

REPUBLIC OF KENYA



**MURANG'A COUNTY ASSEMBLY**

**FIRST ASSEMBLY**

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**THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON  
THE MURANG'A COUNTY FISCAL STRATEGY PAPER FOR FY 2017/18  
AND OVER THE MEDIUM TERM**

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**Clerk's Chambers,  
Murang'a County Assembly Buildings,  
MURANG'A.**

**March 2017**

**Mr. Speaker**, as you are aware the County Fiscal Strategy Paper (CFSP) was laid in the Assembly on Wednesday, February 22, 2017.

**Mr. Speaker Sir**, as per the PFM Act 2012 and Standing Order 210 (4) the Budget and Appropriations Committee has the onus to consider the CFSP and table a report to the County Assembly. Given the significance of the CFSP on the budget process, the Assembly resolutions on it will guide preparations of the 2017/18 budget estimates. On behalf of the Members of the Committee and pursuant to the provisions of Standing Order 206, it is my pleasant duty to present to the Assembly, the Committee's Report on the consideration of the Murang'a County Fiscal Strategy Paper 2017.

**Mr. Speaker Sir**, the County Assembly Budget & Appropriations Committee comprises of the following 15 Members:

1. Hon. Joseph Ndung'u Muchina **-(Chairperson)**
2. Hon. Peter Mweri Maina **-(Vice-Chairperson)**
3. Hon. Joseph Kimani Gitau, MCA
4. Hon. Joseph Kimani Machiri, MCA
5. Hon. Rosemary Wakuthii Njine, MCA
6. Hon. Esther Wanjiru Ngugi, MCA
7. Hon. Cecilia Wanjiku Gitu, MCA
8. Hon. Charles Mwangi Kirigwi, MCA
9. Hon. Duncan Mwangi Njuguna, MCA
10. Hon. John Njoroge Gitau, MCA
11. Hon. Eliud Kabuthi, MCA
12. Hon. Caroline Njoroge, MCA
13. Hon. James Kariuki Ngugi, MCA
14. Hon. Boniface Mbogo, MCA
15. Hon. Jesse Mburu Gitau, MCA

## COMMITTEE'S MANDATE

**Mr. Speaker Sir**, the County Budget and Appropriations Committee is constituted under the provisions of Standing Order 190(1) & (2). Its mandate pursuant to Standing Order 190(3) is to:-

- a) **investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;**
- b) **discuss and review the estimates and make recommendations to the County Assembly;**
- c) **examine the County Fiscal Strategy Paper presented to the County Assembly;**
- d) **examine Bills related to the county budget, including Appropriations Bills; and**
- e) **evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlay**

It is in this regard that the Standing order 210 (3), (4), (5) and (6) are explicit on the procedures of considering the County Fiscal Strategy Paper once it is laid on the floor of the Assembly.

**Mr. Speaker**, processing of the County Fiscal Strategy Paper for the FY 2017/18 has been challenging due to the Public Finance Management regulations, 2015. Indeed, Hon. Members will recall that processing the current Financial Year budget was argumentative. This is what we will avoid as an Assembly this time round. **Mr. Speaker**, we cannot continue to gamble on public finances and the County Treasury must ensure that the much needed expertise is instilled to ensure an acceptable and quality document. The Committee has taken a lot of due diligence to scrutinize the submitted County Fiscal Strategy Paper 2017 and in making this report.

## EXAMINATION OF THE COUNTY FISCAL STRATEGY PAPER

**Mr. Speaker Sir**, in reviewing the 2017/18 County Fiscal Strategy Paper the Committee held several sittings, workshops and consultations with the various sectoral committees to draw recommendations on the departmental budgets.

**Mr. Speaker**, it is of essence to note that the County Fiscal Strategy Paper is informed by the County Budget Review Outlook Paper (CBROP) and the Resource Envelope and as such the committees also examined the CFSP viz-a-viz the CBROP and the Resource Envelope as well as the Report on the Annual Development Plan.

**ACKNOWLEDGMENT**

**Mr. Speaker Sir**, the Standing Orders requires that Sectoral Committees consider the CFSP and report to the Budget and Appropriations Committee. It's worth noting that, all Sectoral Committees through their Chairpersons made their recommendations to this Committee as required by law.

**Mr. Speaker**, I would like to thank Members of the Budget and Appropriations Committee for their dedication, untiring commitment and valuable contributions. It is because of their dedications that we have been able to complete this demanding task.

**Mr. Speaker Sir**, the Committee is grateful to the Office of the Speaker and the Office of Clerk of County Assembly for the support received as it discharged its mandate. Further, the Committee would wish to pay special recognition to the Committee secretariat that helped the Committee digest the paper.

**Mr. Speaker Sir**, It is therefore my pleasant duty and privilege, on behalf of the Budget & Appropriations Committee to table this report and recommend it to the Assembly for adoption.

SIGN  ..... DATE 07/03/2017 .....

**The Hon. Joseph Ndung'u Muchina, MCA**

**(Chairperson)**

## A. INTRODUCTION

1. **Mr. Speaker Sir**, on the 17th February 2017, the County Fiscal Strategy Paper 2017, was submitted to this Assembly as required by Section 117 of the Public Finance Management Act, 2012 and Standing Order 210 (1). The document was then tabled in the Assembly on the 22<sup>nd</sup> of February 2017 and committed for consideration by all the Sectoral Committees. The Sectoral Committees were required to consider the document and report back to the Budget and Appropriations Committee which was then to compile a report and table before this Assembly.
  
2. **Mr. Speaker Sir**, the underpinning legal provisions and our own Standing Orders requires that the report of the Committee contains schedule of total overall projected revenue and ceilings recommended for the County Executive, and County Assembly and where necessary the total sums of each year and the allocations for each programme for the fiscal year in question.
  
3. **Mr. Speaker Sir**, County Fiscal Strategy Paper is a critical budget document that guides the subsequent processes in the budget cycle. It is for this reason that the County Treasury is mandated to do a lot of groundwork and intensive consultations with the public and stakeholders before presenting the document to the County Assembly for consideration.
  
4. **Mr. Speaker Sir**, Section 117 of the Public Finance Management Act, 2012 outlines the contents of the County Fiscal Strategy Paper which in summary include:
  - i. Specification of the broad strategies and policy goals that will guide in budget preparation;
  - ii. Financial outlook with respect to county government revenues, expenditures and borrowing for the near term (1 year) and the medium term;
  - iii. The total resources to be allocated to individual programs and projects within the various sectors in the County;
  - iv. The proposed expenditure ceilings for the two arms of government; and
  - v. Financial outlook with respect to county government borrowing

## B. SCRUTINY OF THE MURANG'A COUNTY FISCAL STRATEGY PAPER 2017

5. **Mr. Speaker Sir**, it is within the domain of the Budget and Appropriations Committee to determine whether any budget related document submitted to this Assembly has complied with the statutory regulations as outlined in the Public Finance Management Act, 2012 and other statutes.
6. **Mr. Speaker Sir**, during the scrutiny of the Strategy Paper the Committee noted that the timeline for its submission was complied with. The document was submitted to the Assembly through the Office of the Clerk on the 17th of February 2017 in line with Section 117 (1) of the PFM Act, 2012. The Committee was also convinced that the document was procedurally laid before the Assembly at the earliest opportunity. Upon being laid before the County Assembly, the County Fiscal Strategy Paper was committed to each Sectoral Committee without question put, for each such committee to deliberate upon according to their respective mandates and make recommendations to the Budget and Appropriations Committee.
7. In considering the County Fiscal Strategy Paper, the Budget and Appropriations Committee is required to consult each Sectoral Committee and table a report, containing its recommendation on the statement to the County Assembly for consideration by 15<sup>th</sup>, March pursuant to Public Finance Management regulations.

## C. ECONOMIC GROWTH

8. **Mr. Speaker**, aware that the County Fiscal Strategy Paper is supposed to be aligned to the national objectives as contained in the Budget Policy Statement (BPS) prepared by the National Treasury; it is worth recognizing the national agenda with regard to economic growth in various government blueprints including the Medium Term Plan and Vision 2030 remain focused on attaining an economic growth. The 2017 BPS forecasted that the Kenyan economy would grow by 5.9% and not less than 6% in the year 2016 and 2017 respectively.
9. **Mr. Speaker Sir**, the Committee notes that the County Treasury has failed to highlight how Murang'a County would match the 6% growth rate projected by the National government in the Budget Policy Statement 2017 and on the contrary it seems to highlight the challenges that are likely to result into economic loss. **Mr. Speaker**, one would expect the County Treasury to indicate the Policy framework of mitigating the said loss in quest of achieving sound economic growth.

## D. DEBT

10. **Mr. Speaker Sir**, the correct reading of the PFM Regulations 2015 define Debt as a long-term commitment by a County Government and does not include pending bills. However, for the

purposes of ensuring that the pending bills are accommodated in the particular departments they were incurred is important to indicate the amount, which the County Treasury put at Kshs. 750 million.

Nonetheless **Mr. Speaker**, the committee felt that full disclosures had not been made due to the fact that some reports indicate that the County obtained a Bank Overdraft without the approval of the County Assembly pursuant to Section 142 of the PFM Act 2012.

**Mr. Speaker**, moving forward, the County Treasury should ensure that the pending bills are at the minimum possible level and that they are cleared within a particular fiscal year within which they were incurred so as to promote fiscal discipline and allocative efficiency.

#### **E. FISCAL PERFORMANCE OF 2015/16 AND EMERGING CHALLENGES**

11. **Mr. Speaker Sir** as with any new system and institutional framework there are bound to be challenges and mistakes. The 2016/17 budget is being implemented under very peculiar scenarios since the entire budget including the supplementary budget has been eclipsed by court cases challenging the legality of the process as well as public participation. However, the matter is still pending in court despite the fact that the orders restraining the implementation of the said budget have been vacated.

The Committee while scrutinizing the CFSP noted with concern that it failed to a larger extent to highlight how the 2015/16 budget performed and its relationship with the County Fiscal Strategy Paper for FY 2016. It was the expectation of the Committee that the paper would give a brief on the areas that this Assembly could help the Executive correct for the forward progress of our County. Going forward therefore the Committee is of the view that the next submission of the County Fiscal Strategy Paper must adhere to this legal requirement.

12. **Mr. Speaker Sir**, such details should strive to cover explicitly the revenue performance and its relation to the approved budget of 2015/16 and the net effects of the same on the expenditure figures.

#### **F. ALIGNMENT OF CFSP SECTOR CEILINGS TO THE CBROP**

13. **Mr. Speaker**, the main reason as to why the formulators of the Public Finance Management Act thought it wise to introduce the Budget Policy Statement for the National Government and County Fiscal Strategy Paper for the County Governments was so that budget process does not only become consultative, but most importantly, to enable agencies plan for their estimates and programmes.

14. **Mr. Speaker**, as previously mentioned the CFSP is anchored in the CBROP and the Resource Envelope and for that reason the committee scrutinized the said documents comparatively. While the committee appreciates that the County Treasury aligned the CFSP to the CBROP by about 70%. It would be expected that certain organs such as the County Assembly would require more funds as anticipated in the approved CBROP to carry out various activities such as training for new members of the Assembly, Construction of the Speakers Residence as required by the SRC circular among other core functions. Similarly, there was an exodus from the Resource Envelope of Kshs. 6.8 billion envisioned in the CBROP to Kshs. 6.9 billion in the CFSP 2017 without a clear explanation as to the deviation.

**Mr. Speaker**, it is therefore the expectation of this House that the County Treasury complies with the set ceilings in the CFSP in line with the CBROP for the County Assembly as well as the other affected departments while preparing budget estimates for FY 2017/18.

#### **G. ALIGNMENT TO NATIONAL AND COUNTY OBJECTIVES**

15. The County Fiscal Strategy Paper as a document was prepared at a time when the County Integrated Development Plan is nearing full realization and implementation. Additionally, the County Fiscal Strategy Paper ought to be hinged on the Medium Term Plans, Resource Envelope and the County Budget review Outlook Paper. While the paper is to a great extent in line with some of the documents, it should be wholly consistent with the County Integrated Development Plan and Annual Development Plan for the FY 2017/2018 and as such any omissions thereto should be rectified and included in the Budget Estimates for the FY 2017/2018.
16. **Mr. Speaker Sir**, Section 117 (2) provides that the County Treasury should align the County Fiscal Strategy Paper with the national objectives as outlined in the Budget Policy Statement. The Committee in its perusal of the paper was able to highlight a number of areas where the County Treasury managed to explain how the document would conform to the national objectives. However, it was the resolve of the Budget Committee that the document did not full take much focus on the key priorities which would influence the forward progress of Murang'a County.

#### **H. FISCAL POLICIES AND BUDGETARY FRAMEWORK**

17. **Mr. Speaker Sir**, these highlighted the medium term targets of the national government which would alter the macroeconomic stance of the County.



The Committee noted that the County aims to adhere to the fiscal principles outlined in the PFM Act, 2012. Further, there are fiscal reforms that would be pivotal in achieving these objectives.

18. **Mr. Speaker**, the Committee appreciates that the County Treasury is alive to the fact that local revenue growth must be realistic unlike previously where local revenue projections have been unrealistic. In the Financial Year 2017/18 Resource Envelope the County Treasury envisions local revenue collection to a tune of Kshs. 750 million which is relatively realistic due to the fact in the financial year 2015/16 Kshs. 617 million was collected and as such if collective measures are taken to seal the loopholes in the revenue collection system the target would be realized. Furthermore, the revenue mobilization strategies and automation should be implemented.
19. **Mr. Speaker Sir**, section 117 (4) of the PFM Act, 2012 provides that the County Treasury shall include in the County Fiscal Strategy Paper among other things a statement on borrowing for the coming financial year and the medium term. The County Treasury has indeed stipulated that it has no intention of acquiring a loan in the near future.

#### I. FISCAL RESPONSIBILITY PRINCIPLES

20. **Mr. Speaker Sir**, The Constitution of Kenya 2010, Legal Notice (No.35) of the Public Finance Management regulations, 2015 as well as Public Finance Management Act 2012 stipulates how different levels of Government as well as the Departments and Organs within those Governments including the County Assembly should receive and manage funds from the public coffers.

However, the same Law empowers the Parliament well as the Commission on Revenue Allocation to make recommendations on the ceilings of the latter in light of the prevailing circumstances and the macroeconomic factors such as inflation.

21. **Mr. Speaker, in view of the foregoing**, the Committee resolved to adjust the County Assembly ceilings based on the ideal situation on the ground in its quest to live to the letter of the Constitution and the County Allocation of Revenue Act, 2015 and set the ceilings at Kshs. 833 million which is equivalent to 12% of the total Resource Envelope.

## COMMITTEE'S RECOMMENDATIONS:

**Mr. Speaker Sir**, during the scrutiny of the document as has been mentioned the Committee noted various gaps that it would wish addressed as follows:

- i. The FY 2017/2018 Budget Estimates should be in line with the approved percentages of departments' ceilings as enclosed in under the resource envelope in the County Fiscal Strategy Paper, 2017;
- ii. That there should be strict adherence to the sector/departmental ceilings and other legal requirements when preparing the budget;
- iii. The County Treasury should undertake a thorough audit to establish the exact amount of personnel emoluments in the County so as to determine whether it is within the 35% of the County Government total revenue as provided for under Section 25 (I) (b) of the Public Finance Management regulations, 2015 ;
- iv. The County Treasury in subsequent report should aim to furnish this Assembly with a more precise breakdown of fiscal performance for any financial year in progress; and
- v. The County Fiscal Strategy Paper should focus on the national objectives only as far as they can be related to the County development agenda and priorities.
- vi. The County Treasury should always give a clear explanation for any deviation in the CFSP from the approved CBROP in any given financial year.
- vii. The County Treasury should ensure that the CFSP, the CIDP, the ADP, the CBROP and the Budget Estimates are consistent with each other.
- viii. The County Treasury should ensure that sector working groups are involved to promote efficiency and effectiveness in budget making process.

**Mr. Speaker Sir**, in conclusion and pursuant to the provisions of Section 117 (6) of the Public Finance Management Act 2012 and Standing Order 210 (7) the County Budget and Appropriation Committee recommends that: *This County Assembly adopts the Murang'a County Fiscal Strategy Paper for the FY 2017/2018 with amendments, as stipulated below;*

(a)

Department	FY 2017/2018 Approved CBROP  Kshs (000)	FY 2017/2018 Proposed CFSP Kshs (000)	FY 2017/2018 Approved CFSP Kshs (000)
Office of the Governor	224,400	229,090	229,090
County Assembly	<b>680,000</b>	<b>694,212</b>	<b>833,054</b>
Finance & Planning	312,800	319,337	319,337
Agriculture, Livestock & Fisheries	353,600	360,990	360,990
Energy, Transport & Infrastructure	<b>1,516,400</b>	<b>1,548,092</b>	<b>1,409,250</b>
Commerce, Trade & Industry	68,000	48,595	48,595
Health & Sanitation	1,836,000	1,916,025	1,916,025
Lands, Housing & Physical planning	61,200	62,479	62,479
Public Service & Administration	850,000	867,765	867,765
Education & Technical Training	537,200	548,427	548,427
Youth, Culture & Social Services	272,000	277,685	277,685
Environment & Natural resources	61,200	41,653	41,653
County Public Service Board	27,200	27,768	27,768
<b>Total</b>	<b>6,800,400</b>	<b>6,942,118</b>	<b>6,942,118</b>


(b)


Department	FY 2017/2018 Approved CBROP percentage ceilings	FY 2017/2018 Proposed CFSP percentage Ceilings	FY 2017/2018 Approved CFSP percentage ceilings
Office of the Governor	3.3%	3.3%	3.3%
County Assembly	<b>14.7%</b>	<b>10%</b>	<b>12%</b>
Finance & Planning	4.6%	4.6%	4.6%
Agriculture, Livestock & Fisheries	5.2%	5.2%	5.2%
Energy, Transport & Infrastructure	<b>16.6%</b>	<b>22.3%</b>	<b>20.3%</b>
Commerce, Trade & Industry	1.0%	0.7%	1.0%
Health & Sanitation	28.0%	27.6%	28.0%
Lands, Housing & Physical planning	0.9%	0.9%	0.9%
Public Service & Administration	12.5%	12.5%	12.5%
Education & Technical Training	7.9%	7.9%	7.9%
Youth, Culture & Social Services	4.0%	4.0%	4.0%
Environment & Natural resources	0.9%	0.6%	0.9%
County Public Service Board	0.4%	0.4%	0.4%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>


**ADOPTION OF THE REPORT**


The following Committee Members adopted the report:


1. Hon. Joseph Ndung'u Muchina, MCA
2. Hon. Peter Mweri Maina, MCA.
3. Hon. Joseph Kimani Gitau, MCA
4. Hon. Joseph Kimani Machiri, MCA
5. Hon. Rosemary Wakuthii Njine, MCA
6. Hon. Esther Wanjiru Ngugi, MCA
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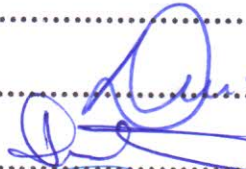
  
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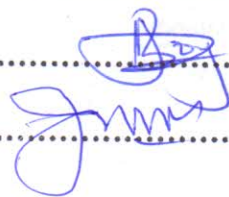
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