MACHAKOS COUNTYGOVERNMENT

COUNTY FISCAL STRATEGY PAPER

SUSTAINABLE DEVELOPMENT FOR ECONOMIC GROWTH AND IMPROVED LIVELIHOOD

2017

fiscal policy framework leveraging on the enormous resources and potential that Machakos County has. To ensure availability of resources to finance the County Strategic objectives, the County Treasury will continue to reform the revenue management systems and further undertake administrative measures to improve revenue efficiency and effectiveness. Also, expenditure will be aligned to economic policies outlined in various County policy documents and the strategic interventions for sustainable growth.

For **Elizabeth .M. Nzyoka**

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Abbreviations and Acronyms

ADP	Annual Development Plan
BPS	Budget Policy Statement
CCTV	Closed Circuit Television Cameras
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPSB	County Public Service Board
ECDE	Early Childhood Education Development
FY	Financial Year
ICT	Information Communication Technology
PFMA	Public Finance Management Act
MRI	Magnet Resonance Imaging
MTEF	Medium Term Expenditure Framework

Legal Basis for the Preparation of the County Fiscal Strategy Paper (CFSP)

The County Fiscal Strategy Paper (CFSP) is prepared in accordance with Section 117 of the Public Finance Management Act, 2012 which states;

1) The County Treasury shall prepare and submit to the County Executive Committee, the County Fiscal Strategy Paper for approval

2) The County Treasury shall submit the Fiscal Strategy Paper approved in subsection (1) to the County assembly, by the 28th February of each year.

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 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 forums 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 publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

County Government Fiscal Responsibility Principles

The County Government recognizes that the fiscal stance it takes today will have implications into the future. Therefore in line with the PFM Act 2012, and in keeping with the prudence and transparency in management of resources, the County Treasury shall be guided by the following Fiscal Responsibility Principles as spelt out in the PFM Act, 2012.

i. Over the Medium Term, a minimum of 30 percent of the County budget shall be allocated to development expenditures

ii. The County Government's expenditure on wages and benefits for County public officers shall not exceed thirty five (35) percent of the equitable share as per the PFM regulations.

iii. Over the Medium Term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. Short term borrowing shall be for purposes of cash management.

iv. Public debt and obligations shall be maintained at a sustainable level as shall be approved by the County Assembly

v. Fiscal risks shall be managed prudently

vi. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Outline of the 2016 County Fiscal Strategy Paper

The report is structured into four sections as follows;

1) Section I gives an overview of the report

2) Section II outlines the recent economic development and fiscal outlook at the Global, National and County Levels.

3) Section III outlines the strategic objectives and programmes that the County will implement to achieve her objectives.

4) Section IV covers the fiscal and budget framework that supports sustainable development in the medium term. The section also provides the projected resource envelop in the medium term and proposed spending priorities for the FY 2017/18 Medium Term Expenditure Framework (MTEF) budget and in the Medium Term.

1.0 SUSTAINABLE DEVELOPMENT FOR ECONOMIC GROWTH

1.1 Overview

1. The 2017 Machakos County Fiscal Strategy Paper (CFSP) is the fourth to be prepared by the County Government of Machakos. It specifies the various policies and strategies the County will implement in the medium term to consolidate the gains achieved so far with the objective of enhancing sustainable social and economic growth in the County.

2. The policies highlighted in the 2017 CFSP are informed by the following priorities which have been identified through public participation forums and are aimed at improving:
   i. Access to safe and clean water
   ii. Access to quality and affordable health services
   iii. Access to education
   iv. Access to low cost of farm inputs and value addition
   v. Marketing channels
   vi. Road network
   vii. Employment creation
   viii. Poverty reduction
   ix. Environmental conservation and afforestation
   x. Civic engagement

   among others

3. The County in the medium term will therefore implement policies and strategic objectives that are not only geared to achieve the above mentioned priorities but also enhance sustainable growth.

4. The implementation of these priority programmes and projects is expected to increase efficiency and productivity in the County's economy and in turn accelerate and sustain the socio-economic gains achieved in the recent past. To achieve these, the programmes and projects will be supported by the fiscal framework outlined here in for FY 2017/18 and the

medium term in line with the priorities contained in the County Integrated Development Plan (CIDP).

2.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 Introduction

5. Achieving the county's medium-term strategic objective is dependent on the performance of the county economy. This section therefore gives an over view of the recent economic developments at the global, national and county levels and the impact that these occurrences have on County economic development.

2.2 Global

6. The global economy is expected to grow at a slower pace in 2016 than in 2015, with modest improvements projected in 2017. This deteriorating trend is mainly due to growth deceleration in emerging economies, particularly in China, the commodity-dependent economies in Latin America, the conflict in Middle East and North Africa, as well as slow recovery in commodity prices and security concerns in Sub-Saharan Africa. Advanced economies have fared better, although they too are now showing signs of fatigue. As a result, global trade, investment, productivity and wages remained depressed with no signs of immediate improvement in the second half of the year.

2.2 National Economic and Fiscal Outlook

7. Kenya's economic growth prospects remain strong due to relatively stable macroeconomic environment and positive growth recorded in all the major sectors of the domestic economy. The economy experienced a favorable growth environment in the first and second quarters of 2016 growing by 5.9 and 6.2 per cent respectively. This is an improvement from the 5.0 and 5.9 percent growth recorded within the same period in 2015. This growth was mainly supported by better performances in the agriculture, forestry and fishing; transportation and storage; real estate; tourism and hospitality and wholesale and retail trade sectors.

Source- first and second quarter GDP report, KNBS 2016

2.3 County Economic Development and Fiscal Outlook

8. The County economy is not isolated from the effect of the global and national economic occurrences. The performance of the County economy depends highly on the performance of the national economy.

9. Machakos County economic environment is stable and promising due to various programmes the County is implementing to improve the livelihoods of the people of Machakos. Significant improvements have been achieved in the transport, health, energy, water, education, trade, tourism and agricultural sectors.

10. The County has prioritized provision of water to the people of Machakos through the integrated water programme; provision of quality and affordable healthcare through upgrading of Level 5 hospital and community hospitals; enhancing food security through provision of subsidized fertilizers and seeds and improving infrastructure through construction and refurbishment of major and feeder county roads among others.

11. The County will continue to prioritize spending in the crucial economic sectors to further enhance growth and ensure increased access to public services.

2.4 Risk to the Outlook

12. Although the County Economic Environment is promising there are risks to the outlook for 2017/18 and medium term which includes ;
    i. Irregular weather patterns and delayed rainfall that may affect agricultural productivity, which is the main economic activity in the County, and lead to depressed livelihood
    ii. Late release of funds from the National Government leading to delay in implementation of various programmes.
    iii. Shortfall in collection of County own revenue – If revenue is not realized projects will not be implemented as planned.
    iv. The national election which may lead to decreased economic growth.

13. Going forward, there is need to restore and safeguard County economic stability which will support growth and eventually reduce unemployment and poverty. The County will therefore put in place legislation and mechanism that will enhance revenue collection, minimize or eradicate wastage expenditures and manage the wage bill.

3.0 POLICIES TO ENSURE SUSTAINABLE DEVELOPMENT

3.1 Introduction

14. The 2017 CFSP continues to build on the gains made in the previous years on key development strategic objectives. The County will focus on programs geared towards ;

    i. Ensuring Access to Water and Sanitation
    ii. Ensuring Improvement of Infrastructure
    iii. Promoting Inclusive and Sustainable Growth
    iv. Creating a Conducive Business and Investment Environment
    v. Sustainable Environmental Conservation
    vi. Improvement in Social Services
    vii. Supporting Achievement of the County goals

15. The County has made very good progress in achievement of these objectives. Specifically the County has continued to implement a comprehensive water program aimed at providing safe and clean water for the people of Machakos. This is done through rehabilitating existing water sources and establishment of new ones. The county has purchased heavy machinery required to drill boreholes thereby reducing the costs.

16. Security is paramount to county stability. Through the security program, the County Government has ensured there is increased police presence in every part of the County through provision of police vehicles, installation of Closed Circuit Television Cameras (CCTV), establishment of call centres to report accidents, emergency and security threats, installation of street lights in market centres and major roads and provision of police dogs.

17. The County has improved general infrastructure within the County through tarmacking of various roads, grading of County access roads and the ongoing upgrading of roads to motorable standards.

18. The County has continued to improve provision of health care services through the implementation of a healthcare programs aimed at bringing accessible and affordable services closer to the people. The County has already provided 70 ambulances, one in each location as well as ten rapid response motorcycle ambulances. The County Government is also in the process of constructing forty community hospitals each equipped with a maternity ward one, a mini theatre Lab and an X-ray facility. The Machakos Level 5 hospital has also been upgraded to a model referral facility equipped with maternity and labour wards, Magnetic Resonance Imaging (MRI) Centre, Renal dialysis, Digital X-ray machines and Breast Cancer screening among others.

19. In order to ensure better working environment for traders and customers, the County has constructed market shades each equipped with a toilet to enhance both trade and hygiene in these markets.

20. The County has continued to support farmers through provision of free tractor services, seeds and subsidized fertilizers to farmers to enhance food security.

21. To strengthening local tourism and sports the County has built the Kenyatta stadium, Machakos People's Park and other recreation facilities in different parts of the County. The County has also marketed itself as a sport tourism hub and plays host to several high profile sporting activities.

22. To ensure there is adequate financing for the development projects, the County will seek to increase revenue collection through strict supervision of revenue clerks and strengthening the implementation of automated cashless revenue collection system to achieve efficiency and effectiveness in revenue management.

3.2 County Strategic Policies

23. The County will pursue a number of policies aimed at ensuring sustainable development. These policies include:

I. Continued Investment in Social Services

24. Achievements of strategic and sustainable development goals will require investment, implementation and delivery of quality health care, education and social protection programs.

A. Improving Access to Quality and Affordable Health Care

25. The County Government of Machakos is committed to improving access to affordable and quality healthcare services through promotion and provision of integrated and high quality curative, preventive and rehabilitative services that are accessible, responsive, and accountable to every citizen of Machakos.

26. Over the years significant achievements have been realized in this sector. These include; Provision of seventy ambulances, ten rapid and well equipped response motorcycle ambulances, ongoing construction of forty community hospitals with maternity ward, mini theatre, laboratory and X-ray facilities, establishment of health committees, the upgrading of Machakos Level 5 hospital to a model referral hospital with a modernized outpatient department, refurbished and fully equipped maternity and labour wards, intensive care unit, renal unit, digital X- ray machines, breast cancer screening among others

27. Going forward the focus will be on; improving the existing infrastructure, construction of new facilities, improving quality of healthcare service delivery, training healthcare personnel on emerging trends and provision of medicines and medical supplies among others.

28. In the medium term, the County Government's priorities will be geared towards

    i. Rehabilitation of 29 health centers and four (4) level 4 hospitals
    ii. Completing the construction of all community hospitals and ensuring that they are fully equipped and operational

iii. Ensuring the equipment at level 5 referral hospital are fully functional and properly maintained

iv. Efficient maternal services are provided to improve maternal health outcomes

v. Holding free medical camps campaigns targeting cancer, HIV/AIDS and other lifestyle diseases

vi. Establish rehabilitation centers at sub county hospitals to provide services to drug users.

vii. Routine maintenance of County ambulances to enhance response to emergencies

viii. Ensuring availability of sufficient medical supplies such that no patient who attends a public hospital within Machakos County is sent to private pharmacies to access essential drugs.

B. Ensure Access to Clean Water and Sanitation

29. Access to clean and safe water for all is the fundamental for a healthy community and an essential requirement for sustainable development. The County faces challenges in both the water quality and quantity. Water sources are threatened by pollution, overconsumption and to an extent climate change. This negatively impacts food security as most residents rely on subsistence agriculture.

30. However, significant progress has been made in this subsector over the past years. The County Government through the integrated water programme has refurbished boreholes and drilled new ones, constructed dams and water weirs, supplied water tanks to Primary and Secondary Schools as well as other institutions to encourage water harvesting and constructed drainage channels in market centers to minimize flooding during the rainy season.

31. The County Government's goal is to provide water to every household over the medium term. In line with this goal, the county will continue to de-silt and rehabilitate existing water sources while at the same time providing new sources. In order to reduce the cost of implementing the aforementioned strategic priority, the County has since procured heavy machinery to undertake the exercise. They include; bulldozers, excavators, drilling rigs, rollers shovels among others.

The County will also empower the community with water management skills to effectively manage the water resources.

C. Empowering the Vulnerable in the Society and Investment in Quality Early Childhood and Tertiary Education

32. The County is committed to improving access to quality Early Childhood and Tertiary Education as well as improving the livelihood of the vulnerable people in the society. To date, good progress has been made over the past years. The County has constructed and refurbished ECDE classes and youth innovation centers, partnered with various organizations to provide free ICT trainings at the youth centers, disbursed bursaries to various beneficiaries within the County and supported various women groups and the elderly.

33. Going forward the County will continue to invest in this sector through;

i. Recruitment of ECDE teachers
ii. Construction, refurbishment and equipping of ECDE classes
iii. Refurbishment of existing Polytechnics and fully equipping them with modern training facilities to increase youth enrolment
iv. Increasing bursary allocations to benefit more needy students
v. Provision of education support materials
vi. Strengthening of the County School Feeding program
vii. Capacity building of youth and women on entrepreneurship, business management and access to government loans and procurement
viii. Construction of Youth incubation centers in every sub-county
ix. Support of the vulnerable children, women, and people living with disability
x. Partner with national government to rehabilitate street children in the urban towns of the County
xi. Training youth on ICT to enable them exploit opportunities in e-commerce
xii. Encourage Public-Private partnership in development of education infrastructure and services e.g. through corporate social responsibility, mentorships etc.

D. Sustainable Environmental Conservation

34. With increased expansion of human activities to exploit natural resources, forest coverage is rapidly decreasing leading to massive land degradation. Deforestation and desertification pose major challenge to sustainable development. It is estimated that the world's rain forests could completely vanish in a hundred years at the current rate of deforestation. The County shall therefore pursue programmes that sustainably manage forests, combat desertification and halts and reverse land degradation.

35. Environmental protection and conservation plays a fundamental role towards climate change mitigation. Climate change adversely affects economic growth in the county impacting on the County goals of achieving high quality life for its citizens. It is for this reason that the County Government will prioritize the following programs aimed at conserving environment.

    i. Mobilizing the community to plant trees through massive tree planting exercises
    ii. Reforestation of depleted forests in the several hills in the County to enhance scenic beauty.
    iii. Rehabilitation of degraded rivers through construction of weirs, drifts and gabions.
    iv. Partner with NEMA to eradicate environmental pollution and enforce punishments to individuals and organizations who violate the law
    v. Cleaning up of polluted areas such as water bodies and neighborhoods
    vi. Protection of water riparian areas within the County
    vii. Establish tree nurseries to be distributed to farmers at subsidized prices
    viii. Partner with research institutions to produce high quality trees that will thrive in the county to encourage farmers to plant together with their crops
    ix. Develop effective waste management strategies geared towards proper waste disposal and recycling to enhance cleanliness of Machakos County
    x. Identify more waste disposal sites to ease pressure on the current sites

36. In addition to the above mentioned programmes the County will carry out awareness campaigns and train farmers on the importance of environmental conservation.

II. Create a Conducive Business and Investment Environment

37. This will be achieved by pursuing policies that create a conducive environment for the private sector to engage in business and investment. These include ;

A. Marketing Machakos County as the Choice Investment Destination

38. With the increased presence of global brands in Nairobi to exploit the African market, Machakos County, through the Investment Promotion Board, will market itself as the destination of choice for investment. The County will capitalize on the availability of land and its proximity to Nairobi and major national infrastructure installations. The County has been ranked among the top Counties by the World Bank in its *Ease of Doing Business* Survey as a result of reforms initiated to encourage investments. Also, the County is working with the World Bank to develop the Machakos County Investment Portal to ease interaction between investors and the County Government and provide information that may be necessary to inform investment decisions.

B. Develop Machakos City

39. Cities are hubs for ideas, commerce, culture, science, productivity, social development and much more. At their best cities have enabled people to advance socially and economically.

40. The future of people of Machakos will therefore include a city of opportunity for all with access to basic services, energy, housing and transportation. In the medium term, the county will invest in planning and zoning of the city, development of infrastructure and expedition of implementation of the MoUs.

C. Comprehensive Emergency and Security Services

41. Security of each and every one of us is one of the most important things in life. The County is committed to provision of security so as to make the County safe for business and investment. The County is also geared towards achieving a 24 hour economy and security is vital to boost investors' confidence and morale.

42. Over the years, significant progress has been made on provision of security in the County. Notably police presence and response through availability of fueled and maintained police vehicles, provision of police dogs, establishment of call centers and installation of CCTV cameras and street lights in all the major roads and market centers.

43. Over the medium term, the County in consultation with the National Government will continue to enhance security to provide a safe environment for investment and business activity by implementing the following programmes;

    i. Close cooperation between the Government and Security Committee to share vital information
    ii. Routine maintenance of inspectorate vehicles
    iii. Operationalization of the forensic laboratory
    iv. Provision of security infrastructure covering police housing and police posts
    v. Provision of police guns detectors and alcohol blow devices

D. Cooperatives Development

44. The County will work with local cooperatives to promote their enterprises and improve their productivity. The county will also provide information on access to cheaper credit services and negotiate with both financial and non-financial institutions to develop tailor made solutions to these cooperatives.

III. Investment in Infrastructure

45. Infrastructure development is necessary for sustainable growth in Machakos. The county needs better roads, water and ICT networks, railway connectivity to serve the upcoming new city and upgrading power stations to serve the growing needs of Machakos. Failure to invest in infrastructure means failure to develop our social and economic structure.

46. Over the medium term, the County shall undertake programmes aimed at improving infrastructure as outlined below;

A. Expansion of roads and transport network

47. To sustain economic growth, the County requires substantial investment in developing efficient and affordable transport network. In the past years the County has made significant progress in the development of road and transport infrastructure through rehabilitating existing roads as well as construction of new ones. With the rapid growth of Machakos Town however, the County has experienced congestion and traffic jams. The Government will continue to therefore invest in expansion of road network to reduce cost of transport, promote competitiveness, and open up business opportunities for the people of Machakos and facilitate a faster and more inclusive growth for employment creation and poverty reduction.

48. In FY 2017/18 and over the Medium Term, the County will implement the following projects;

i. Maintenance of existing County roads to ensure that there are no potholes
ii. Opening of more feeder and access roads
iii. Construction and maintenance of parking bays
iv. Developing and maintaining government buildings and other public works
v. Maintenance of all County vehicles, plant and equipment and fleet management.
vi. Construction of County ward roads

B. Provision of sustainable, cost effective and affordable energy

49. Sustaining economic growth as well as a competitive business environment requires a reliable and affordable energy supply. The county has recently experienced increased occurrences of black outs. Over the medium term the County Government will pursue avenues which will generate affordable and reliable energy supply such as solar energy, wind energy and biogas as well as working with the Kenya Power and Lighting Company to expand the existing power facilities.

IV. Promote Inclusive and Sustainable Growth and Employment

50. Sustainable economic growth will require the County to create conditions that allow people to have quality jobs that stimulate the economy and focus on equitable development such that

no sub county is left behind. The County will therefore implement such programs that foster sustainable economic growth, transformation and promoting sustainable consumption and production. These strategies include;

A. Promotion of sustainable agriculture

51. Agriculture is the single largest employer providing livelihood to many. It is the largest source of income to poor rural households. Most farmers practice subsistence farming on small farms and rely on rain fed agriculture. Investing in smallholders is an important strategy for the County to address food security as well as food production for the local market.

52. To date the sector is yet to reach its optimal productivity despite the various interventions the County has put in place. The draw backs are mainly due to; over reliance on rain fed agriculture, use of inappropriate technology, high cost of farm inputs, inadequate extension services and poor post-harvest management.

53. Going forward the County shall therefore implement the following programs to address the above challenges;

    i. Promotion of post-harvest management to mitigate losses and wastages through construction of post-harvest structures and trainings on food preservation
    ii. Making extension services available and accessible
    iii. Ensure that all county tractors are properly maintained and fully operational
    iv. Provision of subsidized farm inputs
    v. Promotion of organic farming and training on effective land use
    vi. Promotion of value addition technologies
    vii. Enhancing plant and animal disease surveillance
    viii. Expansion of the existing irrigation schemes
    ix. Commercialization of livestock, dairy and poultry farming

B. Promotion of Domestic Tourism, Sports and Cultures

54. Tourism is a vital sector to enhance business activity and attain sustainable economic development in the County, and over the years its economic gain in the County cannot be

ignored. The County has achieved several milestones notably, upgrading of Kenyatta stadium, Construction of People's park and rehabilitation of sports facilities.

55. In the FY 2017/18 and the medium term, the County government will continue to invest in this sector through ;

i. Improving tourism infrastructure by mapping all County tourism attraction sites and providing essential facilities that are required therein.

ii. Creating recreational facilities including parks and a view point at Kya Mwilu

iii. Marketing Machakos County as a sport tourism destination

iv. Infrastructure development for production of film, art and music through provision of free recording services

v. Establishment and proper management of football tournaments

vi. Marketing of domestic tourism, tourism product diversification and standardization

vii. Creating wealth through harnessing talent, employment and supporting quality content development in the region.

viii. Provision of comprehensive control of manufacture, sale, consumption, distribution and promotion of alcoholic drink licensing procedure for effective management and regulation.

ix. Construction of monuments and rehabilitation and beautification of existing mini parks to promote local tourism.

x. Installation of Road signage's, market information signs and highway directional signage's to inform traffic and pedestrians.

xi. Enhancing the beauty of the County, through planting of flowers and trees in selected areas along the highways and in the different sub-Counties.

V. Other Support Programs

56. The following reforms are vital for sustainable development as they supplement the strategic programmes identified for implementation in the FY 2017/18:

i. Information and Communication Technology

ii. Governance

iii. Public Service

iv. Financial Management

A. Information and Communication Technology

57. Access to ICT plays a key role in enhancing productivity and competitiveness in the County. To date the County has made significant progress of ensuring all information regarding the County economy is availed to all stakeholders. Also, ICT infrastructure is necessary for promoting investments in the County.

58. In the medium term the County will establish departmental website , enhance connectivity within departments and improve ICT infrastructure within the County.

B. Governance

59. Good governance is fundamental for the achievement of sustainable development for economic growth in the county. Involvement of the citizenry in decision making on governance issues will promote accountability, transparency and zero tolerance to corruption. As such the County will continue implementing programmes geared towards strengthening systems of good governance.

60. Going forward, the County will carry out civic education to sensitize all stakeholders on the various laws and policies governing public finance in the County and encourage them to participate in budget process to identify development strategies and hold the County accountable for implementation of these projects. Also, the County government will work closely with NGOs within the county to enhance service delivery to the citizens of Machakos.

C. Public Service

61. The achievement of the development strategies depend on the human capital that the County has. To date, the County has implemented a number of reforms which includes, capacity building of various officers, and development of human resource data and establishment of disciplinary committees as part of strategy to enhance efficiency and productivity in the

County. To achieve optimal productivity in the public sector the county will implement the following programs in the medium term;

i. Capacity building
ii. Improve staff productivity through incentives such as ;
    a. Provision of medical cover
    b. Provision of mortgage and car loans to the County Staff
    c. Provision of voluntary early retirement package with an objective of cutting down the wage bill
    d. Implementation of pension and gratuity scheme

D. Financial Management

62. Considerable progress has been made in improving efficiency and effectiveness in public resource utilization and budget execution. This has been made possible by the various reforms instituted by the County Government and they include; strengthening the use of Integrated Financial Management and Information Systems (IFMIS), capacity building of staff on IFMIS, e-procurement and PFM Act 2012 and regulations, implementation of Programme Based Budget (PBB) and establishment of a County Internal Audit Department.

63. Going forward the County Treasury will;

i. Through the department of planning develop a monitoring and evaluation framework to track all projects being implemented
ii. Continuous capacity building of Staff on the PFM Act 2012 and regulations
iii. Train the County Budget and Economic Forum on the budget cycle and revenue management

4.0 2017/18 FY BUDGET FRAMEWORK AND THE MEDIUM TERM

4.1 Introduction

64. This section gives an overview of the fiscal framework for FY 2017/18 and the medium term. It also provides the proposed resource envelop, proposed ceiling and spending priorities for FY 2017/18 and the medium term.

4.2 2017/18 FY Budget Framework

65. In ensuring sustainable Social Economic Development, the County Government is committed to maintaining fiscal discipline to reduce wastage and avail resources for development purposes.

66. Further the County has automated collection of own revenue to increase effectiveness and efficiency in revenue collection that will in turn create fiscal space for funding of development programmes.

4.2.1 Revenue Projections

67. The FY 2017/18 budget will be financed from two main sources of revenue, allocation from national government and county own revenue.

i. Allocation from National Government

68. In accordance with Article 203(2) of the Constitution of Kenya, the County Government is expected to receive an equitable share from the revenue raised nationally every financial year. The County may also receive conditional or unconditional grants from the National Government and the Development Partners.

69. During the FY 2017/18 the County estimates to receive **Kshs. 8.9 Billion** from National Government.

ii. County Own Revenue

70. The County is also allowed to raise its own revenues through imposition of various taxes such as property taxes ,entertainment taxes as well as user fees and charges authorized and approved

by the County Assembly. To this effect the County developed a revenue enhancement strategy that will be a catalyst for a sustainable revenue base through improved revenue management.

71. In the FY 2017/18 the County expects to collect **Kshs. 2.5 Billion**. This is informed by the trend in collection of revenue in the last three financial years and the reforms in the revenue management the County has undertaken and intend to take in the medium term. It's also based on realistic and predictable revenue sources as required by the Constitution and in line with the fiscal responsibility principles outlined in this paper.

4.2. 2 Expenditure Forecasts

72. In the FY 2017/18, the overall expenditure is projected at **Kshs . 11.4 Billion** from **Kshs. 10.31 Billion** in the FY 2016/17.

4.2.2.1 Recurrent Expenditure

73. The recurrent expenditures for the Financial Year 2017/2018 are projected to be **Ksh 7.81**
74. **Billion**, with Personnel Emoluments estimated at **Kshs. 4.1 Billion** and operations and maintenance **3.7 Billion.**

4.2.2.2 Development Expenditure

75. To ensure continued economic growth, the County projects to spend **Kshs. 3.6 Billion** on development to fund the prioritized development programs for FY 2017/18.

4.2.3 Allocation/Prioritization Criteria

76. The allocation of resources in the FY 2017/18 and the medium term will be guided by the following criteria ;

i. Ongoing projects - Emphasis will be given to completion of ongoing projects
ii. Programmes prioritized in the County Integrated Development Plan and the 2017/18 Annual Development Plan.
iii. Budget ceilings allocated by Commission of Revenue Allocation

iv. Equitable share of revenue allocation of the National government.

v. Degree to which the programme address the strategic objectives of the county.

vi. Cost effectiveness and sustainability of the programme.

4.2. 4 Medium-Term Expenditure Ceilings

77. The County is committed to improving the implementation and absorption capacity of projects. Due to the tight fiscal framework involved in budget preparation, the departments will be tasked with rationalizing and prioritizing their expenditures and programmes for the Financial Year 2017/2018 to focus on the strategic interventions as captured in the CIDP, BPS as well as the CFSP. To this regard therefore, the expenditures will have to be geared towards supporting sustainable economic development, as well as transformation of the County.

78. Table 3 below provides the projected ministerial /departmental ceilings for the FY 2017/18 and the medium term per department.

Table 1 : Medium Term ministerial/ departmental ceilings, 2017/18-2019/20 (Kshs.)

4.2.5 Ministerial/Departmental Priorities

79. The medium term expenditure framework for 2016/17 -2018/19 ensures continuity in resource allocation based on prioritized programmes aligned to the CIDP and ADP. In addition the resources will be allocated to strategic priorities to accelerate social economic growth in the County. The priority programmes per department is as per the attached annex 1.

Ministry		Approved Budget FY 2016/17	CFSP Ceiling 2017/18	Projections 2017/18-2018/19	
				2018/19	2019/20
Office of the Governor	Recurrent	514,566,239	540,294,551	567,309,278	595,674,742
	Development	51,065,254	53,618,517	56,299,443	59,114,415
	Total	**565,631,493**	**593,913,068**	**623,608,721**	**654,789,157**
Public Service ICT , Labour and Co-	Recurrent	587,106,636	616,461,968	647,285,066	679,649,319
	Development	48,333,106	50,749,761	53,287,249	55,951,612

Ministry		Approved Budget FY 2016/17	CFSP Ceiling 2017/18	Projections 2017/18-2018/19	
				2018/19	2019/20
operative Development	**Total**	**635,439,742**	**667,211,729**	**700,572,316**	**735,600,931**
Trade , Investment , Economic Planning and Industrialization	Recurrent	179,993,756	188,993,444	198,443,116	208,365,272
	Development	928,264,599	974,677,829	1,023,411,720	1,074,582,306
	Total	**1,108,258,355**	**1,163,671,273**	**1,221,854,836**	**1,282,947,578**
Finance and Revenue Management	Recurrent	338,573,624	355,502,305	373,277,420	391,941,291
	Development	75,743,805	79,530,995	83,507,545	87,682,922
	Total	**414,317,429**	**435,033,300**	**456,784,965**	**479,624,21**
Decentralized Units , County Administration and Energy	Recurrent	1,129,491,503	1,185,966,078	1,245,264,382	1,307,527,601
	Development	952,393,594	1,000,013,274	1,050,013,937	1,102,514,634
	Total	**2,081,885,097**	**2,185,979,352**	**2,295,278,319**	**2,410,042,235**
Agricultures , Livestock, Fisheries , Lands and Urban Development	Recurrent	463,112,170	486,267,779	510,581,167	536,110,226
	Development	114,534,796	120,261,536	126,274,613	132,588,343
	Total	**577,646,966**	**606,529,314**	**636,855,780**	**668,698,569**
Health , Environment and Emergency Services	Recurrent	2,680,808,755	2,814,849,193	2,955,591,652	3,103,371,235
	Development	214,279,718	224,993,704	236,243,389	248,055,559
	Total	**2,895,088,473**	**3,039,842,897**	**3,191,835,041**	**3,351,426,794**
Transport , Roads , Public Works and Housing	Recurrent	259,396,473	272,366,297	285,984,611	300,283,84
	Development	566,220,803	594,531,843	624,258,435	655,471,35
	Total	**825,617,276**	**866,898,140**	**910,243,047**	**955,755,199**
Education, Youth and Social Welfare	Recurrent	182,750,000	191,887,500	201,481,875	211,555,969
	Development	67,197,309	70,557,174	74,085,033	77,789,285
	Total	**249,947,309**	**262,444,674**	**275,566,908**	**289,345,254**
Environment, Sanitation and Solid Waste Management	Recurrent	69,870,000	73,363,500	77,031,675	80,883,259
	Development	51,542,721	54,119,857	56,825,850	59,667,142
	Total	**121,412,721**	**127,483,357**	**133,857,525**	**140,550,401**
	Recurrent	132,587,852	139,217,245	146,178,107	153,487,012

Ministry		Approved Budget FY 2016/17	CFSP Ceiling 2017/18	Projections 2017/18-2018/19	
				2018/19	2019/20
Tourism, Sports and Culture	Development	102,134,015	107,240,716	112,602,752	118,232,88
	Total	**234,721,867**	**246,457,960**	**258,780,858**	**271,719,90**
County Public Service Board	Recurrent	55,648,859	58,431,302	61,352,867	64,420,51
	Development	7,643,142	8,025,299	8,426,564	8,847,89
	Total	**63,292,001**	**66,456,601**	**69,779,431**	**73,268,403**
County Assembly	Recurrent	945,666,902	992,950,247	1,042,597,759	1,094,727,647
	Development	157,074,370	164,928,089	173,174,493	181,833,218
	Total	**1,102,741,272**	**1,157,878,336**	**1,215,772,252**	**1,276,560,865**
Total	**Recurrent**	**7,539,572,769**	**7,916,551,407**	**8,312,378,978**	**8,727,997,927**
	Development	**3,336,427,232**	**3,503,248,594**	**3,678,411,023**	**3,862,331,574**
	Total	**10,876,000,001**	**11,419,800,001**	**11,990,790,001**	**12,590,329,501**

5.0 CONCLUSION

80. This County Fiscal Strategy Paper sets out priority programs derived from the County Integrated Development Plan for not only economic transformation but also on building a shared prosperity to be implemented in the Medium Term Expenditure Framework for 2016/17-2018/19. The implementation of these programs which is expected to sustain economic growth and improve on the livelihoods of the residents of Machakos County will require prudent financial management.