COUNTY GOVERNMENT OF MACHAKOS

COUNTY FISCAL STRATEGY PAPER~2020

ENHANCING SOCIO-ECONOMIC GROWTH THROUGH SUSTAINABLE AGRICULTURE, INFRASTRUCTURE AND SOCIAL DEVELOPMENT

February, 2020

Vision Statement

A First World County with high quality life to all citizens in a clean and secure environment

Mission Statement

To transform livelihoods through speedy, efficient, inclusive and sustainable development

Core Values and Principles

Transparency and Accountability

Efficiency and Effectiveness

Innovation and Creativity

Public Participation

Responsiveness

Integrity

Equity

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The County Treasury

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Foreword

The 2020 Machakos County Fiscal Strategy Paper (CFSP) is the third in the County's plan period 2018-2022. It highlights the legal framework underlying the fiscal responsibility for the County Government while reviewing the recent economic development. In specifying the strategic priorities and policy goals, the paper has been aligned with the national objectives as captured in the Budget Policy Statement, with application of fiscal responsibility principles as required by section 107 of PFM Act 2012.

The CFSP 2020 has been prepared within the context of a strong and resilient national economy in the face of global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The positive growth prospects over the medium term supported by stable macroeconomic environment and favourable weather conditions are expected to drive agricultural production, value addition, support exports, and leverage on stable commodity prices and access to credit for investment and employment creation in the County.

This CFSP therefore builds on the gains made in key sectors at early stages of the second-generation County Integrated Development Plan (2018-2022). In this respect, the policy goals, priority programs and fiscal framework are aligned to support achievement of the objectives of CIDP II, Medium Term Plan III and ultimately the Vision 2030. The County Government will augment socio-economic growth by strengthening the government's service delivery and performance management system, supported by solid planning and budgeting. In terms of programmes, the focus will be on agricultural productivity and food security, institutional strengthening and capacity building, access to clean and safe household water, skills development, business incubation and innovation support services. In addition, priority will be given to enhancing health services and infrastructural development.

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Deputy Governor/County Executive Committee Member-Finance and Economic Planning

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Abbreviations and Acronyms

ADP	Annual Development Plan
AEO	African Economic Outlook
BPS	Budget Policy Statement
CBEF	County Budget and Economic Forum
CBROP	County Budget Review and Outlook Paper
CCTV	Closed Circuit Television
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
DANIDA	Danish International Development Agency
EAC	East African Community
ECDE	Early Childhood Education Development
FY	Financial Year
GBVRC	Gender Based Violence Rescue Centre
GCP	Gross County Product
GDP	Gross Domestic Product
ICT	Information Communication Technology
KUSP	Kenya Urban Support Program
Kshs.	Kenya Shillings
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
OVC	Orphans and Vulnerable Children
PFMA	Public Finance Management Act
PWDs	People Living with Disabilities
TIPs	Transitional Implementation Plans
TVET	Technical and Vocational Education Training

UIG	Urban Institutional Grant
US	United Sates
VTC	Voluntary Testing and Counseling
WAN	World Area Network
WEO	World Economic Outlook
WHO	World Health Organization

CHAPTER ONE

1.0 COUNTY FISCAL STRATEGY PAPER PROCESS OVERVIEW

1.1 Introduction

1. The 2020 County Fiscal Strategy Paper lays down the frame work for the preparation of the 2020/2021 Budgets Estimates. It details the following:
    i. The principles that will guide the 2020/21 budgetary process
    ii. The broad fiscal parameters for the 2020/21 budget and the key strategies and policies for management of revenues and expenditures
    iii. The broad strategic priorities and policy goals that will guide the preparation of the budget over the medium term
    iv. A discussion of risks to the budget parameters and Budget Strategies
    v. The medium–term outlook for County Government revenues and expenditures
    vi. A discussion of how the Budget Strategies relates to the County priorities as drawn from the County Integrated Development Plan (CIDP) 2018- 2022

1.2 County Fiscal Strategy Paper Process

2. As per the requirement of the Public Finance Management Act, 2012 section 117 sub-section 5, the County Government has taken into consideration views of the various stakeholders during the preparation of the 2020 County Fiscal Strategy Paper. This was done through ;
    i. Public participation fora which were carried out at the ward level on 21st February, 2020 having been preceded by village level consultative fora on 20th February 2020.

    ii. A draft fiscal strategy paper was compiled and circulated to the County Executive Committee for their input before submission to County Assembly for approval.

1.3 Legal Basis for Preparation of County Fiscal Strategy Paper

3. The County Treasury, pursuant to section 117(1) and (6) of the Public Finance Management Act (PFMA), 2012 is mandated to prepare and forward the Fiscal Strategy Paper to the County Executive Committee for approval and subsequently submit the

approved CFSP to County Assembly, by 28th February of each year. The same shall be published and publicized not later than seven days after it has been submitted to the County Assembly.

4. In accordance with section 117(2) of PFM Act, the County Treasury has aligned the proposed revenue and expenditure plan to the national financial objectives contained in the Budget Policy Statement (BPS) for 2020. In this regard, the fiscal policies are geared towards triggering a multiplier effect towards the achievement of the national theme of Unlocking Economic Potential By Harnessing "The Big Four"

5. 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.

6. The preparation of CFSP and the proposed strategic policies and priorities for the fiscal year 2020/21 has taken into consideration the views and opinions of the public, the Commission on Revenue Allocation, interested persons/groups and other forums established by legislation.

1.4 Rationale for the Fiscal Strategy Paper

7. This strategy paper articulates priority socioeconomic policies and structural reforms as well as sectoral expenditure programs to be implemented in the fiscal year 2020/21 and the medium term. Specifically, the County Fiscal Strategy Paper aims to;
    i. 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;
    ii. Provide Linkage with the national objectives in the Budget Policy Statement;
    iii. Provide the financial outlook with respect to County Government revenues, expenditures and borrowing over the medium term; and
    iv. Provide a basis for stakeholder engagement in the formulation and implementation of County priorities and budgeting.

1.5 Outline of the 2020 County Fiscal Strategy Paper

8. The report is structured into four sections as follows;
    a) Chapter One provides an overview of the report

b) Chapter Two outlines the recent economic development and fiscal outlook at the Global, National and County Levels.
c) Chapter Three outlines the County strategic objectives and the various programmes that the County is implementing to achieve her objectives.
d) Chapter Four covers the fiscal and budget framework with projected resource envelop and departmental ceilings.

CHAPTER TWO

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 Introduction

9. This section gives an over view of the recent economic developments at the global, national and County levels.

2.2 Global & Regional Economy

10. As per global projections, the support from macroeconomic policy in major economies and recovering economies of emerging markets will cause an increase from 3.0 percent estimate in 2019 to 3.4 growth in 2020. However, due trade tensions between the United States of America (USA) and china, increase in global oil prices, and the Brexit outcome the growth for advanced economies is expected to decrease to 1.7 percent in 2020 from 2.8 percent in 2018.

11. The growth projection of the emerging markets and developing economies shows an estimated increase of 4.6 percent in 2020 from an expected 3.9 percent in 2019. It is expected that stressed economies such as Turkey, Argentina, and Iran will recover. Other economies such as Mexico, Brazil, India, Russia and Saudi Arabia are also expected to have an increase in growth.

12. At the regional level, the Sub-Saharan Africa growth is projected to increase to 3.6 percent in 2020 from 3.2 percent in 2018 and 2019. This growth will be supported by improved access to capital markets, higher commodity prices and controlled fiscal imbalances in several countries.

13. The East African Community (EAC) region has a 6.0 percent growth estimate in 2020, an increase from 5.6 percent in 2019. The estimate is attributed to the strong macroeconomic environment, ongoing infrastructural development, increased private consumption of goods and services and a recovery of agricultural activities.

2.3.2 National Economic and Fiscal Outlook

14. According to Kenya National Bureau of Statistics (KNBS), the Kenyan economy has reported positive real economic growth of 6.3 percent in 2018, projected economic growth of 5.6 percent in 2019 and 6.1 percent in 2020. The economy has maintained growth despite the global challenges, due to strong public and private sector investments and sound economic and financial policies. The country's resilient non-agricultural sector has enabled it to maintain relatively steady growth prospects in periods of unreliable rainfall and agricultural production

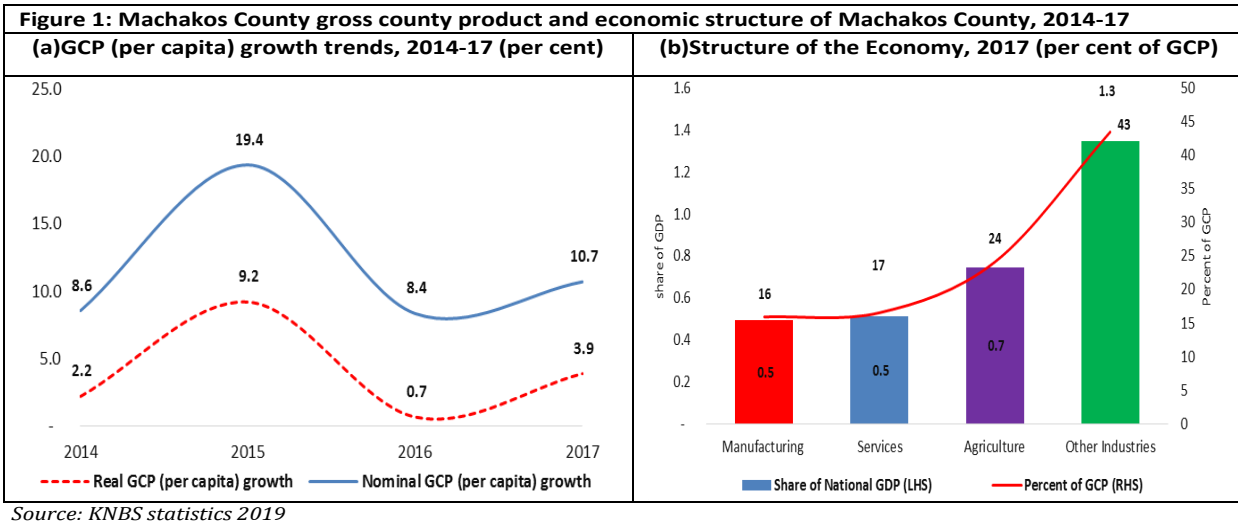
2.2.1 County Economic Development and Fiscal Outlook

15. The County economy has equally benefitted from the positive effects of the global and national economic occurrences such as favorable macroeconomic stability, political stability and good weather conditions.

16. The prevailing economic environment is stable and favorable which has led to implementation of various County programmes across all the eight County sectors resulting improved standards of living for Machakos residents.

17. The County economy remains heavily reliant on industries activity. Overall, industries activity accounts for 43 percent of GCP (Figure 1b). Agriculture accounted for 24 per cent, other services at 17 per cent and 16 percent is from manufacturing. These sub-sectors, in particular, are important drivers of job creation for young workers. As of 2017, Machakos County accounts for 3.2 percent of the national GDP.

Figure 2: Gross County Product



Source: KNBS statistics 2019

CHAPTER THREE

3.0. STRATEGIES TO ENHANCE SUSTAINABLE SOCIAL ECONOMIC GROWTH

3.1. Overview

18. The 2020 CFSP highlights the various priority policies and programmens to be implemented in the medium term to achieve the County agenda designed to propel 'Machakos *from the third world to the first world'*.

19. To achieve this, the County Government has taken decisive steps to implement the development aspirations espoused in the CIDP 2018-2022 as well as the Big Four Agenda. The actualization of these policies and programmes are aimed at:
    i. Ensuring access to quality social services mainly;
        a. Universal Health Care,
        b. Clean and safe water,
        c. Early Childhood Development
    ii. Ensuring food security and improved nutrition
    iii. Infrastructure Improvement and expansion
    iv. Ensuring Sustainable Environmental Conservation
    v. Creating a Conducive Business and Investment Environment
    vi. Increasing the share of manufacturing sector to GDP

20. To consolidate the gains made and achieve her mandate over the medium term, the County will continue to implement various strategic objectives as outlined in the following sectors

3.2 County Strategic Objectives

3.2.1 Agriculture and Cooperative Development sector

21. Agriculture sector is the main economic stay in the County. The County Government recognizes that a strong and vibrant agricultural sector will contribute highly to the socio-economic growth of the County. The County has therefore prioritized to modernize the Machakos Agricultural Training Centre.

22. In order to enhance agricultural productivity among the smallholder/large scale farmers the County Government will provide free certified seeds and subsidized fertilizer, free tractor services, train farmers on post-harvest management and establish demo-farms.

23. Under the quarter acre program, the County will provide high value crops seeds; fruit trees like mangoes, passion, pawpaw, oranges, grapes and macadamia; promotion of avocado production; pest and disease management in addition to soil analysis and testing.

24. To promote growth in the livestock sub-sector, the County Government will prioritize dairy, beef, pasture and fodder development; goats and sheep production; provision of extension services ,free chicks; livestock marketing and sale yard improvement; bee keeping; livestock disease and pest control; zoonotic control; meat inspection; develop strategic vaccine bank, rehabilitate cattle dips and slaughter houses, enforce veterinary public health standards ,enhance disease surveillance and compulsory mass vaccination and establish strategic reserve for vaccines.

25. To increase fish production, the County Government will promote aquaculture development; capture fisheries management especially in Masinga and Kamburu dams; fish inspection and quality control and strengthen extension services.

26. To reduce over reliance on rain fed agriculture, the Government will expand irrigation schemes as well as enhance water harvesting through provision of water tanks.

27. On value addition, the County will establish fruit and milk processing plants, cereal and pulses processing, packaging and branding facility; coffee revitalization i.e. establishment of coffee credit revolving fund besides linking farmers with millers; capacity building of co-operatives; marketing of quarter acre products; monitoring and evaluation.

3.2.2 Health Sector

28. The Health Sector will aim to achieve highest possible standards of quality healthcare services that are affordable, equitable, accessible and responsive to client needs. This will propel the sector towards realization of universal health coverage which will be achieved through the following strategic interventions;
    i. Reduce the burden of communicable diseases until they are not a major public health concern. This will be achieved by reducing morbidity and preventable deaths from infectious diseases including HIV, TB and malaria through primary prevention and effective treatment
    ii. Halt and reverse the rising burden of non-communicable diseases through adoption and implementation of NCD policies and guidelines
    iii. Improve health infrastructure through construction and upgrading of health facilities and adoption of clear maintenance programs
    iv. Improve access and demand for essential and specialized health services through purchase of laboratory, specialized medical and dental equipment and modernization of accident and emergency units
    v. Improved service delivery through adequate staffing, provision of health products, supplies and other utilities
    vi. Improve reproductive maternal newborn child and adolescent health services (RMNCAH) including HIV prevention services
    vii. Strengthen primary healthcare services
    viii. Reduce the burden of violence and injuries through adoption of strategies that address each of the causes of injuries and violence
    ix. Minimize exposure to health risk factors by strengthening interventions that lead to positive health behaviors in the population.
    x. Strengthen collaboration between health and other sectors that have impact on health
    xi. Mainstream the research agenda to inform policy and practice

3.2.3 Energy, Infrastructure and ICT Sector

29. Investing in infrastructure development and energy will support achievement of the County agenda. The strategy will therefore involve building on the existing and ongoing infrastructural development, road, energy and ICT.

i. Expansion of Roads and Transport Network

30. Over the medium term, the government will work towards the completion of Kithini – Vota road, completion of Seveni-Kionyweni Road, Phase II of Kincar-Airways - Zebra road and Githunguri Police station Road, upgrading of Mwala Level 4 Hospital access road to bitumen standards. Grading and gravelling of access roads, pothole patching on paved roads, drainage structures (culvert, drift and gabions), road marking and signage installation on paved roads besides road corridor surveying and heavy grading.

31. To improve on the gains made so far, the County will embark on construction and maintenance of workshops; management of the existing bus parks; Matatu (PSV) saccos management; operationalization of County Transport and Safety Committees; construction of airport's run way; thin tall buildings; conference facility; Matuu and Machakos County office; Public facility; Transport, Roads and Public Works office block; Road maintenance policy and County Public transport policy

ii. Enhancing access and affordable energy

32. Access to adequate, affordable and reliable energy supply is necessary to reduce cost of doing business and spur economic growth. To this effect, in collaboration with the National Government the County will enhance rural electrification and distribute more transformers to boost availability of electricity and to sustain demand. In addition the County will put measures in place to promote renewable energy use. Further to curb insecurity the department of energy will install mulika mwizi besides promotion of renewable energy technologies.

iii. Promoting the use of Information , Communication and Technology

33. Promoting the use of ICT will enhance efficiency in service delivery and cost of doing business. In light of this the government will; install Wide Area Network (WAN) and other ICT infrastructure; develop ICT and communication policy; install County clocking and telephone IP system.

3.2.4 Public Administration

34. This sector provides overall leadership and oversight in the management of the County affairs through, legislation, public policy formulation, coordination and prudent resource management.

35. County Administration will embark on construction and equipping of sub-County and ward offices; purchase of administration uniforms; dumpsite construction; purchase of communication equipment and purchase of compacting trucks, provision of garbage collection bins

36. Finance will digitize collection and management of revenue, purchase of revenue vehicles and Audit System, preparation of revenue, financial and budget policy documents.

37. County branding through installation of road signage & gantries; County beautification are prioritized by the County image directorate

38. Public Service and Quality Management prioritizes development of performance management system; development and implementation of quality assurance manual; and carry out staff skills development;

39. Formation of project management committees, stakeholder engagement (public participation/feedback forums), site verification visits (M&E) and publication of County reports/statistics and project tracking system will be prioritized by the Project Delivery Directorate.

40. Development of planning documents such as annual development plans, Annual Progress Reports and sector policies and research and economic surveys

41. The County will construct rehabilitation centres, enhance advocacy, communication and mobilization in relation to liquor management and licensing.

3.2.5 Education, Youth and Social Welfare

42. The Government will continue investing in the youth, providing accessible quality early education and strengthening the social safety net in order to achieve her mandate.

I. Investing in quality Early childhood development and vocational training

43. Quality early childhood development and vocation training are essential for equipping labour force with relevant skills necessary for economic growth. For this reason the Government will focus on

    i. Construction of more ECDE classes
    ii. Distribution of food to ECDE
    iii. Purchasing and distribution of learning materials
    iv. Recruitment of additional ECDE teachers
    v. Construction and improvement of vocational training institutions
    vi. Distribution of funds and additional instructors to various VTCs registered with TVE
    vii. Promotion co-curriculum activities in learning institutions.

II. Strengthening the social safety net and empowering the youth and the women

44. The County will continue to promote gender, youth and improve the livelihoods for the vulnerable groups and people living with disabilities. This will be achieved through;

    i. Establishing table banking for PLWD's, women and Youths
    ii. Awarding bursaries to the needy students
    iii. Establishing Machakos Disability Board
    iv. Provision of necessary devices to PLWDs
    v. Establishing Gender Based Violence Rescue Centres
    vi. Provision of food to registered children homes
    vii. Establishment of a home for needy elderly persons
    viii. Sensitization on prevention and management of HIV/Aids

45. Further to empower the Youth , the government will ;

i. Hold youth empowerment conference to mentor the youths on entrepreneurial skills and leadership
ii. Construct innovation centers and establish talent academies
iii. Construct of Sports facilities
iv. Refurbish of all community playing grounds
v. Refurbish and maintain existing sports facilities
vi. Provide sports equipment
vii. Hold County Sports tournament
viii. Promote Machakos united team
ix. Carry out Sports Advocacy ,communication &mobilization

III. Promotion of cultures and Arts

46. The County aims at makings making arts and culture a source of livelihood through ;

i. Promotion and marketing of Akamba culture
ii. Construction of curio outlets , cultural center and heritage museum

3.2.6 Land, Environment and Natural Resources

47. Major strides has been made in this sector through establishment of town and municipal boards to manage towns and municipalities, issuance of title deeds, sensitization of the stakeholders, tree planting and rehabilitation of degraded rivers through construction of weirs, drifts and lying of gabions.

48. To consolidate the gains achieved under this sector the County will ;

i. Prepare a valuation roll
ii. Digitalization of building approval process
iii. Development of GIS online land records system
iv. Develop spatial and zoning plans

49. In addition, to manage environment and natural resources the County will ;

i. Create awareness on environment and climate change issues
ii. Develop environment and climate change laws

iii. Carry out cleaning of Athi river
iv. Establish Climate change units, committees, directorate , funds and information centres
v. Promote clean cooking stoves and green energy
vi. Mainstream climate change activities in County projects and programs
vii. Implement of transition plans(TIPs)
viii. Establish Tree nursery
ix. Provision of tree seedlings
x. Develop of waste land fill
xi. Purchase of tools/equipment's for waste collection and environment
xii. Carry out enforcement , monitoring and Surveillance
xiii. Carry out Environment Impact Assessment and Environment Audit
xiv. Rehabilitate denuded land and degraded rivers
xv. Regulate quarrying, mining, natural stones masers, natural soils/clays
xvi. Promote of nature based enterprises(Apiculture, tree nurseries, landscaping activities
xvii. Promote sand value addition

50. Urban and Development sub-sector will undertake shelter upgrading, urban regeneration, renovation of staff houses, survey and titling of New City and development of urban institutions (municipalities)

3.2.7 Water and Irrigation Sector

51. Clean and safe drinking water complement efforts towards primary health care and productivity of labour. In addition, adequate supply of water is essential for increases agricultural production and manufacturing activities. For this reason , over the medium term the government will continue to invest in clean water supply through ;
    i. Reticulation of water from boreholes and dams to water points
    ii. Drilling boreholes and rehabilitation of the existing ones
    iii. Construction of dams and desilting of the existing ones
    iv. Treatment of water sources
    v. Construction of elevated water tanks
    vi. Distribution of water tanks to schools, County facilities and churches

vii. Construction of water treatment units/plants
viii. Construction of water pans
ix. Maintenance of plants and equipment(Drilling rigs, dozers ,TPUs Support trucks, Utility vehicles)
x. Water quality control through establishment of County water laboratory
xi. Urban water supplies through ; Subsidy to water service providers, Last mile water connectivity ,Last mile sewer connectivity , On site sanitation (decentralized treatment facility (DTF)) in Syokimau, Mlolongo, Tala, Masii, Wamunyu, Matuu. Sewer upgrading in urban areas
xii. Construction of gabions and water weirs

52. Further, to increase agriculture production and reduce the overreliance on rain-fed agriculture the County will expand existing irrigation schemes as well rehabilitate and maintain Kabaa and Kauti schemes.

3.2.8 Commercial, Tourism and Labour Affairs

53. Under this sector, the County will continue to focus on sustaining a conducive business environment so as to attract and encourage investment and job creation.

54. In addition, tourism sub-sector plays a key role in spurring economic development in the County. In cognizance of this, the County will undertake construction of theme park in Masinga; renovation of rest areas; develop Kyamwilu gravitational site; construction of monuments; marketing Machakos tourism circuit; document tourist attraction sites in Machakos; hold beauty pageants; construct and equip studios; film and music production; market and promote tourist attraction sites; develop and maintain recreational parks through beatification and landscaping and construct a team building center.

55. Trade sub-sector will prioritize construction of market sheds; fencing and upgrading of livestock markets; fabrication of outdoor parasols; SME summits, business conferences, trade fairs and exhibitions; construction of jua kali sheds; construction and upgrading of boda-boda sheds; establishment of the Machakos Enterprise Development Fund;

construction of modern kiosks; construction of modern bus-stop sheds; construction of industrial parks; operationalization and commissioning of jaw crushers; construction of cottage industry centres and construction, equipping and operationalization of business incubation and innovation centres. Further, the County will organize and conduct annual business and investment exhibitions and fairs; organizing of stakeholder forums; construction and operationalization of one-stop-shops; construction of toilets along major highways; construction and upgrading toilets in markets and market centres

CHAPTER FOUR

4.0 FISCAL POLICY AND BUDGET FRAMEWORK

4.1 Overview

56. This chapter outlines the fiscal framework for the FY 2020/21 as well the medium term. It also provides an overview of the resource envelope, proposed ceilings as well as expenditures.

57. National Government's fiscal policy seeks to support structural reforms of the County Government's economies that are consistent with long term growth objectives, employment creation and an equitable distribution of income. It aims at promoting investment and export expansion while enabling the Government to finance public services, redistribution and development in an affordable and sustainable budget framework.

58. Fiscal policy generally seeks to:
    i. ensure a sound and sustainable balance between Government's spending, tax and borrowing requirements;
    ii. improve domestic savings to support a higher level of investment and reduce the need to borrow abroad;
    iii. keep Government consumption spending at an affordable level, contributing to lower inflation and a sustainable balance of payments;
    iv. support an export-friendly trade and industrial strategy to improve competitiveness; and
    v. ensure that pay increases within the public sector are market and productivity related, and are fiscally sustainable.

59. In broad perspective, the current medium term planning cycle, Government aims at:
    i. Reducing g the level of borrowing used to finance current spending;
    ii. Reducing the overall tax burden as a share of GDP over time; and
    iii. Reduce Government consumption spending as a share of national income.

60. The County Government therefore committed to a sound and stable fiscal policy, public finances aimed at ensuring the sustainability of economic transformation, promoting jobs and investment, and ensuring that public services reflect Government's priorities.

4.2 Fiscal Policy Framework

4.2.1 Fiscal Responsibility Principles

61. In managing the County Government's public finances, the Public Financial Management Act 2012 expects the County Treasury to enforce the following fiscal responsibility principles-
    i. the County Government's recurrent expenditure shall not exceed the County Government's total revenue;
    ii. over the medium term a minimum of thirty percent of the County Government's budget shall be allocated to the development expenditure;
    iii. the County Government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
    iv. over the medium term, the Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
    v. the County debt shall be maintained at a sustainable level as approved by County assembly;
    vi. the fiscal risks shall be managed prudently; and
    vii. 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.

4.3 Budget Framework

4.3.1 Performance Review

62. In the FY 19/20, the County had a budget of Kshs. **12.8 B** to be financed from two main sources of revenue namely; allocation from the National Government as well County own revenues.

63. From the National Government, the County was to receive received **Kshs. 8.2B** equitable share and **Kshs. 2.4B** as conditional grants. The County own revenue was projected to be **Kshs. 2.2B.**

64. The performance of the revenues for the first half of the Financial Year is as outlined in tables 1 and 2 below.

Table 1: Own Source Revenue performance

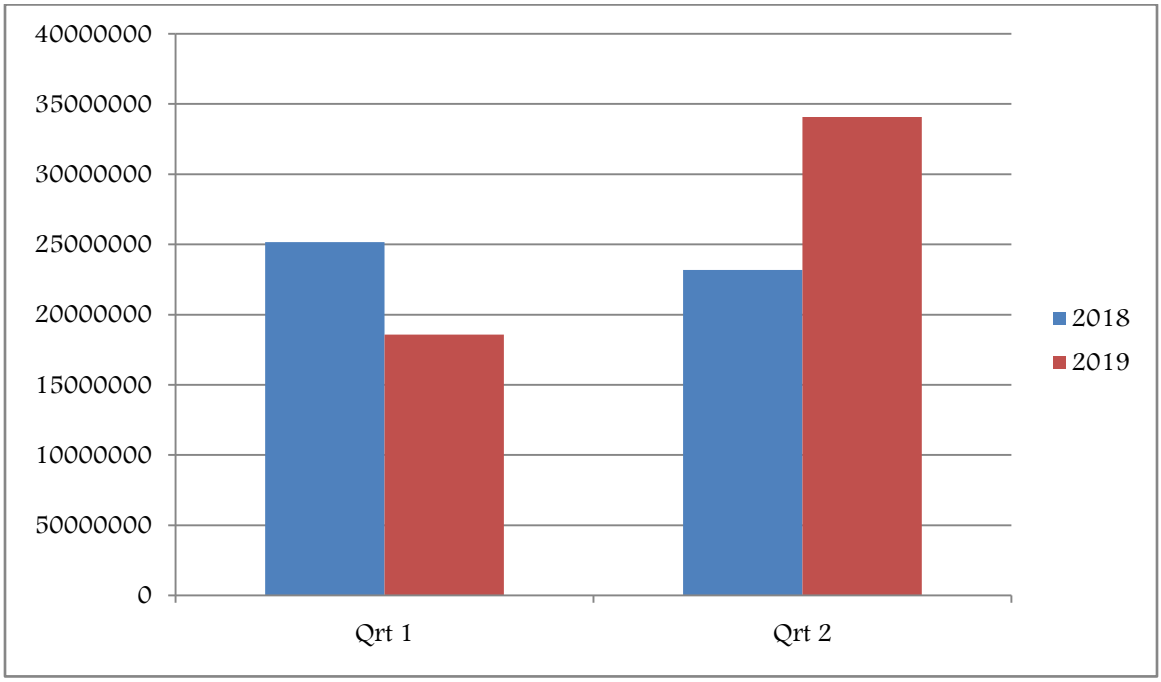
Revenue Source	Actual FY 2018/19	Approved FY 2019/20	First Half FY 2019/20	Revised Target FY 2019/20
Land Rates & Ground Rent	279,731,890	395,200,076	49,244,308	281,111,755
Single Business Permit	186,038,661	262,832,003	31,792,024	191,166,526
Quarry Extraction Fees	469,112,527	662,753,561	190,619,695	475,253,351
Sand Gravel	47,079,183	66,512,605	21,222,568	51,867,267
Market Fees	15,334,462	21,664,246	5,289,202	16,126,396
Plot/Stall Rent	14,232,315	20,107,153	7,602,477	15,463,023
Bus park	102,790,677	145,220,780	50,548,334	106,692,415
House Rent	1,469,010	2,075,390	428,274	1,652,580
Refuse/Conservancy Fee	14,788,520	20,892,949	8,036,997	15,663,460
Sign Board & Advertisement Fee	35,831,811	50,622,525	100,464,206	36,075,488
Fire Fighting & Ambulance Mgt Unit	32,171,141	45,450,797	7,112,363	33,468,586
Slaughter House Fees/Livestock	16,074,086	22,709,174	5,778,506	16,882,464
Enforcement Management	19,795,112	27,966,171	4,004,725	20,843,022
Off-street Parking Unit	8,613,865	-	-	10,435,760
Building Plan Approvals	182,816,818	258,280,242	-	190,181,794
Cess	10,823,081	15,290,650	12,107,473	11,309,110
Social Services	1,207,655	1,706,153		1,603,600
Water Sales	164,000	231,696	95,981	233,316
Miscellaneous	588,433	-	-	-
Machakos People's Park	-	300,000	-	653,136
House Loan Repayment	10,000	474,603	-	477,610

Revenue Source	Actual FY 2018/19	Approved FY 2019/20	First Half FY 2019/20	Revised Target FY 2019/20
Salary Refunds/Advances	-	14,128	-	12,000
Agri Farm	801,060	1,131,723	-	953,300
Health Revenue	60,902,769	109,015,960	31,148,936	71,592,394
Liquor	52,214,949	77,752,221	-	53,838,282
Tourism	649,590	443,126	907,068	434,295
Interest & Penalties On Plot And Stall Rent	-	3,190,746	3,376,528	2,693,655
Noise Pollution	94,700	133,790	-	97,300
Motor Cycle Registration	2,737,114	676,198	-	584,441
Weights And Measures	1,138,211	16,080	-	1,210,576
Total	**1,557,211,641**	**2,212,664,746**	**529,779,665**	**1,608,576,900**

Source: Machakos County Treasury

65. As at December, 2019, the County collected Kshs. 529.8 million which represents 32.9 percent of revised target for own source revenue. Emphasis will therefore be put in enhancing revenue so that it achieves the targeted amount to ensure that programmes and projects are implemented as budgeted.

Figure 3: Own Source Revenue performance for quarter one and two in 2018 and 2019



66. The County was able to collect Kshs. 529.8 million between July and December 2019 up from Kshs. 483.6 million collected in 2018 over the same period representing an increase of 9.6%

Figure 4: Monthly Own Source Revenue Performance

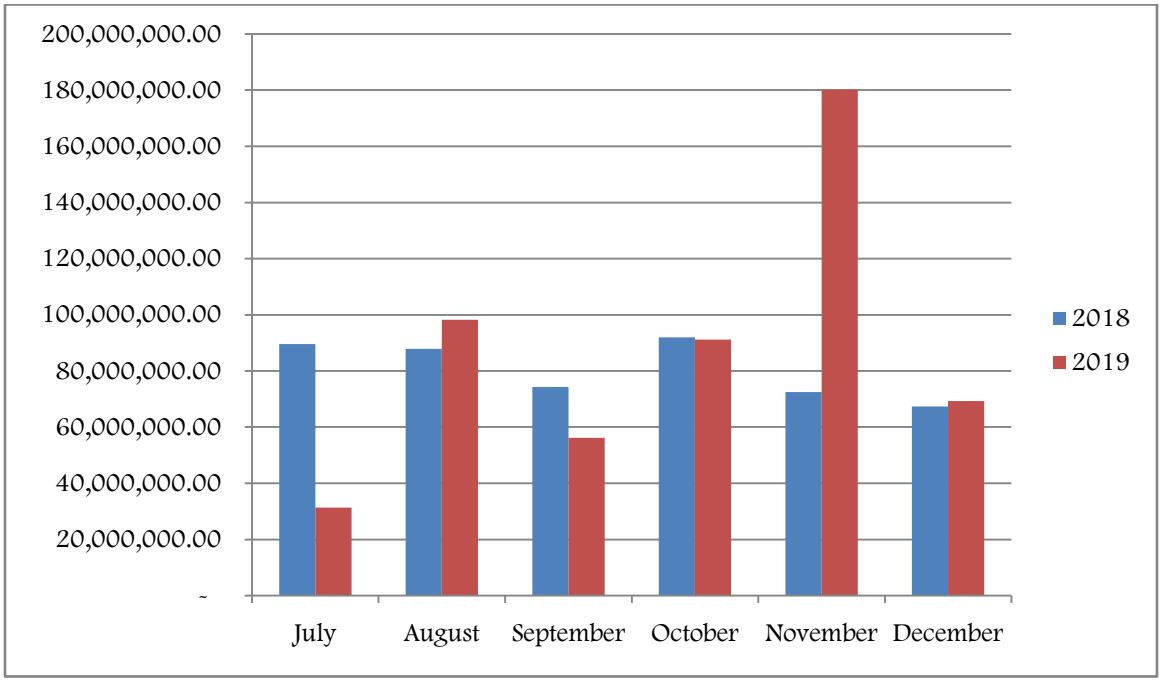


Table 2: Half year Revenue performance FY 2019/2020

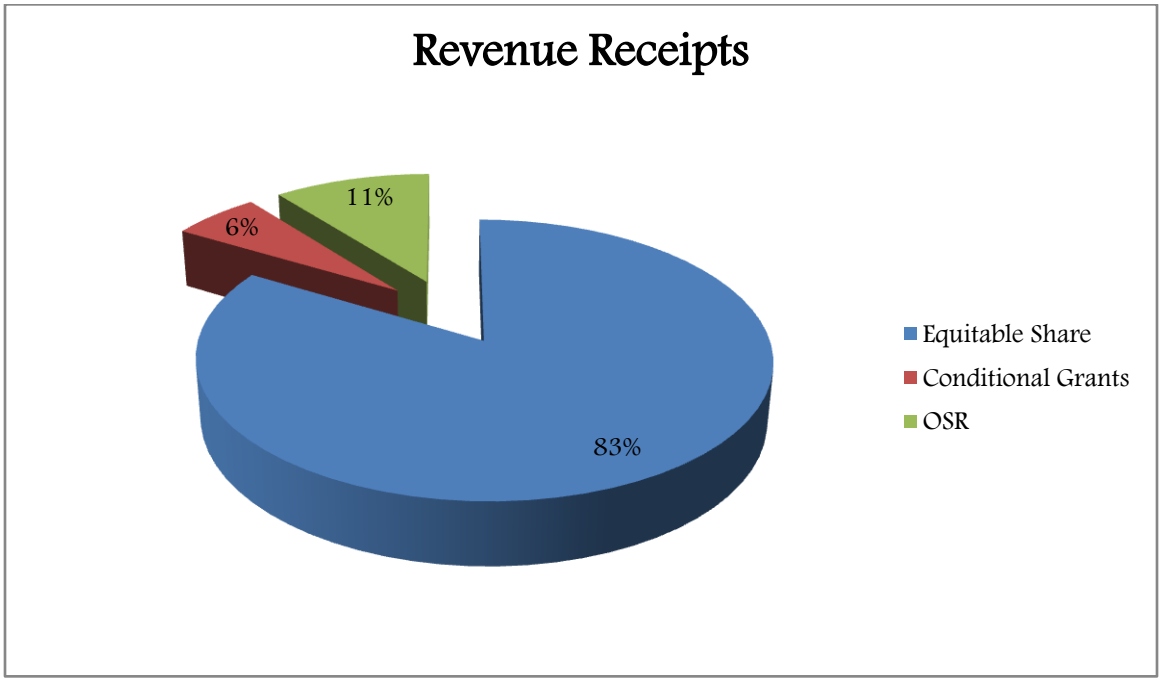
Description	Approved Revenues FY 2019/20	Revised Revenues FY 2019/20	Half Year Receipts FY 2019/20	Percentage Performance (%)
Equitable Share	8,223,915,000	9,199,196,587	4,162,238,191	45
Conditional Grants	2,385,681,028	2,683,596,674	294,502,718	11
Own Source Revenue	2,212,664,746	1,608,576,900	529,779,665	33
Total	**12,822,260,774**	**13,491,370,161**	**4,986,520,574**	37

Source: Machakos County Treasury

67. As at 31st December, 2019 the County had received **Ksh . 4.98 Billion** which is equivalent to 37 % of the approved budget FY 2019/2020 as indicated in table 2 above.

68. The County received Kshs. 4.16 billion as equitable share, Kshs. 294.5 million grants while collected Kshs. 529.78 million by December 2019. This represented 83%, 6% and 11% respectively as captured in figure 5 below.

Figure 5: Graphical representation of Received Revenue FY 2019/20



4.3.2 Expenditures

69. The total Expenditure as at 31st December, 2019 is **Ksh. 4.68 Billion** which translates to 35 % of the approved budget as illustrated in table 3 below. Of these, Ksh. 3.97 billion was recurrent expenditure while Kshs. 0.71 billion accounted for development expenditure.

70. Department of Roads had the highest development expenditure of Kshs. 463 million accounting for 64.7% of the total development expenditure.

Table 3: Half Year Departmental Expenditure FY 2019/2020

Department	Budget Estimates FY 2019/20		Total	Half Year Expenditure FY 2019/20		
	Development	Recurrent		Development	Recurrent	Total
Office of the Governor	5,422,300	552,706,199	558,128,499	1,894,475	169,846,717	171,741,192
Public Service, Quality Management and ICT	33,633,824	783,571,383	817,205,207	-	1,773,182,778	1,773,182,778
Trade, Industrialization and Innovation	143,549,414	289,462,620	433,012,034	43,392,540	71,672,774	115,065,313
Finance and Economic Planning	89,738,163	480,662,299	570,400,462	-	163,023,693	163,023,693
County Administration and Decentralized Units	67,378,025	312,323,642	379,701,667	-	98,653,205	98,653,205
Agriculture, Food Security and Co-operatives Development	362,765,786	369,505,035	732,270,821	8,081,207	74,890,214	82,971,421
Health and Emergency Services	643,719,406	3,395,512,272	4,039,231,678	74,212,866	945,657,744	1,019,870,609
Roads, Transport and Public Works	1,257,786,139	180,551,951	1,438,338,090	463,212,527	62,829,455	526,041,982
Education, Skills Training and Social Welfare	233,981,523	360,333,298	594,314,821	25,171,996	45,630,398	70,802,394
Water, Irrigation, Environment and Natural Resources	1,136,523,345	112,863,059	1,249,386,404	1,545,711	21,608,770	23,154,480
Energy, Lands, Housing and Urban Development	810,180,177	160,182,216	970,362,393	71,424,766	31,230,212	102,654,978
Tourism, Youth, Sports and Culture	206,422,738	141,461,247	347,883,985	20,514,499	25,122,311	45,636,810
County Public Service Board	7,647,903	55,341,042	62,988,944	-	8,119,604	8,119,604
County Assembly	387,000,000	911,145,156	1,298,145,156	6,134,418	475,905,734	482,040,152
Total	**5,385,748,743**	**8,105,621,418**	**13,491,370,161**	**715,585,005**	**3,967,373,608**	**4,682,958,613**

Source: Machakos County Treasury

4.3.3 Resource Envelope

71. 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.

72. In the FY 2020/21, the County is set to receive **Kshs. 8.0Billion** as equitable share and **Kshs. 1.25B** as conditional grants.

73. Own County revenue is projected at **Kshs. 1.7B** up from **Kshs. 1.8** FY 2019/20. Table 4 below outlines the County's resource envelope enumerating each grant for the FY 2020/21 and in the medium-term.

Table 4: Resource Envelope FY 2020/21 and Medium Term

S/No	Description		Actual FY 2018/19	Printed Estimates F2019/20	Revised Revenues FY 2019/20	Budget Estimates FY 2020/21*	Projected Estimates	
							FY 2021/22	FY 2022/23
1	Equitable Share		10,205,285,227	8,223,915,000	9,199,196,587	8,039,100,000	8,441,055,000	8,863,107,750
2	Conditional Grants	Level Five Hospital	383,583,815	383,583,815	477,561,850	383,583,815	402,763,006	422,901,156
		Compensation for user fees foregone	24,129,039	24,129,039	24,129,039	24,129,039	25,335,491	26,602,265
		Leasing of medical equipment	0	131,914,894	131,914,894	132,021,277	138,622,341	145,553,458
		Rehabilitation of Youth Polytechnics	40,992,724	51,093,298	57,431,523	62,749,894	65,887,389	69,181,758
		Road Maintenance Levy Fund	219,084,683	361,687,117	363,636,021	239,604,947	251,585,194	264,164,454
		Agriculture Sector Development Support Program II-SIDA	7,684,832	17,869,663	25,554,495		0	0
		Kenya Climate Smart Agriculture Project (KCSAP)- World Bank	41,070,411	150,156,390	188,681,926		0	0
		Kenya Devolution Support Project (KDSP) – level 1 (World Bank)	0	83,423,784	98,982,811		0	0

S/No	Description		Actual FY 2018/19	Printed Estimates F2019/20	Revised Revenues FY 2019/20	Budget Estimates FY 2020/21*	Projected Estimates	
							FY 2021/22	FY 2022/23
		KUSP-UIG-World Bank	41,200,000	8,800,000	50,000,000		0	0
		KUSP-UDG-World Bank	1,018,320,500	1,018,320,500	1,018,320,500		0	0
		Universal Healthcare in Devolved System Program-DANIDA	24,806,250	24,843,750	24,843,750	22,050,000	23,152,500	24,310,125
		Universal Health Care Project	168,066,134	0	84,033,066	0	0	0
		Transforming Health Systems for Universal Care Project-World Bank	39,211,189	129,858,778	138,506,799	43,980,167	46,179,175	48,488,134
3	Loans and Grants					339,931,267	356,927,831	374,774,222
4	Own Source Revenue		1,557,211,641	2,212,664,746	1,608,576,900	1,729,798,232	1,816,288,144	1,907,102,551
	Total County Allocation		**13,770,646,445**	**12,822,260,774**	**13,491,370,161**	**11,016,948,638**	**11,567,796,070**	**12,146,185,873**

*Source: *Budget Policy Statement, 2020*

4.3.4 Criteria for Resource Sharing

i. **Non – discretionary expenditure:** In the recurrent expenditure category, non-discretionary expenditures take the first charge and include statutory obligations such as salaries, gratuity and pension. These expenditures are projected at 53 per cent of the total revenue.

ii. **Development expenditures** are shared out on the basis of CIDP priorities as well as strategic interventions to boost revenue base and stimulate the economic growth as outlined in the Governor's Manifesto. The development expenditures are estimated at 30 percent

- **On-going projects**: emphasis is given to completion of on-going projects with high impact on poverty reduction, social injustices, employment and wealth creation.
- **Infrastructure projects**: with the County government's commitment to improve infrastructure, construction of roads, development of water and sanitation network, energy and construction of community hospitals among others will be given priority.

iii. **Operations and maintenance**: It accounts for 17 per cent of the total estimated revenue.

74. The criteria outlined above helped in developing ceilings for each County department as tabulated tables 5 and 6 below.

Table 5: Summary of Budgetary Allocations

	Approved Budget FY 2019/20	Budget Estimates FY 2020/21
Total Revenue	**12,822,260,775**	**11,016,948,638**
Equitable Share	8,223,915,000	8,039,100,000
Conditional Grants	2,385,681,029	1,248,050,406
Local Revenue	2,212,664,746	1,729,798,232
Total Expenditure	**12,822,260,775**	**11,016,948,638**
Recurrent Vote	**7,850,709,245**	**7,711,864,047**
Compensation to Employees	4,559,842,364	5,417,874,351
Use of Goods and Services	3,290,866,881	2,293,989,695
Development Vote	**4,971,551,530**	**3,305,084,591**

Table 6: Budgetary Allocation per Departmental FY 2020/2021 and the Medium Term

County Entity	Vote	Printed Estimates FY 2019/20	Revised Estimates FY 2019/20	Budget Estimates FY 2020/21	Projected Estimates	
					FY 2021/22	FY 2021/23
Office of the Governor	Recurrent	552,706,199	552,706,199	452,472,952	475,096,599	498,851,429
	Development	5,422,300	5,422,300	3,819,596	4,010,576	4,211,105
	Total	**558,128,499**	**558,128,499**	**456,292,548**	**479,107,175**	**503,062,534**
Public Service, Quality Management and ICT	Recurrent	509,030,705	783,571,383	5,820,826,170	6,111,867,478	6,417,460,852
	Development	11,765,400	33,633,824	21,118,007	22,173,907	23,282,603
	Total	**520,796,105**	**817,205,207**	**5,841,944,177**	**6,134,041,385**	**6,440,743,455**
Trade, Industrialization and Innovation	Recurrent	255,701,124	289,462,620	15,871,872	16,665,465	17,498,739
	Development	133,303,750	143,549,414	91,317,950	95,883,848	100,678,040
	Total	**389,004,874**	**433,012,034**	**107,189,822**	**112,549,313**	**118,176,779**
Finance and Economic Planning	Recurrent	556,162,299	480,662,299	21,983,827	23,083,018	24,237,169
	Development	89,738,163	89,738,163	56,663,845	59,497,037	62,471,889
	Total	**645,900,462**	**570,400,462**	**78,647,672**	**82,580,055**	**86,709,058**
County Administration and Decentralized Units	Recurrent	395,605,149	312,323,642	16,671,857	17,505,450	18,380,722
	Development	88,100,000	67,378,025	45,812,000	48,102,600	50,507,730
	Total	**483,705,149**	**379,701,667**	**62,483,857**	**65,608,050**	**68,888,452**
Agriculture, Food Security and Co-operatives Development	Recurrent	383,449,083	369,505,035	10,404,699	10,924,934	11,471,181
	Development	354,525,927	362,765,786	325,855,161	342,147,919	359,255,315
	Total	**737,975,010**	**732,270,821**	**336,259,860**	**353,072,853**	**370,726,496**
Water, Irrigation,	Recurrent	122,720,525	112,863,059	3,270,260	3,433,773	3,605,461

County Entity	Vote	Printed Estimates FY 2019/20	Revised Estimates FY 2019/20	Budget Estimates FY 2020/21	Projected Estimates	
					FY 2021/22	FY 2021/23
Environment and Natural Resources	Development	500,220,026	810,180,177	480,114,414	504,120,134	529,326,141
	Total	**622,940,551**	**923,043,236**	**483,384,673**	**507,553,907**	**532,931,602**
Health and Emergency Services	Recurrent	3,368,590,374	3,395,512,272	492,216,016	516,826,817	542,668,158
	Development	586,173,909	643,719,406	566,831,710	595,173,295	624,931,960
	Total	**3,954,764,283**	**4,039,231,678**	**1,059,047,726**	**1,112,000,112**	**1,167,600,118**
Roads, Transport and Public Works	Recurrent	202,268,477	180,551,951	7,204,558	7,564,786	7,943,025
	Development	1,364,097,057	1,257,786,139	1,048,935,417	1,101,382,187	1,156,451,297
	Total	**1,566,365,534**	**1,438,338,090**	**1,056,139,974**	**1,108,946,973**	**1,164,394,322**
Education, Skills Training and Social Welfare	Recurrent	309,916,439	360,333,298	17,920,674	18,816,707	19,757,543
	Development	158,543,298	233,981,523	155,192,410	162,952,030	171,099,632
	Total	**468,459,737**	**594,314,821**	**173,113,083**	**181,768,738**	**190,857,175**
Energy, Lands, Housing and Urban Development	Recurrent	120,506,865	160,182,216	5,126,821	5,383,162	5,652,320
	Development	1,152,661,700	1,136,523,345	134,384,083	141,103,287	148,158,452
	Total	**1,273,168,565**	**1,296,705,561**	**139,510,904**	**146,486,450**	**153,810,772**
Tourism, Youth, Sports and Culture	Recurrent	103,897,125	141,461,247	5,532,083	5,808,687	6,099,122
	Development	130,000,000	206,422,738	167,600,000	175,980,000	184,779,000
	Total	**233,897,125**	**347,883,985**	**173,132,083**	**181,788,687**	**190,878,122**
County Public Service Board	Recurrent	59,009,725	55,341,042	1,217,103	1,277,958	1,341,856
	Development	10,000,000	7,647,903	6,200,000	6,510,000	6,835,500
	Total	**69,009,725**	**62,988,945**	**7,417,103**	**7,787,958**	**8,177,356**
County Assembly	Recurrent	911,145,156	911,145,156	841,145,156	883,202,414	927,362,534

County Entity	Vote	Printed Estimates FY 2019/20	Revised Estimates FY 2019/20	Budget Estimates FY 2020/21	Projected Estimates	
					FY 2021/22	FY 2021/23
	Development	387,000,000	387,000,000	201,240,000	211,302,000	221,867,100
	Total	1,298,145,156	1,298,145,156	1,042,385,156	1,094,504,414	1,149,229,634
	Recurrent	7,850,709,245	8,105,621,419	7,711,864,047	8,097,457,249	8,502,330,112
	Development	4,971,551,530	5,385,748,743	3,305,084,591	3,470,338,821	3,643,855,762
TOTAL	Grand Total	12,822,260,775	13,491,370,162	11,016,948,638	11,567,796,070	12,146,185,874

Source: Machakos County Treasury

Note:

Salaries for County Executive have been factored in the department of Public Service, Quality Management and ICT.

Annex I: County Own Source Revenue Projections

Revenue Source	Actual FY 2018/19	Approved FY 2019/20	First Half FY 2019/20	Revised Target FY 2019/20	Revenue Estimates FY 2020/21	Projected Revenue FY 2021/22
Land Rates & Ground Rent	279,731,890	395,200,076	49,244,308	281,111,755	287,484,275	301,858,488
Single Business Permitt	186,038,661	262,832,003	31,792,024	191,166,526	244,089,401	256,293,871
Quarry Extraction Fees	469,112,527	662,753,561	190,619,695	475,253,351	466,346,282	489,663,596
Sand Gravel	47,079,183	66,512,605	21,222,568	51,867,267	62,613,816	65,744,506
Market Fees	15,334,462	21,664,246	5,289,202	16,126,396	21,744,933	22,832,180
Plot/Stall Rent	14,232,315	20,107,153	7,602,477	15,463,023	20,151,225	21,158,786
Buspark	102,790,677	145,220,780	50,548,334	106,692,415	105,849,098	111,141,553
House Rent	1,469,010	2,075,390	428,274	1,652,580	2,076,424	2,180,246
Refuse/Conservacy Fee	14,788,520	20,892,949	8,036,997	15,663,460	20,963,850	22,012,043
Sign Board & Advertisment Fee	35,831,811	50,622,525	100,464,206	36,075,488	50,910,955	53,456,503
Fire Fighting&Ambulance Mgt Unit	32,171,141	45,450,797	7,112,363	33,468,586	45,642,704	47,924,839
Slaughter House Fees/Livestock	16,074,086	22,709,174	5,778,506	16,882,464	22,795,105	23,934,860
Enforcement Management	19,795,112	27,966,171	4,004,725	20,843,022	28,068,736	29,472,173
Offstreet Parking Unit	8,613,865	-	-	10,435,760		-
Building Plan Approvals	182,816,818	258,280,242		190,181,794	178,722,513	187,658,638
Cess	10,823,081	15,290,650	12,107,473	11,309,110	15,352,132	16,119,738

Revenue Source	Actual FY 2018/19	Approved FY 2019/20	First Half FY 2019/20	Revised Target FY 2019/20	Revenue Estimates FY 2020/21	Projected Revenue FY 2021/22
Social Services	1,207,655	1,706,153	-	1,603,600	1,691,770	1,776,358
Water Sales	164,000	231,696	95,981	233,316	228,776	240,215
Miscellaneous	588,433	-	-	-	-	-
Machakos People's Park	-	300,000	-	653,136	274,397	288,116
House Loan Repayment	10,000	474,603	-	477,610	468,641	492,074
Salary Refunds/Advances	-	14,128	-	12,000	14,088	14,793
Agri Farm	801,060	1,131,723	-	953,300	1,129,045	1,185,498
Health Revenue	60,902,769	109,015,960	31,148,936	71,592,394	90,516,341	95,042,158
Liquor	52,214,949	77,752,221	-	53,838,282	58,234,507	61,146,232
Tourism	649,590	443,126	907,068	434,295	438,284	460,198
Interest & Penalties On Plot And Stall Rent	-	3,190,746	3,376,528	2,693,655	3,182,828	3,341,969
Noise Pollution	94,700	133,790	-	97,300	134,431	141,153
Motor Cycle Registration	2,737,114	676,198	-	584,441	673,675	707,359
Weights And Measures	1,138,211	16,080	-	1,210,576	-	-
Total	**1,557,211,641**	**2,212,664,746**	**529,779,665**	**1,608,576,900**	**1,729,798,232**	**1,816,288,144**

Source: Machakos County Treasury

Annex II: Machakos County Sector Composition

Sector	County Departments
Agriculture and Cooperative Development	• Agriculture • Livestock & Veterinary • Fisheries • Co-operative Development
Energy, Infrastructure and ICT	• Energy • Transport • Housing • Public works • Roads • ICT
Commercial , Tourism and Labour Affairs	• Trade • Industrialization • Tourism • Investment
Health	• Medical Services • Public Health
Education , Youth and Social welfare	• Education • Youth • Social welfare • Culture • Sports
Public Administration	• Office of the Governor • County Treasury • Economic Planning • Finance and Revenue Management • Public Service and Quality Management • Legal Office • County Public Service Board • County Administration and Decentralized Units • County Assembly
Land , Environment and Natural Resources	• Lands and Physical Planning • Urban Development • Environment and Natural Resources
Water and Irrigation	• Water • Irrigation