

COUNTY GOVERNMENT OF KITUI



THE COUNTY ASSEMBLY

SECOND ASSEMBLY – (THIRD SESSION)

COMMITTEE ON BUDGET AND APPROPRIATIONS

REPORT ON

**CONSIDERATION OF THE KITUI COUNTY FISCAL STRATEGY PAPER
FOR FINANCIAL YEAR 2019/2020**

**CLERK OF ASSEMBLY CHAMBERS
P. O BOX 694
KITUI**

MARCH, 2019

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Abbreviations

| | |
|--------|---|
| BPS | Budget Policy Statement |
| CARA | County Allocation of Revenue Act |
| CASB | County Assembly Service Board |
| CBO | Community Based Organization |
| CEC | County Executive Committee |
| CECM | County Executive Committee Member |
| CFSP | County Fiscal Strategy Paper |
| CHVs | Community Health volunteers |
| CIDP | County Integrated Development Plan |
| CRA | Commission on Revenue Allocation |
| ECDE | Early Childhood Development Education |
| FSA | Financial Services Associations |
| FY | Financial Year |
| ICT | Information Communication Technology |
| IFMIS | Integrated Financial Management Information System |
| KCCCF | Kitui County Climate Change Fund |
| KCHIC | Kitui County Health Insurance Cover |
| KIVEST | Kitui Vision for Economic and Social Transformation |
| MCAs | Members of County Assembly |
| NGOs | Non-Governmental Organizations |
| NHIF | National Health Insurance Cover |
| NITA | National Industrial Training Authority |
| P&P | Permanent and Pensionable |
| PFMA | Public Finance Management Act |
| RMFL | Road Maintenance Fuel Levy |

Annexures

- i. Signed List of Committee Members
- ii. County revenue projections
- iii. Proposed County Spending Entities Budgetary allocations Ceilings
- iv. List of Projects per Village

Preamble

Hon. Speaker,

On behalf of Members of the Budget and Appropriations Committee and as required under **Section 117 of the Public Finance Management Act, 2012 (PFMA)** as read together with **Standing Order 205 (4)**, it is my pleasure to present to this House, the Committee's Report on the consideration of the Kitui County Fiscal Strategy Paper (CFSP) for the FY 2019/2020.

Hon. Speaker,

Section 117 of the Public Finance Management Act, 2012 (PFMA) inter alia provides that;-

"The County Treasury shall prepare and submit to the County Executive Committee (CEC) the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year".

Further, the Section provides that, not later than fourteen days after submission of the fiscal policy paper, the County Assembly shall consider and may adopt it **with or without** amendments.

In compliance with the above provisions and that of Standing Order 205 (1) (3), the County Executive Committee Member (CECM) for County Treasury submitted to the County Assembly the Kitui CFSP for financial year 2019/2020 on 28th February, 2019.

The Assembly was however not able to consider the policy paper within fourteen days after its submission because the House had adjourned to undertake its oversight duty and attend the devolution conference and resumed its sittings on 12th March, 2019. The document was procedurally committed to this Committee immediately the House resumed her sittings on 12th March, 2019 in the afternoon sitting through a communication from the chair. The committee went on to organize for sectoral committee

consideration from 13th to 15th of March, 2019 at Mwingi and submitted their sector recommendations to this committee.

Hon. Speaker,

Section 117 (7) of the PFMA, 2012 provides that the County Treasury shall consider any recommendations by the County Assembly when finalizing the budget proposal for the financial year concerned. It is worth mentioning that once the CFSP is approved, it should form the basis of evaluating the budget estimates for financial year 2019/2020 for the various spending entities. This is therefore a very important stage in the budget cycle as it not only provides recommendations to be considered when finalizing the budget, but also sets the expenditure ceilings for the various spending entities which must be adhered to.

Mandate of the Committee.

Hon. Speaker,

The role of consideration of the CFSP is an absolute mandate of the Committee on Budget and Appropriations as conferred by Standing Order 205 (3), (4) and (5). The Committee on Budget and Appropriations is a select Committee established under Standing Order 186 with specific mandate as to inter alia;

- (i) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the county budget.
- (ii) Examine the County Budget Policy Statement presented to the County Assembly.

It was therefore the full responsibility of this Committee to consider and ensure a report is tabled for approval by the Assembly.

Composition of the Committee

Hon. Speaker,

The Committee on Budget and Appropriations as currently constituted comprises of the following Members;-

| | |
|-------------------------------|------------------|
| 1. Hon. Boniface Kilaa Kasina | Chairperson |
| 2. Hon. Baridi F. D. Mbevo | Vice Chairperson |
| 3. Hon. Esther K. Ndile | Member |
| 4. Hon. Mary K. Philip | " |
| 5. Hon. Philip Nguli | " |
| 6. Hon. Annastacia M. Mutunga | " |
| 7. Hon. Nicholas N. Mwalali | " |
| 8. Hon. Mary P. Ndumbu | " |
| 9. Hon. James M. Munuve | " |

Examination of the CFSP by the Committee.

Hon. Speaker,

In reviewing the CFSP 2019/2020, the Committee on Budget and Appropriations held a total of six days retreat at Sai Rock Hotel - Mombasa. During the retreat, the Committee interrogated the contents of the document vis a vis the Sectoral Committee input which had been submitted to this Committee pursuant to the provisions of **Standing Order 205 (3)**, which inform the committee's findings and recommendations of this report.

Acknowledgement

Hon. Speaker,

The Committee wishes to thank the Office of the Hon. Speaker and that of the Clerk of Assembly for the support extended in fulfilling its mandate. The Committee is also grateful to the Sectoral Committees and all the Members of the County Assembly who

participated in the process, for working hard to ensure that the report is finalized on time. I also wish to express Committee's gratitude to the Chief Officer Economic Planning and Budgeting who within a very short notice appeared before the Committee to give highlights on the CFSP amidst his tight schedule. Allow me also to extend the Committee's gratitude to the House leadership who appeared before the Committee to give some highlights on the findings of the ad hoc committee regarding equitable distribution of development projects across the County.

Last but not least, I extend my gratitude to the able honorable members of this committee who traded off their busy schedule to give their input to this report. I will not hesitate to acknowledge the staff of Assembly serving the committee who contributed significantly in providing technical advice and compiling of this report.

Hon. Boniface Kilaa Kasina

Chairman, Committee on Budget & Appropriations

Date: _____

Overview of the County Fiscal Strategy Paper 2019/2020

(a) Introduction

Hon. Speaker,

The CFSP is a statutory document in respect to County Budget process as stipulated under the provisions of Section 125 of the PFMA, 2012. The CFSP, as per provisions of Section 117 (3) and (4) of the PFMA, 2012, sets out 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. Further, it should include the financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term. As such, it provides a valuable platform for a review of fiscal policy in light of emerging challenges and opportunities for the economy. Therefore, CFSP is a very important document for policy makers as it facilitates evaluation and effectiveness of the existing policy. It offers policy makers and government at large an opportunity to adjust its expenditure and revenue along more suitable lines for accelerating service delivery to the citizens.

(b) Adherence to the legal framework

Hon. Speaker,

The format and content of the CFSP should be in line with the provisions of various legal instruments such as PFMA, 2012, Public Finance Management (County Government) Regulations, 2015 and the Standing Orders. Section 117 of the Public Finance Management Act, 2012 provides that;

- i. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- ii. 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.

- iii. The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- iv. 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; and
 - (d) Any other forum that is established by legislation.

Further, regulation 26 of the Public Finance Management (County Government) Regulations, 2015 requires the County Fiscal Strategy Paper to contain;

- i. A Statement of Fiscal responsibility principles indicating whether the CFSP adheres to these principles.
- ii. A fiscal risk statement.

In reviewing the CFSP, the committee established that to a greater extent, the 2019/2020 CFSP complied with the above provisions and has provided most of the required information. However, it is worth noting that the wage bill has been ballooning and in the current CFSP has exceeded the 35% threshold as set out in the Regulations. This **Mr. Speaker**, should be an area of concern to this Assembly since the expenditure on remuneration will be eating up the development expenditure.

(c) Review of the County Fiscal Strategy Paper 2019/2020

Hon. Speaker,

The County Fiscal Strategy Paper (CFSP), is the sixth since devolution, and the second one in implementing Governors Manifesto. It has been prepared taking cognizance of the 2019/2020 economic outlook and the five pillars of the County development agenda namely; Food and Water, Health Care, Education and Youth Development, Women Empowerment and Wealth Creation. Further, the paper seeks to give a framework for implementation of programmes and projects prioritized by the County and aligned to

the Country's Vision 2030, National Government policies and guidelines as communicated through various Circular's, the 2019/2020 Budget Policy Statement (BPS), the County Integrated Development Plan (CIDP) 2018-2022 and the County's Annual Development Plan for Financial Year 2019/2020.

Hon. Speaker,

It is worth noting that the policy paper benefited from feedback from members of the public and other interested stakeholders. The paper ought to serve as a guide in the preparation of the FY 2019/2020 budget estimates. It highlights programmes, policies, strategies and activities while at the same time underlining the structural reforms required for actualization of the County's five development agenda items.

In the period 2019/2020, the County Government intends to initiate and implement various programs, strategies and proposed projects under the County Broad sector priorities. The County Government's Strategic Intent is to pay more attention to a couple of projects and activities with the highest potential for high economic and social impact within the shortest time possible. Specifically, the key county sector priorities are identified as follows:-

- i. Food & water
- ii. Health care
- iii. Education & Youth Development
- iv. Women Empowerment
- v. Wealth creation

Hon. Speaker,

In an endeavor to achieve the above key county sector priorities, the 2019/2020 CFSP identifies a number of strategies to be applied with key specific areas of focus being;-

- (i) Value chain approach
- (ii) Lands and Infrastructure Development

- (iii) Health and Sanitation
- (iv) Agriculture, Water and Livestock Development
- (v) Education, ICT and Youth development
- (vi) Trade , Co-operatives and Investments
- (vii) Environment and National Resource Management
- (viii) Tourism, Culture and Sports
- (ix) The County Treasury

The Value Chain Approach

Hon. Speaker,

Previous Government practice has been to support farmers to produce according to the market demand and depended on supply of products and services. The value chain approach will enable the producers to improve the quality of the products and ensure high prices at the end line with minimal cost of production. The County Government will ensure that information and training on value chain is available to the producers.

In the past, for instance, it has been up to the individual farmers to grow their crop(s), store them, look for markets/marketing outlets, and transport them to the market through whatever means they deemed appropriate. This approach has, since time immemorial left the farmer at the mercy of scrupulous middlemen who exploit the farmers without fear or mercy. The farmer toils the most, but gets the least, with all the other players along the value chain smiling all the way to the bank.

Value Chains are about Products, Processes and People. During the FY 2019/2020, the County Government plans, to continue supporting producers directly right from operations at the farm level/production (e.g through mechanization of farming activities; planting of certified seeds; supply of subsidized fertilizers timely use of appropriate pesticides; and complete post-harvest management services such as transport / logistics related to bulking and to the final market/ marketing outlets; value addition, branding and marketing.

To achieve this, deliberate efforts will be put on organized groups including faith based organizations, youth groups, women groups and encourage them to transform themselves into sector focused Co-operatives, with special focus to value addition and access to local, regional and global markets.

During the FY 2019/2020, the County Government also plans to invest heavily on capacity development through applied training / learner centered knowledge diffusion with the view to ensuring that, regardless of one's previous academic background, a critical mass of people from Kitui acquire practical skills alongside the specific value chains identified above. Through Vocational training Centers, Co-operatives, Financial Services Associations (FSAs), and other credit giving institutions, the County Government plans to ensure that there is affordable credit for our women and youth for wealth and income generation.

Lands and Infrastructure Development

- **Land Development**

Land as a factor of production is critical to economic, social, political and cultural development. Secure access to land and sustainable land use planning remains immensely important for food security, employment creation and the socio-economic development of the county. In order to support the attainment of the county manifesto, the county will assist to fast track issuance of title deeds and settlement of land adjudications as well as undertake physical planning through proper engineering and design plans of Mwingi, Mutomo, Kyuso, Zombe and Kwa Vonza towns

- **Roads**

To unlock the country's potential in contributing to the national economy and supporting wealth creation within the county, the county will continue to increase the coverage of rural access roads to improve connectivity and enable farmers in getting their produce to markets faster and cheaply. Towards this end, during the FY 2019/2020, the County Government plans to turnaround this sector by putting in more resources to improve an

estimated 3,000 km of existing road network through a continuous programme of grading, gravelling, and tarmacking of roads.

- **Housing**

The housing situation in Kitui County is characterized by an acute shortage of affordable housing. This situation is aggravated by the rapidly rising rural urban migration in search of work, business opportunities as well as modern living and the low percentage of individuals within the County who are engaged in gainful economic activity. To enable construction of decent housing units, the county will develop a comprehensive housing programme to be implemented through a joint venture arrangement to incentivize low cost housing.

Health and Sanitation

Hon. Speaker,

In FY 2019/2020 the Ministry of Health and Sanitation will continue to enhance healthcare access in the County. This will be done by ensuring all citizens of Kitui have access to quality healthcare through scaling up the health insurance cover programme. To achieve this, the County will continue implementing Kitui County Health Insurance Cover (KCHIC) programme to reduce high out- of- pocket expenditure and ensure access to quality healthcare. Further, the county will sensitize citizen on the uptake of National Hospital Insurance Fund (NHIF) and other commercial insurance covers. This will be coupled with gradually increasing the workforce in addition to infrastructural improvement to ensure the existing facilities can handle the increased workload. Health products and technologies will be enhanced. This will go hand in hand with automation of data management in the health facilities.

To reduce high burden of both communicable and non-communicable disease, the ministry will revamp the community health strategy. This is a community based promotive and preventive health services. To make this more effective, the County will engage more Community Health Volunteers (CHVs) and equip them with the relevant resources and

skills. During the year in reference, the ministry will strengthen health referral systems in the County to ensure citizens have access to timely and affordable referral services throughout the County. Purchase and proper maintenance of ambulance facilities will be prioritized during this period.

To improve maternal, new born and child health care, the County intends to roll out a comprehensive maternal service improvement strategy which shall involve completion and equipping of health facilities to ensure that they have proper functioning maternity units/wards. This will be complemented by capacity building of health workers on these aspects.

Agriculture, Water and Livestock Development

Hon. Speaker,

During FY 2019/2020, the County proposes to utilize available land to enhance food security and wealth creation of Kitui residents. Specifically, the County plans to purchase certified seeds for farmers in a timely manner to facilitate timely planting and quality yield for drought and disease resistant crops. The ministry will continue promoting tractor ploughing to increase acreage under cultivation. This will promote productivity and mechanization of farming activities for improved crop production. The plan and support to livestock farmers and traders has already been alluded to under the value chain approach.

Kitui County is located in Semi-Arid area where rainfall is usually minimal throughout the year hence rain-fed agriculture faces serious draw back for growing both food and cash crops, with cyclical drought and famine being the norm than the exception. With increasing negative effects of climate change now being a reality in Kitui County, deliberate efforts will be made to tap seasonal rivers and dams will be constructed.

During the FY 2019/2020, deliberate efforts will also be made to lay the ground work for irrigated agriculture. It is projected that, in the initial phase, an estimated 200 hectares

will be irrigated along the Tana River while another estimated 100 hectares will be irrigated along the Athi River. Additionally, micro irrigation schemes will be developed around dams, riverine areas along seasonal rivers, shallow wells and weirs. *Myanda* irrigation will continue to be given priority to ensure that farmers improve production of high value horticulture crops like tomatoes, onions, water melons, spinach, chilies, coriander and local vegetables among others.

Cotton production will be prioritized to provide raw materials to Kitui County Textile Centre (KICOTEC) to complete the value chain, the concept of forward linkage with the garment factory. To enhance production and productivity, the County shall support farmers with quality seeds, pesticides, marketing and value addition.

Sorghum is best suited to the local climate. In FY 2019/2020, the Ministry will promote Sorghum production and utilization. Sorghum is grown in all the eight sub counties although concentration is more on the agro-ecological zones LM4, LM5 and IL5 where large tracts of land can be readily available for investment in the crops. To enhance production and productivity, there will be need to invest in quality seeds, marketing, utilization and value addition.

Access to adequate supply of clean water is fundamental for the achievement of the first pillar of the Governors' manifesto. Indeed, adequate safe drinking water and sanitation do compliment efforts towards improved primary health care and productivity of labour. In addition, adequate supply of water is essential for increased agricultural production. For this reason, the county will continue to invest in clean water supply, prioritize construction of earth dam, pipe line extension and water pans across the county as well as completing the ongoing water projects in urban and rural areas in order to increase the number of people connected to clean water. Further, the county will invest in 500,000 liter water harvesting and storage infrastructure in every ward within the county. The county also intends to invest in Kiambere water project phase 2 to increase access to clean and safe water in Mwingi town and its environs. In addition, the County will

continue to expand sanitation infrastructure in urban areas within Kitui Municipality and Mwingi towns.

In FY 2019/2020, the Ministry will scale up improvement of local livestock breeds. This will be undertaken through sensitization of farmers, use of hormones to synchronize ovulation and use of artificial insemination. This programme aims at increasing meat and milk productivity using the locally available breeds. This programme will further be supported by a livestock disease Management Programme. The later programme will address the high threats of vector borne diseases which lead to poor animal health and high mortality rate hence affecting livelihoods. The county shall support the farmers with acaricides, spray pumps (manual and motorized), carry out disease surveillance, procure an assortment of vaccines and sera to cover common and frequent disease outbreaks and carry out vaccination.

Education, ICT & Youth Development

Hon. Speaker,

The education, ICT and youth development sector continues to work towards achieving its overall goal of equipping Early Childhood Development Education (ECDE) to improve the quality of ECD education, promoting youth development and integration of ICT in all County government operations.

The County recognizes that the quality of education a child gets in the early years of schooling is known to influence her education outcomes for the rest of schooling life. Towards this end, the Ministry will commit more resources towards infrastructure development and provision of teaching/learning materials to create a safe and conducive environment for children growth and development.

In order to improve access to education and support the national government policy of 100% transition from primary to secondary schools the ministry proposes to facilitate

offering bursaries and scholarships to support bright but vulnerable students to complete their secondary and university education.

To mitigate the high unemployment rate among the youth, the County will continue to make deliberate efforts to support out of school youth to acquire technical skills which increase their chances of getting employment or starting their own small businesses. Towards this end during the FY 2019/2020 the County Government will rehabilitate and equip existing Vocational Training centers (Youth Polytechnics) with training tools and equipment to provide out of school youth with increased access to Vocational skills training. In addition, the government will continue to partner with key strategic partners including National Industrial Training Authority (NITA), International labour Organization (ILO), Toolkit Institute, among others, to develop and implement tailor made short intensive work based skills development programmes for the youth to enhance their employability status.

In order to provide youth acquiring basic technical skills with an opportunity to advance their careers by undertaking specialized courses the Ministry plans to establish and equip one Skills Training Center of excellence to offer advanced Technical Training and applied research courses at Certificate and Diploma Levels.

On ICT, the county will continue to leverage on ICT to improve service delivery through initiatives such as e-procurement, IFMIS, revenue automation and online tracking of County programmes and projects. Further, the County will continue to increase online access to government publications and information through digitizing government records and expanding the available ICT infrastructure.

The government is committed to promoting an active reading culture in the County. Towards this end, the Ministry proposes to construct and equip one library facility and youth resource center within Kitui town as a multi-year project. This facility will provide school going children with opportunities for reference materials, study and research

resources, as well as provide youth with supportive services such as career guidance, job applications and unlimited internet services.

The County Government recognizes the role played by Information and Communications Technology (ICT) to drive social economic development. In the FY 2019/2020 the government will seek to integrate ICT in its operations and service delivery programmes. The sub sector will undertake development of ICT infrastructure at both County offices and sub county levels to support service delivery, e-government use and adoption.

Trade, Co-operatives and Investments

Hon. Speaker,

The Ministry of Trade, Cooperatives and Investment aims at provide an enabling business environment through appropriate incentives and innovation to promote trade, industry and viable cooperatives for job and wealth creation. This has been achieved through strengthening the cooperative movement, initiating various business enterprises and promoting the viable value chains within the County.

The Kitui County Textile Centre (KICOTEC) set up in Syongila Polytechnic aims to promote people's livelihoods by ensuring Kitui wealth is retained within its borders. Over 300 youths have been equipped with skills and knowledge and employed at the Factory. So far, school uniforms have been made at affordable prices and of high quality for various institutions within the County. This has reduced the burden on the parents and the generated savings now being used for other economic activities.

The Ministry has partnered with Yatta Kwa Vonza Marketing Cooperative Society to set up a Ballast Crushing Plant in Kyusani, Kitui Rural Sub County. The cooperative has over 2,000 members who will increase their household income as a result of dividends from the cooperative profits arising out of the crushed stone. The plant will create employment for various relevant professionals, promote use of local construction materials and increase revenue collection in the County.

The Ministry is further promoting various value chains such as honey, soap, sand, meat, milk, fruits processing among others. Through partnership with various cooperatives and Non-Governmental Organizations (NGOs), the Ministry aims to ensure farmers' income is increased and that they benefit maximally from their produce.

In FY 2019/2020, the Ministry will continue with the programme of modernization of markets and the Jua Kali industry. To empower the residents of Kitui County, the Ministry will continue to allocate funds to the County Empowerment Fund and support establishment of the County Investment Corporations. The Ministry will also undertake a multi-year project of construction of a county abattoir at Kanyonyoo area.

Environment and National Resource Management

Hon. Speaker,

To counter the serious threats posed by climate change, the County will continue to enhance mitigation and adaptation measures. In particular, the County has set up the Kitui County Climate Change Fund through regulations that have already been approved by the County Assembly. The fund will be key in mobilizing climate change finances from both national and international levels. Continuing with these efforts and with the aim of avoiding health and environmental effects of deteriorating climate, the County Government enforced a charcoal and sand transportation ban for commercial use of these resources outside the county. So far, the ban has been a major milestone, earning the county international recognition for the efforts and the good results yielded.

Going forward, the county will continue to enforce the ban and mainstream climate change mitigation measures such as tree planting programmes and supporting the local population in the affected areas with alternative economic income generating activities such as brick making using modern technology kilns and briquette making.

To promote the skills of local artisanal miners and increase the value of their products, the county will commit more resources to construct and equip a mineral lab in the County.

Tourism, Culture and Sports

Hon. Speaker,

Tourism transformation and its integration with sports, culture and arts are important for revenue generation and employment creation. To support growth of the sector, the County in partnership with key stakeholders will implement the following strategies;

- ❖ Revamping and refreshing major tourist products,
- ❖ Developing heritage tourism products,
- ❖ Mainstreaming conservancies into the tourism value chain,
- ❖ Development of infrastructure especially tourism areas and marketing of the County as a viable tourism destination.

In addition, the County will continue to nurture talented youths in various sports discipline and support them to participate in national and even international events.

The County Treasury

Hon. Speaker,

During the FY 2019/2020, the Kitui County Treasury's priority will be to facilitate all ministries/entities and offer them maximum support for effective implementation of the prioritized programmes. To achieve this, the County Treasury plans;-

- ❖ To train more staff through capacity building and technical assistance by mobilizing donor support which will ensure effective service delivery to the public.
- ❖ To update the County Statistical Database,
- ❖ To effectively and efficiently track implementation of development projects in the county by rolling out a comprehensive package of Monitoring and Evaluation.
- ❖ To ensure prudent financial management systems and controls,
- ❖ To ensure timely reporting and accurate information will continuously be availed to the County Assembly and all the other relevant government institutions.

- ❖ To coordinate public participation for all policy document of concern along the budget cycle.
- ❖ To maximize own source of revenue and strengthen revenue
- ❖ To mobilize resources through seeking external financial support for implementation of capital projects.
- ❖ To develop risk management strategy

Revenue Projections

Hon. Speaker,

The proposed county resource envelop for the FY 2019/2020 is based on a revenue projection of Kshs. 10,392,259,303 down from Kshs. 10,399,277,222 revenue for the FY 2018/19. It is worth noting that the equitable share has reduced. This amount comprises of funds expected from the national government, development partners (grants) and the County Government of Kitui own resources generated locally. The County government projects to receive a transfer of Kshs. 9.792 billion from the National Government constituting an equitable share allocation of Kshs. 8.649 billion and conditional grants of Kshs 1.143 billion respectively.

The grants comprise of:-

- i. Compensation for user fee foregone of Kshs 22,499,906
- ii. Road maintenance fuel levy of Kshs 250,655,344.
- iii. Leasing of Medical Equipment Kshs 200,000,000
- iv. World bank loan to supplement financing of county health facilities Kshs 29,852,863
- v. Development of Youth polytechnics Kshs 72,588,298

The County's revenues have been growing sluggishly over the past financial years, but are expected to improve further in the FY 2019/2020 with the enactment of the relevant laws and automation of revenue. For the FY 2019/2020, the County projects own revenues of Kshs. 0.6 Billion tabulated per ministry as under;

- ❖ County Treasury Kshs 80,786,903
- ❖ Public Service Management and Administration Ksh 25,000,000
- ❖ Health and Sanitation Kshs 200,544,823
- ❖ Trade, Co-operatives and Investments Kshs 71,215,506
- ❖ Lands, Infrastructure and Urban Development Kshs 64,067,430
- ❖ Tourism Sports and Culture Kshs 2,458,608
- ❖ Agriculture, Water and Livestock Development Kshs 41,603,163
- ❖ Environment, Energy and Mineral Investment Development Kshs 1,215,506
- ❖ Kitui Municipality Kshs 68,399,950
- ❖ Mwingi Town Administration Kshs 44,708,110

It is expected that the County Executive will present to the County Assembly, a more detailed structural measures to boost revenue generation through the Finance Bill, 2019, for consideration and enactment as required by the PFMA, 2012.

Expenditure Projections

Hon. Speaker,

Priority for funding in the FY 2019/2020 has been given to projects/programmes that aim at scaling up levels of investment in economic and social infrastructure and creation of wealth & employment opportunities considering the limited resources and competing programmes for funding.

In this regard, total recurrent expenditure budget in the FY 2019/2020 is estimated to be Kshs. 6.26 billion compared to Kshs. 6.81 billion in previous FY 2018/2019 printed Budget estimates, thereby decreasing by 8 per cent.

The wage bill is projected at Kshs. 3.8 Billion in the FY 2019/2020. This is an increase compared to previous year's wage bill of Kshs 3.75 Billion. The increase is as a result of recruitment of new medics and nurse's salary increment following the recent strike. Coupled with slight annual increments in salaries, it is expected that the wage bill will

rise further once the doctors reach an agreement with the Government. This projection on wage bill is at 36.6% of the total County projected budget. This does not meet the legal requirement of Public Finance Management (County Government) Regulations, 2015 that requires the wage bill to be maintained at not more than 35% of the budget.

In the FY 2019/2020, the overall development expenditure is expected to be Kshs. 4.13 Billion. This accounts for 39.8 percent of the overall budget, which is in line with the fiscal responsibility requirement of allocating at least 30 percent of the budget to development expenditure.

(d) Committees General Observations

Hon. Speaker,

Regulation 26 (3) of the Public Finance Management (County Government) Regulations, 2015 requires that before tabling a report containing recommendations on the County Fiscal Strategy Paper for adoption by the County Assembly in accordance with section 117(6) of the Act, the relevant committee of the County Assembly shall seek the views of the County Executive Committee Member on its recommendations. In an endeavor to fulfil this legal requirement, the committee invited the CECM for County Treasury who sent the Chief Officer for Economic planning to represent her.

The committee has thus scrutinized the CFSP alongside the sectoral committee reports, the CECM submissions and after doing intensive consultations made the following observations:-

Office of the Governor

The Committee observed that there is a proposed programme on disaster management and response preparedness. The Committee felt that since the Kitui Emergency Act, 2018 was operational this programme should be removed from the Office of the Governor and merged with Emergency Fund under the County Treasury.

Ministry of Public Service Management and Administration.

The Committee applauds the proposal by the Ministry to recruit Casuals on permanent basis. It was felt that some of the casuals have been engaged for just too long and justice would demand they be confirmed to permanent terms.

County Treasury

Kitui County has got high potential to generate own revenue enough to drive its economic agenda. However, the committee notes that over the years, the county has been relying heavily on revenues from national government which poses a major risk should disbursements be delayed. The low revenue generation can be attributed to;-

- (i) Slow intake of technology in revenue automation.
- (ii) Failure to institute liquor licensing boards.
- (iii) Weak revenue collection systems which is a recipe for pilferage by revenue collectors.
- (iv) Continued use of former local authority staff who lack requisite skills in modern revenue collection techniques.

The committee is of the view that formation of the liquor licensing boards, fully automation of revenue collection and training of revenue collectors will act as a cure to improved revenue generation.

Further the Committee observed that the County over the years has been projecting high revenues which has never been attained. This has contributed to the high pending bills due to unrealized revenues.

Ministry of Health and Sanitation

The committee noted with great concern that the Ministry had no programme targeting completion of stalled health projects across the county, water harvesting tanks in hospitals and equipping of dispensaries and health centers across the county.

Further, the Committee observed that the Ministry had no plans in this CFSP to do sewerage and drainage system in other hospitals apart from Kitui Referral, construction of placenta pits, incinerators and power connection in hospitals across the county. The Committee felt that if all these are in place a better health care will be available to the citizens of Kitui County.

Ministry of Basic Education

The Ministry plans to train ECDE staff and teachers to implement the new ECDE curriculum. It was the feeling of the Committee that it was not a noble idea to train people who you have not employed yet. The Committee felt that Early Childhood Development Education (ECDE) plays a significant role in the holistic growth and development of a child and in order to achieve this, the ECDE teachers should be employed on permanent and pensionable terms.

Ministry of Trade, Cooperatives and Investment

- (i) The Committee observed that the Ministry has been carrying out investments without requisite policy guidelines. Further, the committee felt that the Ministry had not implemented Kitui Vision for Economic and Social Transformation (KIVEST) document which could help the Ministry in investing in a zoned manner.
- (ii) Although KICOTEC has been in operation for some time now, the revenue generated could not be accounted for as there was very little collection in this Ministry from the records made available to this Committee.

Ministry of Lands, Infrastructure, Housing and Urban Development

- (i) The Committee observed that under the Dustless programme the Ministry should specify all the urban towns which will benefit from the programme and the kilometres to be covered.
- (ii) There was an observation that most of the machinery bought previously by the County had broken down. The Committee felt that the County Government had bought a lot of machinery that had broken down due to the high maintenance cost. The Committee feels that the County Government should desist from buying machinery and embrace hiring so as to cut on maintenance cost.

Ministry of Tourism, Sports and Culture

The Committee felt that the Ministry should provide a list of all sports facilities project done across the County indicating the status and cost.

Ministry of Agriculture, Water and Irrigation

- (i) The committee observed that the County intends to bring sorghum and cotton on board for value addition. However, it was the feeling of the Committee that there is a need to promote millet farming in the county as a way of boosting food security in the County.
- (ii) The committee observed that the ministry had not allocated funds for desilting, fencing existing dams, construction of pit latrines around the water points and sand dams, drilling of new bore holes, piping extension, rock catchment, spill-way and purchase of plastic water tanks with a capacity of 10,000 litres for all public institutions.

Ministry of Environment and Natural Resources.

The committee observed that the ministry has been implementing the tree growing programme across the county with minimal survival rates in the past years. The

committee feels that the ministry should come up with policy to regulate and ensure there is sustainability of the programme.

County Assembly Service Board

- (i) The Committee observed that the County Assembly service board had no any programme for public participation. The Committee felt that the citizens needed to be facilitated during public participation because most of them travel long distance.
- (ii) The Committee felt that the drivers for MCAs needed to be provided with allowances because they depend on MCAs to pay for their accommodation and meals.
- (iii) The Committee observed that there was no any programme in this CFSP to support sports in the County Assembly. Such a programme is paramount to ensure Members of Assembly are facilitated to train and participate in the upcoming Inter County Assemblies Games.
- (iv) The Committee observed that the County Assembly ceiling in CFSP was below the indicative ceiling recommended by the CRA to the Senate. Although the CARA is yet to be enacted it is unlikely that the Assembly Ceiling will go below the CRA recommendations.

(e) Specific Committee Recommendations on the County Fiscal Strategy Paper 2019/2020

Hon. Speaker,

To this end, the Committee hereby proposes the following recommendations to the House:-

Office of the Governor.

- i. The Committee recommends that the disaster management and response preparedness programme should be moved to county treasury and be merged with Emergency Fund. This will eliminate duplication of functions.
- ii. To ensure equity and access to education to all children in the county, the committee recommends that the disbursements of pro-poor programmes be channeled through the parent ministry.
- iii. The committee observed that over the years the County has concentrated mostly on non-devolved functions whereby more bursaries are allocated to secondary schools and universities at the expense of those in vocational trainings which is a fully devolved function. The Committee therefore recommends the following ratio to be adhered to in bursary allocations:-
 - 40% disbursed to Youth polytechnics.
 - 40% disbursed to secondary schools.
 - 20% disbursed to colleges/ universities.

County Treasury

- i. The Committee observed that the County over the years has been projecting high revenues which has never been attained. This has contributed to the high pending bills due to unrealized revenues. The actual revenue collected for the eight months period from July, 2018 to February, 2019 was Kshs 281.5 Million. This implies that

the average revenue collection per month is Kshs 35 million. In an endeavor to ensure a realistic projection, this committee recommends that the projected own revenue be reduced from Kshs 600 Million to Kshs 500 Million.

Ministry of Health and Sanitation

- i. The committee recommends that the Ministry should allocate funds for completion of stalled health projects across the county, water harvesting tanks in hospitals, equipping of dispensaries and health centers across the county. It's important to note that health is one the five manifesto of today's government.
- ii. The Committee recommends that the Ministry should allocate funds for sewage and drainage system in hospitals, construction of placenta pits, incinerators pits and power connection in all hospitals across the county.

Ministry of Basic Education

- i. Early Childhood Development Education (ECDE) plays a significant role in the holistic growth and development of a child. Further, the sub-sector being a fully devolved function in the County Government, the committee recommends more budgetary allocation in the current financial year to recruit at least two hundreds ECDE teachers in the county (i.e five teachers per ward) and further the confirmation of the existing casuals on P & P terms,
- ii. The committee urges the Ministry to ensure that the already constructed E.C.D.E classrooms should be properly equipped with indoor and outdoor play equipment and learning aid materials.
- iii. To provide increased opportunities to youth in order to acquire technical education and vocational skills for employment, the committee recommends that there is a need to upgrade one Vocational training centers to technical training college in every sub County. The Ministry should apply population as a criteria when

identifying the training centers to be upgraded and should ensure all the training center should be connected to power supply.

- iv. To provide effective and advanced vocational skills to the youth in County Vocational Training Centres, the committee recommends for recruitment of more instructors and they be remunerated like other civil servants. Thus there is need for more budgetary allocation in the subsequent financial years.
- v. To further increase internet connectivity and other tools of communication in the county, the committee recommends establishment and installation of ICT infrastructure in every sub County. This is aimed at assisting in the delivery of devolution services such as E-revenue collection and E-procurement processes. Further the County should also partner with mobile service providers such as Safaricom, Airtel, Orange etc. to enhance communication throughout the county.

Ministry of Trade, Cooperatives and Investment

- i. The Committee recommends that the Ministry should come up with requisite policy documents for all investments it intends to carry out and to ensure fully operationalization of the same.
- ii. The Committee recommends fully implementation of KIVEST document to ensure there is equitable distribution of investments within the County.
- iii. There is need to open an account where monies from investments can be deposited for accountability. For this reason, the committee recommends that the County opens an account where all revenues raised by the investments within the County will be deposited.

Ministry of Lands, Infrastructure, Housing and Urban Development

- i. It was observed that previously, once bush clearing was done, road grading was done when vegetation cover had grown again. The Committee recommends that grading of roads and bush clearing at each ward should be done hand in hand.

Further, bush clearing should be done by the community under the supervision of the Ward Administrator. The Community should be contracted on casual basis.

- ii. The Committee was in agreement that the dustless towns program would be a good idea in small urban towns. However the Committee recommends that these proposed urban towns should exclude towns and wards covered by Municipality and Mwingi Town Administration.
- iii. The main idea of Road Maintenance Fuel Levy (RMFL) is to supplement National and County resources through conditional grants so as to repair County roads. The committee recommends that the Wards covered fully by Municipality should not benefit from this grant and therefore the grant should be shared equally between other Wards.

Ministry of Tourism, Sports and Culture

The Committee recommends that the Ministry should come up with charitable sporting activities including but not limited to; cycling, marathon etc. which will open up Kitui as a sport-tourism destination.

Ministry of Agriculture, Water and Irrigation

- i. This Ministry has plans to undertake quite a number of programmes in an endeavour to achieve the governments manifesto. However, there lacks most of the pre-requisite policy guidelines to operationalize some of these programmes. For this reason, the Committee recommends that no allocation should be given to all proposed programs/projects which have no policies and regulations.
- ii. The committee recommends that the Ministry should include Millet promotion as one of the crops to be promoted.
- iii. The committee recommends that the ministry should include programmes for desilting and fencing of existing dams, construction of pit latrines around the water points and sand dams, drilling of new bore holes, rock catchment, spill-way and

purchase of plastic water tanks with a capacity of 10,000 litres for all public institutions.

- iv. The committee recommends that all stalled projects be completed and operationalized first before establishing new ones so as to avoid wastage of public resources.

Ministry of Environment and Natural Resources.

- i. The Committee appreciates the Ministry's initiative for the County tree growing programme. History has it that the implementation of this initiative has failed in the past years. Therefore the Committee recommends that the Ministry should come up with a policy to regulate the same in the future.
- ii. The Committee encourages the Ministry in conjunction with the National Land Commission together with other relevant bodies to gazette more forests across the County and enforce strict laws to discourage intruders whose main aim is to destroy forests.
- iii. The committee encourages the Ministry to identify and support Community Based Organizations which are geared towards growing trees and protecting them with a view to providing them with seedlings, farm tools and equipment to C.B.O's. This will encourage increase of forest cover in Kitui County.
- iv. The Ministry should operationalize Kitui County Climate Change Fund KCCCF regulation 2018 through establishing and capacity building the steering committees, technical committee and ward climate change planning teams.
- v. The Committee recommends the Ministry to develop a Waste Management Act to reduce the risks associated with the disposal of both general and hazardous waste to landfill sites.

County Assembly Service Board

- i. The Committee recommends that the County Assembly service Board include a programme for public participation and allocate Kshs 50 Million during budgeting. This will assist in facilitating the public in attending public participation fora.
- ii. The committee recommends that the CASB should include vehicles for use by the House leadership and at least one pool vehicle under the programme of purchase of motor vehicles.
- iii. Although the drivers for MCAs were recruited, their travel and accommodation allowances were never factored in the budget. The Committee recommends that these allowances should be factored in the next budget.
- iv. In 2018/2019 financial year there was a budgetary allocation for the establishment of a fully-fledged budget office. The committee recommends the CASB to equip the budget office and employ additional budget staff.
- v. The committee notes that there is no programme in this CFSP for sports under the proposed programmes for the CASB. The committee recommends this programme be included to ensure Members take part in the upcoming Inter County Assemblies Games.

Kitui Municipality

- i. The Committee notes with great concern that Kiembeni market is located at the entrance of Kitui town. The committee feels that this is not an attractive face as you enter the town and therefore recommends that the Municipality should come up with plans to shift the market to kalundu area around the livestock market. The Municipality may also consider building a parking flat within this location and secure some floors for parking and others for business. This would reduce congestion in town and bring revenue to the government.
- ii. The Municipality has plans to acquire 20 skippers the idea being for sustainable waste management within the wards. However the committee feels the number to be on the higher side and recommends a reduction of the proposed skippers

from 20 to 10 that will be distributed such that 5 will be for Kitui town, and the other wards within the Municipality gets 1 each.

Mwingi Town Administration

- i. The Committee feels that it is a noble idea to improve security and ensure extended business hours. For this reason, the Committee is in agreement with the recommendation of the Committee on Lands, Infrastructure and Urban Development to add four more *Mulika Mwizi* in the following areas;-
 - ❖ Behind Mwingi Police Station,
 - ❖ At Garissa stage behind the Jazeera Supermarket,
 - ❖ Musila gardens and
 - ❖ Around ACK Neema Primary School.
- ii. In an endeavour to open up Mwingi Town, the Committee recommends additional roads to be opened up within the town so as to ease access to the town. These include;
 - ❖ Slaughter house road,
 - ❖ Idea palace road,
 - ❖ Kasina primary road,
 - ❖ Musila garden to A.C.K Neema primary school,
 - ❖ Cafe Mamro via tourist Hotel to Kyuso highway,
 - ❖ Kyuso highway road via human rights area to target furniture holdings
 - ❖ Livestock market road to kwa kaka
 - ❖ The road around Musila garden via family nursing home to nzeluni road
 - ❖ The road between Garissa stage and Kazuri Hotel leading to Musila gardens.

(f) General Recommendation

Hon. Speaker,

- i. Distribution of resources across the County has been so skewed whereby some wards receive more development projects than others. In an effort to ensure equitable distribution of resources and opportunities, this House set up an ad hoc committee to consider how equitable distribution of resources can be achieved in terms of development across all the wards. In an effort to actualize the findings of that committee as presented by the house leadership, the Committee recommends that the County Treasury to harmonize the CFSP so as to include the annexed projects **(Annex IV)** per village as extracted from the report on public participation on CFSP by the executive and allocate funds per ward totaling to a minimum of Kshs 40,000,000 to undertake those projects across different line ministries.
- ii. The previous budgets that were submitted to this Assembly lacked a listing of projects by name, location and the amounts for each project. This made it very difficult for Honorable members to know what projects are earmarked for their wards and thus making monitoring very difficult. The committee recommends that the subsequent budgets should have a list of projects entailing name, location/Village, Ward, cost and implementing Ministry.
- iii. In an endeavor to ensure that there is no deficit in financing the FY 2019/2020 budget, bearing in mind that this committee has recommended a reduction in projected revenues and adjusted County Assembly ceiling, the committee has adjusted ministerial ceilings as contained in the attached **annex III** to this report.
- iv. In the event that the annexed projects do not make up a total of Kshs 40,000,000. Other projects should be identified from the approved current County Integrated Development plan (CIDP) in order to make up a minimum of Kshs. 40,000,000 per ward.

Hon. Speaker,

The recommendations made above across all the Ministries seeks to amend the CFSP 2019/2020 once adopted by the Assembly. Other proposals in CFSP not amended by this report are hereby recommended as submitted.

(g) Conclusion

Hon. Speaker,

The committee proposes to adjust the county resource envelop for the FY 2019/2020 to Kshs 10,292,259,303 as contained in **annex II**. To avoid deficits that have no clear plan on how they will be financed, the committee proposes to allocate resources to spending entities as shown in the attached **annex III** which is commensurate to the revenues expected in the FY 2019/2020.

In compliance to Standing Order number 205 (5) and (6), this Committee hereby recommends to the House the following schedules of proposed revenues and expenditure ceilings for the County Government as contained in the attached annexures II and III respectively.

Hon. Speaker,

It is therefore my pleasant duty and privilege, on behalf of the Budget and Appropriations Committee to table this Report for adoption by the Assembly.

The Report was compiled by:

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