

**REPUBLIC OF KENYA**

**COUNTY GOVERNMENT OF KIAMBU**



# Budget Statement

For the

**Fiscal Year 2015/2016**  
(1st July 2015 – 30th June 2016)

By

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Kiambu County

June 30, 2015

# STATEMENT DELIVERED TO THE COUNTY ASSEMBLY ON 30<sup>TH</sup> JUNE, 2015 BY MS. MARY NGULI, COUNTY EXECUTIVE COMMITTEE MEMBER FINANCE & ECONOMIC PLANNING, WHEN HIGHLIGHTING THE BUDGET POLICY AND REVENUE RAISING MEASURES FOR FISCAL YEAR 2015/16

1ST JULY, 2015 TO 30TH JUNE, 2016

## I. INTRODUCTION

### 1.1. Overview

1. **Mr. Speaker**, it is my honour to present to the August House the policy statement for the fiscal year 2015/16 in accordance with provisions of Section 132 of the Public Finance Management Act, 2012
2. **Mr. Speaker**, this policy statement that I present today is the result of extensive consultations within government and with members of the public. Before I proceed therefore, allow me to take this early opportunity to thank the Finance, Budget and Appropriations Committee led by the very able leadership of Hon. George Muthua, and other Departmental Committees of the County Assembly for the constructive engagement with the County Treasury team and for steering the review of the 2015/16 Budget Estimates. Allow me **Mr. Speaker** to also express our gratitude to the Hon. Members of the County Assembly for approving the 2015/16 FY Estimates of Expenditure submitted to the House. Your cooperation and support has gone a long way in ensuring that the County meets the constitutional deadlines.
3. **Mr. Speaker**, I would also like to register my utmost appreciation to the entire staff of the Finance & Economic Planning Department led by the able leadership of my Chief Officer, John Gicaci, as well as other Chief Officers and public servants for the hard work they put in preparing and contributing to this budget and while formulating the revenue raising measures. My great appreciation goes to the County Executive Committee under the stewardship of H.E the Governor for their wise counsel and policy direction. I give very special tribute to the many ordinary residents of this county who took time to share their vision and aspirations during the public forums. Finally **Mr. Speaker**, I wish to express my deepest gratitude to our Development

Partners who have continued to support the County in the pursuit of its development agenda. It is our hope that they will continue to provide this support.

4. **Mr. Speaker**, the County faced a number of challenges while implementing the 2014/15 FY budget. These included delays and unpredictable releases of our monthly equitable share by the National Government. This often created cash flow management issues and delayed payments of projects already completed. Other challenges included the huge burden of inherited wage bill and its attendant recurrent costs that leave limited space for resource allocation to development projects. Despite the challenges **Mr. Speaker**, the county was able to deal with these headwinds and perform very well by instituting various measures, key of which included revenue administration reforms and staff rationalization programme.
  
5. **Mr. Speaker**, the budget framework for 2015/16 FY strikes an appropriate balance between development and recurrent expenditure. The policy aims at shifting resources from recurrent to capital investments in order to create wealth and enhance service delivery. Going forward, the Government will continue to enhance its fiscal responsibility performance by putting emphasis on efficiency and effectiveness of public spending and improved revenue performance while at the same time instituting expenditure efficiency and effective implementation of budget programs; the aim here being to develop a framework for entrenching competency and integrity amongst staff.
  
6. In the same vein **Mr. Speaker**, the County Treasury will, during the 2015/16 FY budget period, institute and strictly enforce, among others, the following measures:
  - ✓ undertake a rationalization of public expenditures to identify and remove expenditure overlaps and waste;
  - ✓ develop in the first half of FY 2015/16, a framework for enforcing cost benchmarks for projects and consumables;
  - ✓ conduct value for money audit for consumables in Departments for the last two years and implement a corrective action if necessary;
  - ✓ Conduct every year, at least one Public Expenditure Tracking in any sector where there are value for money concerns;
  - ✓ entrench program budget and enforce performance benchmarks for execution of the development budget

7. So today **Mr. Speaker**, we are taking further steps to lay the ground for more development programmes, consolidate the gains made, and further entrench our reform programme within a framework of prudent management of financial resources. The favourable feedback and economic context within which the 2015/16 FY budget was prepared supports this agenda. **Mr. Speaker**, the county's development agenda is working and things are getting better.
8. **Mr. Speaker**, the overall expenditure for FY 2015/16 is estimated at KShs. 11,949 Million, of which recurrent expenditures amount KShs. 7,980 Million and development expenditure amount to KShs. 3,969 Million. A contingency provision of KShs. 35 Million has been provided to cater for unseen risks that may arise and for disaster/emergency response.
9. **Mr. Speaker**, before we turn to the specific key highlights of the 2015/16 FY budget, allow me to introduce the main areas of focus. While framing this budget, the following areas were given specific emphasis;
- i. Revenue administration, enhancing governance, transparency and accountability in the delivery of services
  - ii. Development of key infrastructure facilities and countywide public works to stimulate investments, create employment and reduce poverty
  - iii. Value addition, productivity growth and enhancement of food security
  - iv. Opening up opportunities to tap the latent talents and entrepreneurial capabilities of our youth, women and persons with disability so as to enable them actively participate in our economic transformation agenda
  - v. Delivery of core County Government services key among them being waste management and sewerage services, improved access to water and sanitation
  - vi. Social Sector development, promotion of quality early childhood education, improved access to healthcare and skills development through vocational training programmes
  - vii. Trade development, tourism and cooperative development
  - viii. Interventions aimed at promoting proper urban planning
10. **Mr. Speaker**, with this background, I now switch to a summary of the various measures we have introduced in the 2015/16 FY budget under each of the eight strategic areas and thereafter share our proposed revenue raising measures and fiscal policies to support and attract investments in our County.

## **Revenue Administration, Enhancing Governance, Transparency and Accountability**

- 11. Mr. Speaker**, efficient and effective revenue administration system is important in ensuring that the County meets its revenue target and is able to implement its development programmes. As Hon Members may already have observed, we are moving all payments onto the digital platform. The objective of the programme is to ensure that all payments to the County are made electronically so as to significantly reduce administrative costs, minimize leakages and expand access to payment points.
- 12. To date Mr. Speaker**, we are pleased to note that over 1,000 residents have so far been registered and issued with the Kiambu County Huduma Card. These have enabled them to pay for county services from wherever they are and are now using payment channels of their choice, thus saving them costs associated with transport and queuing time. To this end **Mr. Speaker**, we have allocated Kshs. 210 Million for the revenue automation and enhancement of systems and a further Kshs. 20 Million for other revenue administration reforms. As a result of these initiatives, the County has been able to enhance transparency, accountability, governance and competitiveness while at the same time improving revenue collection. As a matter of fact, the county nearly doubled its revenue collection in the past one year. This is by no means a small achievement. Our remarkable performance has attracted over 20 delegations from other counties in the country on bench marking missions to Kiambu.
- 13. Mr. Speaker**, the County has continued to use outdated valuation rolls to collect land rates, with some of the rolls having been lastly updated more than twenty years ago. This implies that large areas within town centres in the County are not covered by the valuation rolls and therefore a huge chunk of revenue is not collectible. To expand the tax base, harmonize these rates, ensure fairness and equity in payments, we have allocated Kshs. 57.5 Million for completion of the draft Valuation roll. The finalization and subsequent approval of the roll will mark a significant chapter in service delivery in the county. We therefore urge Hon Members to support the outcome of this critical exercise and prioritize its debate once tabled in the House.
- 14. Mr. Speaker**, the Constitution requires the public to be informed and involved in formulating policies that impact on their lives. This will not only make it easy for the implementation of the policies but also their acceptability. In view of this legal

requirement, we have allocated Kshs. 25 Million for public participation, civic education and other awareness campaigns throughout the county.

### **Development of Key Infrastructure Facilities**

**15. Mr. Speaker**, good infrastructure is key for transportation of goods, reduction of cost of doing business and promotion of investments. Investments in infrastructure also open up business opportunities for our people and facilitate faster and a more inclusive growth for employment creation and poverty reduction. It is in this regard that we are investing substantial resources to improve the conditions of our county road network. We are pleased **Mr. Speaker**, to inform Hon Members that the ongoing Ndumberi -Githunguri Road Project is progressing well just as scheduled. To date, Kshs. 144 Million has been spent on the project. To facilitate completion of this and other projects, we have proposed an additional allocation of Kshs. 300 Million. Through this project alone **Mr. Speaker**, over 50 residents of the county have got jobs.

**16. Mr. Speaker**, the county is committed to infrastructure development by adopting innovative ways to hasten delivery of better roads and other infrastructure necessary for reducing the cost of business, promoting competitiveness and increasing productivity for our economy. In this regard **Mr. Speaker**, the County will seek concessional financing to tarmac 200 km road network using the low volume seal technology introduced in Kenya recently. This will further accelerate achievement of our development goals as stated in the Governors manifesto.

**17. Mr. Speaker**, our commitment to grade over 2,000 Kms of rural access roads is also on course. The County has so far graded 896 Kms in the past two years. As a result, rural areas have been opened up and farmers are now able to quickly access markets for their produce faster and at a lower cost. Towards that end **Mr. Speaker**, the county has proposed to allocate Kshs. 360 Million to further grade 304 kms in 2015/16 FY and thereby improve rural access roads.

**18. Mr. Speaker**, as we invest in expanding our road network, construction of storm water drains and repair of existing ones is important in reducing flood damage from storm water. We therefore propose to use KSh. 40 Million to improve the current drainage systems. Other proposed projects include Kshs. 20 Million for construction of new motorable bridges, KShs. 70 Million for construction of new bus parks and a

further KShs. 70 Million for maintenance of roads and bus parks. **Mr. Speaker**, we have also proposed to use KShs. 40.8 Million for construction of fire stations and renovation of existing ones across the county.

### **Value Addition, Productivity growth and Promoting Agriculture**

**19. Mr. Speaker**, as Hon Members know, agriculture is the backbone of our county economy and sustains not only our economy but also the livelihood of our people. Furthermore **Mr. Speaker**, agricultural value addition has the potential to act as a catalyst for our county's success. In deed **Mr. Speaker**, business agriculture is steadily gaining traction in our county and a number of our residents, including the youth have recently ventured into agribusiness as a viable commercial venture. It is with this in mind that we proposed to allocate Kshs.50 Million to enhance value addition and agribusiness development.

**20. Mr. Speaker**, we are pleased to note that we have made good progress in the implementation of various irrigation projects we initiated throughout the county. To further spur the sector to contribute its rightful share of development, we have allocated Kshs. 77.5 Million in irrigated agriculture. Together with the proposed Kshs. 28 Million set aside for food security projects, we have no doubt that this will help to assure food security for our people throughout the year.

**21. Mr. Speaker**, we will continue to invest in improvement of Waruhiu Training Centre in a bid to bring it to world standards. In this regard therefore, we have allocated Kshs. 21 Million to the facility. A further Kshs. 33.5 has been proposed for milk coolers and pasteurizers in various places within the county and Shs. 10 Million has been set aside as start-up capital for construction of animal feeds factory. We have also proposed to allocate Kshs. 8.5 Million for fish farming activities.

### **Enhancing Youth Empowerment**

**22. Mr. Speaker**, the Government is cognisant of the fact that unless we invest in unlocking the potential of the youth and women, our development transformative agenda will soon come to naught. We are also cognisant of the fact that every big company started small and that small businesses are critical players in our economy. They are the best sources of new products and innovations that will support future growth. However, development of these small businesses is hindered by lack of

capital since they are considered by banks as high risk. In addition to this challenge **Mr. Speaker**, small enterprises are constrained by limited market access and inadequate knowledge and skills. To help them overcome these challenges and realize real development, the Government will continue to increase allocations into the Biashara Fund as the vehicle for transforming and empowering the youth. In this budget therefore, we have allocated a total of Kshs. 100 Million to help them access affordable credit to start, grow and build businesses. The beneficiaries of previous year's allocations have already undergone an intensive training programme and are now ready to start off. We are confident **Mr. Speaker** that the county is heading in the right direction.

**23. Mr. Speaker**, development and support of sports remains a key priority of our county as it nurtures talent of our youth. In this regard, we have invested in sports development and set aside Kshs. 35 Million for upgrading and renovating of stadiums across the county. As a Government, we will utilize this allocation efficiently by employing modern technologies to deliver on this service.

### **Water, Sanitation and Sewerage Services**

**24. Mr. Speaker**, access to clean water and environment is a key promise of this administration and is important for the development of the County. Furthermore, solid waste management in the County has been a big challenge and a threat not only to the health of the people but also to the investors who may shy away from the County. To address this, the Government has proposed to allocate Kshs.30 Million for expansion of the pilot phase of Kang'oki Sanitary landfill and establishment of dumpsites in Ruiru, Kiambaa and Githunguri Sub-Counties. A further Kshs. 15 Million has been allocated for rehabilitation of Limuru dumpsite and Kshs. 20 Million for design of Githunguri town and extension of sewer lines in Thika.

**25.** As the County continues to experience rapid urbanization **Mr. Speaker**, timely and adequate provision of clean water is important. Towards this end, we have allocated KShs. 80 million for laying 50 Km pipes to increase water coverage in the County. We have also allocated Kshs.13.5 Million for drilling and equipping boreholes and Kshs.40 Million for construction of water intakes, storage tanks and for installation of water purification systems. In order to ensure availability of land for pipe wayleaves and landfill, we have also set aside Kshs. 25 Million to be used as compensation for acquisition of land.

26. Finally **Mr. Speaker**, to ensure a clean, healthy and green environment, the Government has allocated Kshs. 39 Million for procurement of a skip loader, trucks and trailers for refuse collection and Kshs. 10 Million for planting of tree seedlings, establishment of tree nurseries and beautification of towns. As Hon members may have already noted, Thika town these days has never been that clean before. This better state of affairs is replicated in many other towns of the County. This is by no means an accident. It is the result of prudent planning of the available resources, hard work and focus by the relevant team.

### **Investment in health, education, ICT and Social Sector development**

27. **Mr. Speaker**, the health of our people is key for development both at the County level and also at the national level. In order to ensure a healthy population with higher productivity, we have commenced a program of upgrading healthcare infrastructure and modernizing equipment in our health facilities. So far, the county has rehabilitated over 14 health facilities and ensured provision of medical supplies throughout the year. In the same vein **Mr. Speaker**, the Government has allocated Kshs. 40 Million for renovation of another 18 health facilities and Kshs. 308.5 Million for specialized material and supplies including medical drugs for both curative and preventive services.

28. Consistent with our policy objective of increased access to quality health care **Mr. Speaker**, we have allocated Kshs. 460 Million for construction of Level 4 Hospitals in Lari, Kikuyu, Wangige/Kabete and Tigoni, and Kshs. 85 Million for purchase of specialised plant, equipment and machinery.

29. **Mr. Speaker**, the availability of rapid ambulance response to emergency medical crises is of most importance to our residents. In this respect, the county already acquired 9 ambulances and distributed them equitably to our health facilities. These have continued to save many lives daily by responding to emergency calls whenever need arose. To further ensure a quicker response, we have allocated Kshs. 50 Million for purchase of more ambulances.

30. Finally **Mr. Speaker**, adoption of new technologies saves cost and improves efficiency. In this regard, the County has allocated Kshs. 45 Million for construction of

bio digesters in Gatundu, Thika, Tigoni and Kiambaa hospitals. Hon. Members will agree with me that indeed, devolution has improved lives of people in our County.

31. On the education front, **Mr. Speaker**, the county has made tremendous progress over the recent past on educational access by our children in our ECD Centres. This is largely due to increased enrolment following the introduction of a school feeding programme that has also had a profound effect on the health of our children. To further support this programme, we propose to allocate Kshs. 50 Million to cover more ECDs in 2015/16 FY and a further Kshs. 40 Million to support the increased demand in enrolment through construction of ECDE centres.
32. Similarly **Mr. Speaker**, a total of Kshs. 180 Million has been set aside as bursary to cater for bright and promising young students in the County in order to ensure that no child is denied education on account of their parents inability to afford school fees.
33. **Mr. Speaker**, we are committed to ensuring that our polytechnics become the country's premier training institutions on artisan skills, crafts and technical training. To support this programme and improve skill development in our polytechnics, the Government has allocated Kshs. 50 Million for construction of polytechnics and another Kshs. 50 Million for renovation of the existing ones. We have also allocated an additional Kshs. 50 Million for purchase of modern equipment. Through the vocational training, the youth will be equipped with skills that will enable them contribute to economic development. In addition to the above **Mr. Speaker**, the County has allocated Kshs. 10 Million for construction of a library in a bid to promote a reading culture.
34. **Mr. Speaker**, the ICT sector is one of the key sectors targeted in the Vision 2030 to help us achieve our developmental objectives. The Government is therefore committed to leveraging on ICT and has in this regard allocated Kshs. 140 Million for Purchase of ICT networking and Communications Equipment. Hon. Members will be pleased to note that the County won the first ICTAK award on best use of ICT in the County Government Category. This was indeed commendable.

### **Trade Development, Tourism and Cooperative Development**

35. **Mr. Speaker**, the Government is committed to improving the county's economy through promotion of trade, tourism and industry development. To underscore the

importance the Government attaches to this sector, we have allocated Kshs. 150 Million for construction of markets and modern kiosks, Kshs. 8 Million for construction of Juakali and Boda Boda sheds and a further Kshs. 17 Million for renovations and refurbishments.

**36. Mr. Speaker,** we have also allocated Kshs. 5 Million for construction and rehabilitation of heritage centres; and Ksh. 30 Million for tourism development and marketing of tourism sites across the county. This will go a long way in stimulating tourism development in our county.

### **Housing and Urban Development**

**37. Mr. Speaker,** the physical development planning of many urban centres within the County has not been up to date. To this end, the County has allocated Kshs. 40 Million for preparation of Urban Integrated Plans for Kiambu, Githunguri, Wangige, Gatundu and Kimende. **Mr. Speaker,** the County Government has also allocated Kshs. 37 Million to be utilised by our Land Survey unit for various activities (such as setting up of Land Information System, putting up of two highly equipped GIS labs, and land banking for key public utility investments. These investments will go a long way in putting order into this important sector of our county **Mr. Speaker.** Other allocations for this area include Kshs. 15 Million for repair of county houses, Kshs. 12.3 Million for flag posting of public utility and Kshs. 20 Million for development of Urban Renewal Policy.

## **II. REVENUE RAISING MEASURES FOR 2015/16 FY**

**38. Mr. Speaker,** the rest of my statement highlights the revenue raising measures I intend to introduce through the Finance Bill, 2015. These measures are aimed at improving the business environment, attracting new investments, reducing the cost of doing business and making our county the preferred centre of economic activity.

**39. Mr. Speaker,** as I stated earlier, the revenue measures I have proposed will promote growth of new investments, promote equity and fairness, deepen the administration reforms by easing compliance and reducing the cost of doing business. Through my last years Memorandum, I conveyed the intention of the County Executive Committee to rationalize and harmonize payment of fees, charges and rents by expanding the revenue base in the medium term. I am pleased to inform Hon

Members that the automation and digitization programme rolled out mid this year has begun to bear fruit. Additional payers have been brought into the net and the system has helped seal a number of loopholes that the manual systems could not.

40. To address concerns raised by our traders **Mr. Speaker**, we have properly described the business categories in the Single Business Permit fees Schedule to remove the confusion that at times led to similar businesses paying different charges for the same type of business activity. This, in effect, means that we have removed the discretions that our officers had through incomplete descriptions. We are confident that by describing all the businesses clearly, the concerns raised have been properly addressed.
41. **Mr. Speaker**, increased investments in a region create more jobs and further supports generation of more revenue. To ensure our county attracts more investments and becomes the centre of economic activity, we have proposed to review the charges of almost all Single Business Permit license categories downwards by about 20 percent. I believe this downward revision will make us one of the most competitive counties in Kenya and increase compliance in payment of county dues. The biggest beneficiaries of this downward revision **Mr. Speaker** are the small traders.
42. **Mr. Speaker**, in order to speed up internet connectivity through fibre optic cables and to encourage investors in the telecommunication industry to invest in our county, we propose to zero rate wayleave charges on underground and overhead cables, towers, telecommunication masts and poles within the county. This is in keeping with our objective of remaining ahead of the pack on the ICT front, and will make businesses within the county have faster connectivity and hence become more competitive.
43. **Mr. Speaker**, our county has attracted massive investment from the private developers in the past few years. This has led to tremendous growth in the building and construction industry in the county. To promote equity and support real estate development in planned areas, we have proposed to categorize the fees payable in Urban, Peri- Urban and rural areas for the purpose of building plan evaluation fees and permit. We have further proposed to reduce the charges payable in Peri- urban areas by 20 percent and those payable in rural areas by 40 percent.

- 44. Mr. Speaker**, a number of these real sector developments took place in land previously planned for agriculture. To promote compliance and encourage developers who developed their land without change of user approvals to regularize their developments, I propose to reduce the penalty charged for those seeking regularization from Kshs.200, 000 to Kshs.100, 000 for urban areas, Kshs.80, 000 for peri-urban areas and Kshs.60, 000 for other areas. The same case applies for those who have subdivided the land without necessary approvals. Developers are urged to take the opportunity, come forward and have their developments regularized.
- 45. Mr. Speaker**, the administration and collection of the charges under Public Health unit in regard to the Food and Drug Permit has been a challenge due to the classification adopted. On account of these classifications, many businesses avoid payments or pay less than what they are required to pay. In order to classify these businesses properly, we propose to re-classify them as per the Single Business Schedule.
- 46. Mr. Speaker**, the compliance rate for the payment of carbon dioxide transportation fee passed in the 2014 Finance Act of Kshs.900 per ton has been very low. The traders made representations to the County Government and requested us reconsider the fee and review downwards. In response to their requests and in order to encourage more investors in this industry, I propose to lower the fee from Kshs.900 to Kshs.200 per ton.
- 47. Mr. Speaker**, in keeping with the spirit of harmonization, we have proposed to harmonize inspection fees for all development control under physical planning unit. Additionally, we have proposed to consolidate into a one stop shop and harmonize the different fees payable by those seeking building plan approvals from the county Departments. This will go a long way in easing the administrative burden that businesses face and thereby reducing the cost of compliance.
- 48. Finally Mr. Speaker**, to promote compliance and ensure that the areas growing tea and coffee get their rightful share of infrastructure development, we have proposed to change the bases for taxing coffee and tea from “1 percent of value of sale proceeds” to “1 percent of the amount payable to the producer”.

### III. CONCLUSION

**49. Mr. Speaker,** this budget demonstrates our resolve to create a prosperous county to grow, live and work. It focuses on implementing key development priorities outlined in our CIDP. Its implementation requires the collective effort of all of us. As I conclude, let me once again thank my County Executive Committee colleagues who collectively own this budget and the programmes to be implemented. **Mr. Speaker,** we are firmly behind the efforts of His Excellency the Governor in making Kiambu the county we want.

**50.** I thank You.