finance**

6. Article 201 of the Kenyan Constitution, 2010 sets out the following principles of public finance –
- a) there shall be openness and accountability, including public participation in financial matters;
  - b) the public finance system shall promote an equitable society, in particular-
    - i. the burden of taxation shall be shared fairly;
    - ii. revenue raised nationally shall be shared equitably among national and county governments; and
    - iii. expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas;
  - c) the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;
  - d) public money shall be used in a prudent and responsible way; and
  - e) financial management shall be responsible, and fiscal reporting shall be clear.

### **1.2.2 Fiscal Responsibility Principles**

7. Section 107 (2) of PFM Act, 2012 states that in managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
- (a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
  - (b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
  - (c) the county government's expenditure on wages and benefits for its public officers shall not exceed 35 percent of the county government's total revenue;
  - (d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
  - (e) the county debt shall be maintained at a sustainable level as approved by the county assembly;

- (f) the fiscal risks shall be managed prudently; and
- (g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

### 1.3 Budgeting Approach

8. The formulation of the CFSP, 2019 takes into consideration the classification of devolved functions as a basis for revenue sharing as illustrated in Table 1.

**Table 1: Departmental Programmes**

<b>Code</b>	<b>Department</b>	<b>Programmes</b>
1	County Assembly	County Assembly Public Service Board
		Legislation and Oversight Services
		Management of County Assembly Affairs
2	Governance	Governor's office and Deputy
		Administration and Support Services
		Public Service Board
		County Secretary
		County Attorney
		County Advisory Services
		County Communication Services
3	County Administration Services	Human Resource Management
		Disaster Management
		Devolved Units
		Transport and Fleet Management
		Enforcement Services
		Administration and Support Services
		Public Participation and Stakeholders Management
5214	Finance and Economic Planning	Finance and Accounting Services
		Administration and Support Services
		County Revenue Administration
		Internal Audit Services
		Procurement Services
		Budget Formulation, Coordination and Management Services

<b>Code</b>	<b>Department</b>	<b>Programmes</b>
		Economic Planning Services
		Monitoring and Evaluation
		ICT Services
		County Emergency Fund
5	Agriculture and Rural Development	Crop Production Services
		Fisheries Production Services
		Veterinary Services
		Livestock Production Services
		Cooperative Development Services
		Administration and Support Services
		ATC
		Irrigation Services
		Agro-processing
6	Lands and Urban Development	Lands Administration
		GIS and Survey Services
		Kisii Municipality
		Administration and Support Services
		Physical Planning and Urban Development
		Kisii Municipal Board
7	Health Services	Public Health
		Kisii Teaching and Referral Hospital
		Administration and Support Services
		Medical Services
8	Education, Labor and Manpower Development	ECD/Early Years Education (EYE)
		Vocational Training
		Administration and Support Services
		County Bursary Fund
9	Water and Environment	Water and Sanitation Services
		Environment Management
		Administration and Support Services
		Natural Resources (Forestry and Mining)
		Gusii Water and Sanitation Company
		Energy Services
10	Trade and Industrial Development	Industrial Services
		Market Development

<b>Code</b>	<b>Department</b>	<b>Programmes</b>
		Enterprise Development Services
		Administration and Support Services
		Tourism Services
		Liquor Alcoholic Drink Control
11	Culture and Social Services	Youth Development Services
		Social Protection Services
		Administration and Support Services
		Sports Development Services
		Cultural Services
		Affirmative Fund
		Disability Fund
		Youth Development Fund
		NHIF
12	Roads and Infrastructure Development	Roads Development Services
		Public Works Services
		Mechanical Services
		Administration and Support Services
		Housing Services
		Mechanical and Transport Fund

#### **1.4 CFSP Preparation Methodology**

9. Article 118 (1) (b) and 196(b) of the Constitution of Kenya, 2010 provides that the public should be involved in the budget making process through public participation. In this respect, the county organized public hearings across the sub-counties from which the county residents gave their views and contributions on the priorities.

## CHAPTER TWO

### RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

#### 2.0 Overview

10. Over the medium term, economic growth is projected to grow by 7.0 percent per annum due to investments in strategic areas under the “Big Four” Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.
11. Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In the 2019 World Bank’s Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017; Kisii is the preferred choice of many investors due to its political stability, favorable climate, security and its geographical location.

#### 2.1 Recent Economic Developments

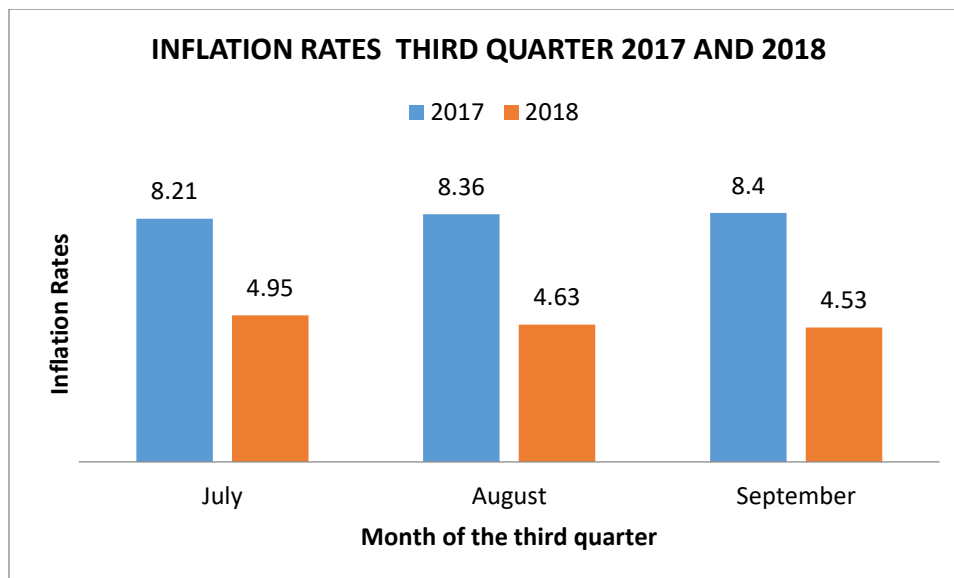
##### 2.1.1 Growth Domestic Product (GDP)

12. As per the Budget Policy Statement (BPS), 2019, the Kenyan economy remained resilient and grew by an average 6.0 percent in the first three quarters of 2018, up from 4.9 percent in same period of 2017. This growth is attributed to improved rains, better business environment and easing of political uncertainty. The economy is projected to grow further to 6.2 percent in 2019 supported by a strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector.

##### 2.1.2 Inflation

13. The monthly average inflation in third quarter of 2017 was 8.3 percent compared to 4.7 percent over the same period in 2018. The inflationary pressure witnessed in 2017 was due to drought that affected food prices as shown in Figure 2.1.
14. Month- on- month overall inflation declined to 4.7 percent in January, 2019 from 5.7 percent in December, 2018 owing to a decline in food prices particularly maize, sugar, beans and wheat flour following improved weather conditions and decline in pump prices of petrol and diesel

**Figure 1: Inflation rates third quarter 2017 and 2018**

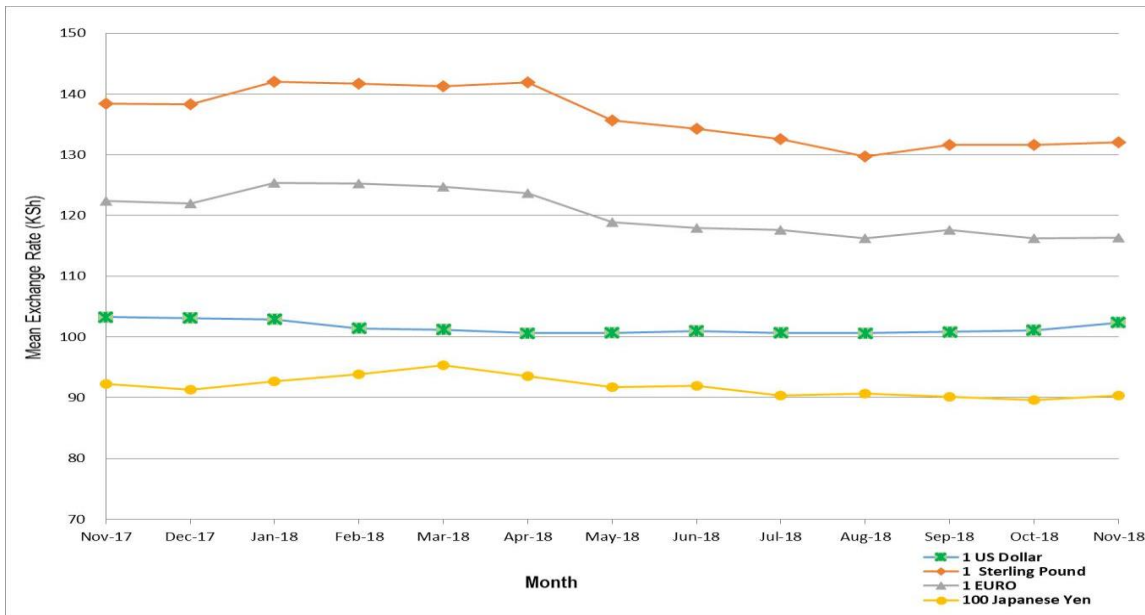


Source: Central Bank of Kenya

### 2.1.3 Exchange Rate

15. The Kenyan foreign exchange market remains stable supported by a continued narrowing in the current account deficit. The current account deficit is expected to narrow to 5.2 percent of GDP in 2018 from 6.3 percent in 2017, with strong performance of agricultural exports particularly tea and horticulture produce, increased diaspora remittances, strong receipts from tourism, and lower imports of food and Standard Gauge Railway (SGR) related equipment relative to 2017(BPS, 2019). Kisii County is one of the counties that exports tea, the county has a total of six tea factories and whose exports earnings was KShs.3.005 billion in 2018 compared to KShs.2.788 billion in 2017 (KTDA).
16. The Kenya Shilling remained broadly stable and competitive against major international currencies according to BPS, 2019. Against the dollar, the exchange rate has been relatively less volatile exchanging at KShs. 102.3 in December, 2018 from KShs. 103.1 in December, 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to KShs. 116.4 and KShs 129.7 in December 2018 from KShs. 122.0 and KShs 138.2 in December, 2017, respectively as illustrated in Figure 2.3.

**Figure 2: Exchange rate of Kenya Shilling against major selected currencies**



Source: Central Bank of Kenya Website

### 2.1.4 Interest Rate

17. According to BPS, 2019 interest rates remained stable and low in the period 2013-2018 except June – December 2015 when world currencies were under pressure. The Central Bank Rate (CBR) was reduced to 9.0 percent on 30<sup>th</sup> July 2018 from 9.5 percent in March 2018 as there was room for easing monetary policy stance to support economic activity. The CBR continues to be retained at 9 percent as inflation expectations remained well anchored within the target rate.
18. The interbank rate remained low at 3.5 percent in January, 2019 from 6.2 percent in January, 2018 due to ample liquidity in the money market. The interest rates for Government securities have been declining indicating that the implementation of Government domestic borrowing program supported market stability. The 91-day Treasury bill rate declined to 7.2 percent in January, 2019 compared to 8.0 percent in January, 2018 while over the same period, the 182-day and the 364-day Treasury bills declined to 8.9 percent and 9.9 percent from 10.06 percent and 11.2 percent, respectively.
19. Commercial banks’ average interest rates remained stable and compliant with the interest rate capping law that was in effect in September 2016. The CBR was reduced to 9.0 percent from 9.5 percent in March 2018 and as a result the lending rate declined to 12.6



percent in October, 2018 compared to 13.7 percent in October, 2017. The deposit rate also declined to 7.6 percent from 7.8 percent over the same period. Consequently, the interest spread declined from 5.9 percent in October, 2017 to 5.0 percent in October, 2018.

### **2.1.5 Other Sectors of the Economy**

20. Agriculture sector recorded growth of 5.2 percent in the third quarter of 2018 compared to a growth of 3.7 percent in a similar quarter of 2017, supported by improved weather conditions. This enabled the agriculture sector to contribute 1.0 percentage points to GDP growth in the third quarter of 2018 compared to 0.7 percentage points in the same period in 2017. The current recovery in the agriculture sector is broad-based and reflected in the expansion of output of key food and cash crops such as tea, coffee and fruits (BPS, 2019).
21. Growth in the Electricity and Water supply remained vibrant driven by increased use of less input intensive sources of energy such as hydro generated electricity supported by sufficient rainfall and geothermal power generation coupled with a slowdown in growth of thermal generation (BPS, 2019).
22. The Non-agricultural sector (service and industry) remained vibrant and grew by 5.8 percent in the third quarter of 2018 up from a growth of 5.1 percent in a similar quarter in 2017. It has the largest percentage points to real GDP growth at 4.0 percentage points mainly supported by the service sector (BPS, 2019).

## **2.2 Economic Outlook**

23. Nationally, the Real GDP is projected to expand by 6.1 percent in FY2018/2019, 6.2 percent in FY2019/2020, 6.4 percent in FY2020/21 and 7.0 percent by FY2022/23. This growth will be supported by a pick-up in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.
24. Kisii County's economic growth prospects for the FY 2019/20 and over the medium term are dependent on the national growth prospects, the emerging global and national challenges and the County internal risks. However, the county will continue to invest in

infrastructural development, water reticulation, health care services, food security and urban development to spur economic growth and improve living standards of its people.

### **2.3 Risks to Economic Outlook**

25. According to BPS, 2019 the Kenyan economy is likely to face the following risks:

- i. Trade tensions among advanced economies regarding imposition of tariffs on selected imports by the United States from its main trading partners particularly China, and likely retaliatory measures;
- ii. The prolonged uncertainty regarding Brexit negotiations and financial market volatility resulting from uncoordinated and abrupt monetary policy normalization; and
- iii. Non-economic factors such as political uncertainties and geopolitics in the Middle East and some countries in the sub-Saharan Africa region are likely to affect exports from Kenya among them tea, coffee and flowers.
- iv. Terrorism activities which scare investors.

26. At the County level, unmet local revenue targets and untimely disbursement of funds might affect the implementation of the County priorities. Additionally, risks could emanate from public expenditure pressures.

## CHAPTER THREE

### FISCAL PERFORMANCE IN THE FIRST HALF OF FY 2018/19

#### 3.0 Overview

27. The implementation of FY2018/19 budget started on a low note due to rationalization to align expenditure priorities to revenues.
28. The County's budget is financed by transfers from National Government, own source revenues, and loans and grants.

#### 3.1 Revenue Performance

29. The County's annual total revenue budget for the FY2018/19 stands at **KShs. 12 billion**. Disbursement from the National treasury in the first half of FY2018/19 stood at **KSh.2.5 billion** against a target of **KShs. 4.45 billion** which represents **57 percent**. Table 2 presents the revenue outturns for the first half of the FY2018/2019.

**Table 2: Revenue performance in the First Quarter of FY 2018/19**

Annual Budget	Annual Revenue Budget	1 <sup>st</sup> Half- Revenue Targets	Actual Receipts in the First Half	Difference	(%) performance
Equitable Share	7,693,000,000	3,846,500,000	2,384,830,000	1,461,670,000	62
Conditional Share for Kisii Level Five	417,572,254	208,786,127	20,878,613	187,907,514	10
Road Maintenance Fuel Levy Fund	203,376,725	101,688,363	0	101,688,363	0
Leasing of Medical Equipment	200,000,000	200,000,000	0	200,000,000	0
Conditional Allocation for Compensation for User Fee Foregone	26,138,997	13,069,499	0	13,069,499	0
Kenya Devolution Support Program 'Starter Pack' - ( Level 1)	53,938,093	26,969,047	0	26,969,047	0
Kenya Devolution Support Program 'Starter Pack' - ( Level 11)	126,446,545	126,446,545	126,446,545	0	100
Allocation for Development of Youth Polytechnics	70,090,000	35,045,000	0	35,045,000	0
National Agricultural and Rural Inclusive Project	140,435,163	70,217,582	0	70,217,582	0
Agriculture Sector Development Support Program – SIDA	22,011,311	11,005,656	0	11,005,656	0
Conditional Allocation-Health Systems for Universal Care	74,159,514	37,079,757	13,128,256	23,951,501	35
Loans and Grants- DANIDA	36,171,944	18,085,972	12,453,750	5,632,222	69
European Union Instruments for Devolution Advice and Support	70,000,000	70,000,000	48,161,217	21,838,783	69
Urban Development Grant	164,053,800	164,053,800	164,053,800	0	100

Urban Institutional Grant	41,200,000	41,200,000		41,200,000	0
Unreleased Balances for FY 2017/2018	1,722,407,156	1,565,089,354	1,565,089,354	0	100
Local Revenues	950,000,000	475,000,000	120,289,821	354,710,179	25
<b>TOTAL REVENUE</b>	<b>12,011,001,502</b>	<b>7,010,236,702</b>	<b>4,455,331,356</b>	<b>2,554,905,344</b>	<b>57</b>

Source: Kisii County Treasury 2019

30. The County collected **KShs. 120 million** in the first half of the FY2018/2019 against a target of **KShs. 475 million** representing 25 percent. Table 3 presents the domestic revenue outturns.

**Table 3: Revenue Outturns for the first half of the FY 2018/19**

Code	Stream	Budget	Receipts	Difference	Revenue Performance (percentage)
1-2101	Property rates	23,000,000	1,439,875	(21,560,125)	6
1-2101	Property rates arrears	22,500,000	1,002,024	(21,497,976)	4
1-2104	Other Property Charges	750,000	7,028	(742,972)	1
1-2201	Business Permits Current Year	100,000,000	6,661,325	(93,338,675)	7
1-2311	Fruits & Vegetables / Produce Cess	3,000,000	3,568,329	568,329	119
1-2501	Ground Rent - Current Year	4,000,000	151,148	(3,848,852)	4
1-3106	Isolation Fee (Surcharge on Business Permit)	3,000,000	88,000	(2,912,000)	3
1-3203	Impounding Charges	2,975,000	1,558,195	(1,416,805)	52
1-3302	Quarry Extraction Fees	1,000,000	121,951	(878,049)	12
1-5101	Market Entrance / Gate Fee	32,500,000	36,773,400	4,273,400	113
1-5102	Market Plots Rent	6,000,000	1,026,020	(4,973,980)	17
1-5105	Market Stalls Rent	4,500,000	3,337,670	(1,162,330)	74
1-5201	Enclosed Bus Park Fee	17,000,000	16,780,315	(219,685)	99
1-5211	Other Vehicles Enclosed Park Fees (Cars, Lorries, etc.)	3,250,000	4,680,760	1,430,760	144
	Motorcycle parking stickers	10,850,000	9,575,158	(1,274,842)	88
1-5221	Street Parking Fee	35,500,000	13,168,320	(22,331,680)	37
1-8401	Slaughtering Fee	6,000,000	360,950	(5,639,050)	6
1-9101	Beacon Search Pointing Fee	625,000	5,000	(620,000)	1
1-9102	Survey Fee	750,000	5,000	(745,000)	1
1-9112	Buildings Plan Approval Fee	17,500,000	11,835,466	(5,664,534)	68
1-9132	Sign Boards & Advertisement Fee	25,000,000	5,673,967	(19,326,033)	23
1-9201	Fire-Compliance Fee	4,750,000	591,500	(4,158,500)	12
	Devolved function revenues	21,250,000	1,757,410	(19,492,590)	8
<b>TOTAL</b>		<b>475,000,000</b>	<b>120,289,821</b>	<b>(354,710,179)</b>	<b>25</b>

### 3.2 Expenditure performance

31. The total expenditure for the first half of the FY2018/2019 was **KShs 4,287,696,764** comprising of both recurrent and development.

#### 3.2.1 Recurrent Expenditure

32. Recurrent expenditure for the first half of the FY2018/2019 was **KShs. 3,428,275,205** against Exchequer issues of **KShs.3, 506,069,388** representing 98 percent absorption rate as shown in Table 4.

**Table 4: Recurrent Expenditure for first half of 2018/2019**

DEPARTMENT	Budget for FY2018/2019	Budget for First Half of FY2018/2019	Transfers from Exchequer to Operations Account	Expenditure	Balance	Absorption Rate (%)
		A	b	C	b-c	
County Assembly	992,839,013	496,419,507	428,180,485	397,470,628	30,709,857	93%
County Executive and Public Service Board	500,378,361	250,189,181	235,707,019	221,362,862	14,344,157	94%
Finance and Economic Planning	1,227,701,462	613,850,731	528,746,908	521,489,555	7,257,353	99%
Agriculture and Co-operative Development	356,261,384	178,130,692	155,214,749	141,285,264	13,929,485	91%
Energy, Water, Environment and Natural Resources	194,621,932	97,310,966	61,251,001	56,057,558	5,193,443	92%
Education, Youth Affairs and Social Development	596,479,374	298,239,687	225,797,184	226,072,239	-275,055	100%
County Health Services	2,919,990,943	1,459,995,472	1,367,898,559	1,381,019,352	-13,120,793	101%
Lands, Physical Planning and Urban Development	115,905,000	57,952,500	44,384,683	35,527,567	8,857,116	80%
Roads, Public Works and Transport	185,280,000	92,640,000	65,033,730	63,411,144	1,622,586	98%
Trade Development, Industry and Tourism	86,164,307	43,082,154	26,466,719	21,117,206	5,349,513	80%
Culture and Social Services	88,077,573	44,038,787	52,862,178	47,307,150	5,555,028	89%
Kisii Town	129,654,141	64,827,071	30,625,851	40,763,124	-10,137,273	133%
Administration and Stakeholder Management	621,066,000	310,533,000	283,900,322	275,391,556	8,508,766	97%
<b>TOTAL</b>	<b>8,014,419,490</b>	<b>4,007,209,745</b>	<b>3,506,069,388</b>	<b>3,428,275,205</b>	<b>77,794,183</b>	<b>98%</b>

Source: Kisii County Treasury, 2019

### 3.2.2 Development Expenditure

33. The development budget and Exchequer issues for the first half of FY2018/19 was **KShs. 1,998,791,006** and **KShs. 859,421,559** respectively. Out of **KShs. 859,421,559** disbursed to the County for development expenditure, **KShs. 728,402,207** was spent representing 85 percent absorption rate. Table 5 presents analysis of development expenditure.

**Table 5: Development Expenditure for first half of FY 2018/2019**

DEPARTMENT	Budget for FY2018/2019	Budget for First Half of FY2018/2019	Transfers from Exchequer to Operations Account	Expenditure	Balance	Absorption Rate (%)
		A	b	C	b-c	
County Assembly	130,000,000	65,000,000	10,087,409	10,087,409	0	100
County Executive and Public Service Board	7,500,000	3,750,000	3,572,000	3,572,000	0	100
Finance and Economic Planning	161,544,954	80,772,477	17,841,357	17,841,357	0	100
Agriculture and Co-operative Development	508,195,676	254,097,838	180,443,866	103,781,449	76,662,417	58
Energy, Water, Environment and Natural Resources	227,118,800	113,559,400	66,506,680	45,516,500	20,990,180	68
Education, Youth Affairs and Social Development	210,128,787	105,064,394	37,866,835	8,049,165	29,817,670	21
County Health Services	1,025,369,689	512,684,845	170,883,704	170,883,704	0	100
Lands, Physical Planning and Urban Development	214,300,000	107,150,000	52,091,737	48,918,325	3,173,412	94
Roads, Public Works and Transport	899,890,435	449,945,218	255,183,237	255,183,237	0	100
Trade Development, Industry and Tourism	151,858,827	75,929,414	10,240,697	10,240,697	0	100
Culture and Social Services	141,649,000	70,824,500	33,298,259	33,298,259	0	100
Kisii Town	194,463,428	97,231,714	3,044,533	2,668,860	375,673	88
Administration and Stakeholder Management	125,562,416	62,781,208	18,361,245	18,361,245	0	100
<b>TOTAL</b>	<b>3,997,582,012</b>	<b>1,998,791,006</b>	<b>859,421,559</b>	<b>728,402,207</b>	<b>131,019,352</b>	<b>85</b>

Source: Kisii County Treasury, 2019

### 3.3 Fiscal Policy

34. The County Government will continue channeling resources to priority areas over the medium term with an aim of stimulating the County Economy. To achieve these, the County Government will institute austerity measures to curb unnecessary expenditure. To enhance own revenue collection, the County Government will;

- i. broaden the revenue base;

- ii. update the valuation roll;
- iii. automate revenue collection; and,
- iv. build the capacity of revenue officers.



## CHAPTER FOUR

### COUNTY DEVELOPMENT PRIORITIES AND INTERVENTIONS

#### 4.0 Overview

35. The CFSP, 2019, specifies broad strategic priorities and policy goals that will guide the preparation of the coming budget. The medium term expenditure framework ensures resource allocation based on prioritized programmes as per ADP, 2018. The five priorities as per the ADP, 2018 are expected to form an integral part in transforming the local development by creating employment and improving standards of living, building on our competitive base and reduce poverty. In the next fiscal year, county programmes, projects and policies will be guided by the strategic priorities namely:

- i. Water reticulation
- ii. Road Development
- iii. Health care services
- iv. Agriculture/Food Security
- v. Urban Development (Kisii Municipality)

36. The programmes will build on the achievements realized in implementation of the first generation CIDP while keeping focus on plans such as: the Africa Agenda 2063; Sustainable Development Goals (SDGs); Vision 2030; and, the National Government's "Big Four" agenda. In addition, the Government will initiate key policies, legal and institutional reforms across all the ten sectors to remove bottlenecks in the realization of the aspiration of prosperity for all.

#### 4.1 Water Reticulation

37. The County Government is still committed to the provision of potable, safe and clean drinking water. In the FY2019/2020 and over the medium term, it will continue to invest substantial resources in clean water supply, as well as to protect and conserve the environment. Provision of clean water can only be achieved through consolidated effort, so far, the Government has partnered with various development partners among them Germany bank that is currently rehabilitating Gusii Water Supply and Sewerage in Kisii Town. The rehabilitation covers treatment works, distribution lines, tanks, offices and staff houses. Completion of this project will see Kisii Town and its environs supplied with clean water.

38. Further, the Government will focus in rehabilitating dilapidated water schemes in the rural areas and construct new ones. The targeted schemes for rehabilitation and expansion include Riokindo, Omogenda and Birongo water supplies.
39. To enhance access to clean water, a drilling rig has been purchased and this is expected to increase the number of water points especially in areas that cannot be served by pipes due to topographical challenges,

#### **4.2 Road Development**

40. Roads development supports all other sectors of the economy by facilitating movement of goods and services. For this reason, the Government has invested heavily in new roads, walkways, car parks and bridges. For sustained economic transformation and a competitive economy, the government will continue to invest in road development.

#### **4.3 Improving Health Care Services**

41. The Constitution of Kenya, 2010 guarantees the right to healthcare and gives the County Government specific responsibilities to deliver on this right. The health sector endeavors to provide good health and well-being and sanitation in line with the “Big Four Agenda” in realization of the SDGs no. 3 & 6. The health sector contributes to economic growth as a healthy population is able to work productively.
42. To increase specialized treatment, the Government will continue to avail and improve specialized medical equipment and infrastructure to hospitals across the county. Kisii Teaching and Referral Hospital (KTRH) has seen massive infrastructural development in the recent past. Similarly, Nyamache, Ogembo, Keumbu, Kenyenyia and Marani Level Four hospitals are now fully equipped. The focus over the medium term apart from equipping the already existing facilities will be improving infrastructure at Nyamarambe, Etago, Masimba and Iyabe level 4 hospitals.
43. Human resources are very crucial in provision of high quality health services. Thus, the Government will continue to recruit and ensure that all facilities have the required specialists. The Government will continue to offer short-course trainings to all medical staff in the County to build their capacity.
44. The Government will partner with the National Government in the provision of Universal Health Coverage initiative through provision of National Hospital Insurance Fund (NHIF) coverage. This programme will see elderly and poor citizens receive free health

care services in their preferred health facilities from their local health centers for outpatient and in all health facilities for the case of in patient.

#### **4.4 Food Security**

45. The County's economy is much driven by agriculture which is depended upon by over 70 percent of rural population. Substantial investments in agriculture are paramount for economic transformation because it is the main driver of the non-agricultural sectors with a multiplier effect in manufacturing, transportation and other social services. Improving agricultural productivity through programmes such as cash crop promotion, livestock production, and fisheries would thus be an effective way to enhance food security, employment creation, income generation, industrialization and ultimately, economic transformation through stimulating growth of related sectors of the economy.
46. Therefore, the Government will continue to implement measures in the agricultural sector in order to ensure food security. The focus will be on intensifying extension services, encouraging non-rain fed agriculture through training on greenhouses management, increasing access to agricultural inputs and implementing programmes to support smallholder farmers to sustainably produce and market various commodities.
47. To increase livestock production and productivity, the County Government will continue to invest in provision of subsidized Artificial Insemination (AI) services, disease control services and will enhance veterinary public health.
48. To mitigate losses among smallholder farmers and boost their productivity, the Government will encourage the use and adoption of crop and livestock insurance with the goal of cushioning farmers against climate related risks. This will also contribute to stabilization of farmers' incomes, increased investment in agriculture through leveraged access to finance and enhanced farmers' risk mitigation. In achieving this, the Government will partner with the local financial institutions and insurances firms.

#### **Urban Development (Kisii Municipality)**

49. To create an enabling environment for investment, the County Government will continue to invest in solid and liquid waste management, storm water management, drainage works, connectivity and accessibility and street lighting.
50. Within the planning framework, the county Government will channel resources to formulate development plans in key urban areas as well as a County Spatial plan.

Already, the County Government has received a Grant of KShs. 164 million from World Bank for construction of pedestrian walkways, urban roads, drainage system and fire station within Kisii Municipality. Completion of these projects will contribute immensely to ease of doing business in the Municipality.

## CHAPTER FIVE

### RESOURCE ALLOCATION FRAMEWORK

#### 5.0 Overview

51. The fiscal framework for the FY2019/20 budget is based on the County Government's priorities as set out in the ADP, 2018. The framework will continue with the fiscal consolidation policy to strengthen domestic revenue generation and reduction in pending bills. The County Treasury will institute austerity measures in a bid to manage public resources prudently.

#### 5.1 Resources Envelope

52. There are three main sources of funding for the County Budget, namely: transfers from the National Government; own source revenue (domestic/local revenue); and Loans and Grants. The resource envelope available for allocation among the spending units is based on the recommendations from the Commission on Revenue Allocation (CRA), The Senate, National Assembly, National Treasury, Controller of Budget and the County Treasury. Table 6 presents the projected revenues for FY2019/2020

**Table 6: Revenue projections**

Source of Revenue	Approved Budget KShs 2018/19	Proposed KShs 2019/2020	Projections KShs	
			2020/2021	2021/2022
Equitable Share	7,693,000,000	7,626,000,000	7,931,040,000	8,248,281,600
Conditional Share for Kisii Level Five	417,572,254	417,572,254	434,275,144	451,646,150
Road Maintenance Fuel Levy Fund	203,376,725	221,007,938	229,848,256	239,042,186
Leasing of Medical Equipment	200,000,000	131,914,894	137,191,490	142,679,149
Conditional Allocation for Compensation for User Fee Foregone	26,138,997	26,138,997	27,184,557	28,271,939
Allocation for Development of Youth Polytechnics	70,090,000	74,553,298	77,535,430	80,636,847
<b>Loans and Grants</b>	<b>728,416,370</b>	<b>684,744,542</b>	<b>712,134,324</b>	<b>740,619,697</b>
Local Revenues	950,000,000	400,000,000	500,000,000	600,000,000
Unreleased Balances for FY 2017/2018	1,722,407,156	1,789,990,205	1,789,990,205	1,789,990,205
<b>Total</b>	<b>12,011,001,502</b>	<b>11,371,922,128</b>	<b>11,839,199,406</b>	<b>12,321,167,773</b>

Source: National Treasury, 2019

## 5.2 Budgetary Allocations for the FY 2019/20 and the Medium Term

53. The county revenue will be shared among the departments and agencies as illustrated in Table 7

**Table 7: Departmental Budget Ceilings**

Department	Budget 2018/2019	Proposed Ceilings 2019/2020
Office Of The Governor and Deputy Governor	507,878,361	477,755,303
County Assembly	1,121,839,013	972,465,665
Administration and Stakeholder Management	746,628,416	691,764,974
Finance and Economic Planning	1,389,246,416	1,176,431,586
Agriculture, Livestock, Fisheries, and Co-operatives Development	864,457,060	843,292,593
Energy, Water, Environment and Natural Resources	421,740,732	460,434,206
Education and Manpower Development	806,608,161	772,021,788
Medical Services	3,945,360,632	4,030,019,732
Lands, Physical Planning and Urban Development	330,205,000	226,439,165
Roads Development and Public Works	1,085,170,435	915,010,505
Trade	238,023,134	209,255,908
Culture and Social Services	229,726,573	185,060,420
Kisii Municipality	324,117,569	411,970,283
<b>Total</b>	<b>12,011,001,502</b>	<b>11,371,922,128</b>

Source: County Planning, 2019

### 5.2.1 County Assembly

54. This department plays the oversight role and thus ensures successful implementation of development programmes and projects in the County. It also helps in strengthening the democratic space and governance. To achieve these, it has been allocated KShs. 972 million in FY 2019/2020.

### 5.2.2 County Executive

55. This is the department that is in charge of enhancing public service delivery, organization and coordination of County Government operations.

56. This department requires considerable funding to oversee the implementation of the Kenyan Constitution, Vision 2030, CIDP, provision of overall leadership in the management of county affairs.

57. Due to the vital role the department plays, in the FY2019/2020 budget, the department has been allocated KShs 478 million.

### **5.2.3 Administration and Corporate and Stakeholders Management**

58. The department plays a key role in linking all other departments with key stakeholders, disaster management, human resource management and general administration development for improved public service delivery, and public service integrity. The department intends to complete the construction of administrative offices and improve sanitation in all the sub-counties and wards to enhance service delivery.
59. To achieve the above objectives, the department has been allocated KShs. 692 million in the FY2019/2020.

### **5.2.4 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 department is critical to the county's economic growth, employment creation and poverty reduction.
62. In the FY2019/2020 budget, the department will channel resources towards provision of extension services; improved livestock breeds through subsidized artificial insemination; increased adoption of appropriate livestock production technologies; introduction of traditional food crops; provision of subsidized 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.
63. To achieve the above targets, KShs 843 million has been set aside for the department in the FY2019/2020 budget.

### **5.2.5 Education, Manpower and Labor Development**

64. The department'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 labor force.
65. In the FY2019/2020, the department intends to put up more ECD centers, disburse bursary fund, purchase learning materials and construct toilets for ECD centers. For

village polytechnics, the department intends to construct workshops and classrooms, purchase tools, formulate and promote relevant bills/regulations for efficient management of the institutions.

66. The department has been allocated KShs. 772 million in FY2019/2020.

#### **5.2.6 Energy, water, Environment and Natural Resources**

67. This is a critical department in the County economy with the role of ensuring that every citizen has access to portable water in a clean and secure environment. Under the department, 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.

68. The department will increase forest cover by establishing a tree nursery, plant trees along the roads, market centers and in public institutions as a way of dealing with the challenge of global warming. In the area of sanitation, the department plans to expand the sewer system in Kisii Town and its environs; identify and secure dumping sites in all the towns in the County. It will construct and rehabilitate water schemes and drill boreholes to improve water accessibility.

69. To achieve its objective, the department has been allocated Kshs 460 million in the FY2019/2020.

#### **5.2.7 Finance and Economic Planning**

70. The key role of the department is to provide leadership in policy formulation and management of public resources for sustainable socio-economic development.

71. The department targets to track the implementation of all development projects and programmes and enhance resource mobilization and management.

72. In meeting the above targets, the department has been allocated KShs 1.2 billion in the FY2019/2020 budget.

#### **5.2.8 Health Services**

73. The goal of the department is to provide equitable and affordable health care to the County residents. The department aims at improving both preventive and curative services.

74. The County Government will continue to invest in infrastructural development and equipping of health facilities as well as building the capacity of health workers.



75. The department has, therefore, been allocated KShs 4 billion in FY2019/2020.

### **5.2.9 Lands, Physical Planning and Urban Development**

76. This department is in charge of lands, survey and physical planning of the County. It will complete the preparation of development plans for all major towns in the County; construct and rehabilitate urban roads, implement the integrated Strategic Kisii town plan, complete installation and rehabilitation of street lights in major towns and market centers across the county, beacon public lands and complete public washrooms at the sub County Headquarters and ward offices.

77. To achieve the above targets, in the FY2019/2020, the department has been allocated KShs 226 million.

### **Roads, Public Works and Housing**

78. The department is a key enabler for sustained development of our economy through provision of the necessary infrastructure. It will continue to construct and maintain roads and bridges across the county, purchase more road construction equipment and rehabilitate government houses.

79. To achieve the above targets, in the FY2019/2020, the department has been allocated KShs 915 million.

### **5.2.10 Culture, Sports, Youth and Social Services**

80. The department plays a key role in promotion of culture, sports development, and provision of safety nets to the vulnerable in society. The department will continue with the construction and completion of cultural centers and libraries in the County; sports development, and establish a rehabilitation center in the County to rehabilitate drug addicts and street children. It will also provide social safety nets to the vulnerable groups in the county.

81. To achieve the above targets, the department has been allocated KShs 185 million in FY2019/2020.

### **5.2.11 Trade Development, Regulation and Industry**

82. This department is critical in attracting investors through markets development, tourism promotion, trade and investment promotion and industrial development. The department has contributed in transforming Kisii Town into a commercial hub in the region. The presence of many commercial banks and improvement in the catering industry and many

business outlets can attest to this. It will also provide cheap credit to traders through the joint loans credit scheme.

83. To achieve the above targets, the department has been allocated KShs 209 million in FY2019/2020

#### **5.2.12 Kisii Municipality**

84. To create an enabling environment for investment, the County Government will continue to invest in solid and liquid waste management, storm water management, drainage works, connectivity and accessibility and street lighting.

85. To achieve the above targets, the department has been allocated KShs 412 million in FY2019/2020