



COUNTY GOVERNMENT OF NANDI

COUNTY TREASURY

**COUNTY BUDGET REVIEW AND OUTLOOK PAPER
(CBROP)**

OCTOBER 2017

© County Budget Review and Outlook Paper (CBROP) 2017

The County Treasury P. O. Box 802-30300 KAPSABET, KENYA

Email: info@nandi.go.ke

Website: www.nandi.go.ke

FOREWORD

In ensuring the entrenchment of financial discipline and spirit within the Constitution, the Public Financial Management Act was enacted in 2012, which has been enhanced with the enactment of its accompanying regulations of 2015. It is therefore with great pleasure that the County Treasury presents the County Budget Review and Outlook Paper for the County Government of Nandi in line with the provisions of sec 118 of the PFM Act 2012.

The Public Financial Management Act ushered in a paradigm shift in the budget making process for the National as well as for the County Governments. Apart from introducing reforms in our public financial management system, the PFM Act entrenched financial discipline and fiscal responsibility principles for respective governments.

The Budget Review and Outlook Paper (BRPOP) is one of the budget documents that enhance financial discipline and fiscal responsibilities within the county's financial management framework. The BRPOP presents the fiscal outcome for 2016/17 and how this affects the financial objectives set out in the 2017 County Fiscal Strategy Paper (CFSP). The updated macroeconomic outlook therein also provides us with a basis to be used in revising the 2017/18 budget in the context of the Supplementary Estimates, as well as set out the broad fiscal parameters for the next budget.

The fiscal framework presented in this 2017 Budget Review and Outlook Paper provides a strong basis for building our common future under the new constitutional dispensation whose county's existence and sustainability is pegged on. More details on the linkage of the county's aspirations and the budgeting process will be provided in the County Fiscal Strategy Paper (CFSP) expected to be released immediately upon the circulation of the Country's Budget Policy Statement.



CHARLES KIMELI MUGE
CEC Member, FINANCE, ECONOMIC PLANNING AND ICT

ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| CBROP | County Budget Review and Outlook Paper |
| CEC | County Executive Committee Member |
| CFSP | County Fiscal strategy Paper |
| CG | County Government |
| FY | Fiscal Year |
| PFMA | Public Financial Management Act |
| TA | Transition Authority |
| CIDP | County Integrated Development Plan |

INTRODUCTION

LEGAL FRAMEWORK AND OBJECTIVES FOR CBROP

LEGAL FRAMEWORK

The County Budget Review and Outlook Paper (CBROP) has been prepared by the County Treasury in accordance with Section 118 of the Public Finance Management (PFM) Act. The Act states that a County Treasury;

- Shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- Submit the paper to the County Executive Committee by the 30th September of that year.

The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in that year's CFSP. On that note this CBROP makes reference to the CFSP. It focuses on the fiscal outlook of the current financial year and the medium term.

Fiscal discipline will seek to continuously ensure that the county is able to transit into devolution smoothly. In addition, the County will work towards reducing poverty levels by bringing the relevant and essentials services to the people. As the County Government, we are committed to maintain the trend of economic growth and development as desired by the residents. Towards this end, we shall ensure there is transparency and accountability by providing feedback on our performance indicators as required by the Constitution and the Public Finance Management Act.

COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Finance Management (PFM) Act 2012 (section 107) sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources;

- 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 Governments' 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 Executive Committee Member for Finance in regulations and approved by County Assembly.
- iv. Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and **not** for recurrent expenditure
- v. The county debt shall be maintained at sustainable level as approved by County Assembly
- vi. The fiscal risks shall be maintained 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.

OBJECTIVES FOR CBROP

Pursuant to the provisions of sec 118 (2) of the Public Financial Management Act 2012, the County Treasury through the County Budget Review and Outlook Paper shall seek to specify;

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- the updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper(CFSP);
- any changes in the forecasts compared with the CFSP;
- how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

In summary, this BRPOP is expected to present a review of the fiscal performance for the previous year.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance. The key macro-economic indicators are, however, not currently available at the county level thereby making it difficult to provide county macro-economic statistics for analytic purposes.

The above statistics would partly provide the basis for the revision of the Financial Year 2017/18 budget in the context of the Revised Budget, as well as

setting out the broad fiscal parameters for the next budget over medium term. The fiscal framework presented in this document provides a strong basis for building our common future under the current constitutional dispensation. The paper also presents an overview of budget financing sources that includes revenue and grants. In the last section of the document, the paper offers some conclusions and the way forward.

REVIEW OF FISCAL PERFORMANCE IN 2016-2017

This section is meant to review how the actual financial performance for the 2016-2017 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for the financial year, 2017-2018.

OVERVIEW

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law states that:

- 1) Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure
- 2) The county government's expenditure on wages and benefits for public officers shall not exceed a percentage of the county government's revenue as prescribed by the County Executive Committee Member for Finance in regulations and approved by the County Assembly.
- 3) Over the medium term, the county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- 4) Public debt and obligations shall be maintained at a sustainable level as approved by county assembly

- 5) Fiscal risks shall be managed prudently
- 6) 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

The fiscal performance in 2016-2017 was generally satisfactory, despite the challenges with shortfall in revenues, the transition financial demands and increased expenditure pressures.

RECENT ECONOMIC AND FISCAL DEVELOPMENTS

The County Budget Review and Outlook Paper herein proposes a review on the current budget with a view to improving efficiency and service delivery based on the economic and fiscal developments in the performance of the 2017-2018 budget.

The county's economic performance is largely dependent on the formulation and implementation of prudent policies to guide allocation of resources to priority areas for enhanced service delivery. To a larger extent, the resources available for the county's budgetary execution depend on the country's economic performance which is influenced by developments and economic trends in the global economy.

This CBROP findings and explanations thereto are informed by the current financial governance framework -the Public Finance Management Act, 2012 and the Constitution of Kenya 2010.

2.1 GLOBAL ECONOMIC AND FISCAL OVERVIEW.

The CBROP is prepared in view of realigning the current budget towards improving global economic prospects currently faced with signs of uneven and moderate global recovery. This is attributed to the declining commodity prices, depreciating emerging market currencies, and increasing financial market volatility, downside risks to the outlook have risen, particularly for emerging markets and developing economies

Global growth is now projected at 3.6 percent due to the recovery in growth in advanced economies

Growth in Sub-Saharan Africa is expected to slowdown in 2017 to 3.4 percent from 3.8 percent in 2016 due to declining commodity prices, particularly oil as well as lower demand from China (the largest single trade partner of Sub-Saharan Africa) and the tightening of global financial conditions for the region's frontier market economies. In view of this, many African countries are hopeful and undergoing structural adjustments and trade liberalization programmes to open up their economies to trading partner countries in and out of Africa which may have an internal economic effect as interest rates may remain unstable, their demand and prices determined by industrialized economies as their export is pegged on primary material export.

2.1 NATIONAL ECONOMIC AND FISCAL OVERVIEW

Kenya's economic growth remained resilient in 2015 and its macroeconomic performance remains strong in the face of headwinds from the global economic slowdown.

The robust performance is supported by continued and significant infrastructure investments, construction, mining, lower energy prices and improvement in agriculture following improved weather and reliable rains.

The Kenyan economy grew by 5.3 percent in 2015 and is projected to rise to 5.6 percent in 2016, further rise to 6.0 percent in 2017 and 6.5 percent over the medium term. Inflation is expected to remain within target over the medium term. Interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The Kenya Shilling exchange rate has stabilized following increased foreign exchange inflows in the money market and Central banks fiscal and monetary measures to ensure stability.

2.2 County Economic and Fiscal Overview

The county's economic performance is largely dependent on the formulation and implementation of prudent policies for effective service delivery as well as the overall country's economic performance.

This fiscal policy strategy recognizes that available resources are scarce and hence the need to focus majorly on the County Government's priority programs that have the highest impact on the stated objectives, but within a framework

of a sustainable and a stable macroeconomic environment. Robust Economic Growth in the County is supported by continued investment in Infrastructure, Health, Water, Education and Agriculture. The county's Economy and livelihood is mainly driven by Agriculture which is depended upon by over 80% of the county's rural population. With the recently experienced heavy rains it is expected that agricultural production will improve hence the county is anticipated to be food secure.

Since the national Macroeconomic stability has been preserved with inflation remaining on average within target, it is expected that the County economy will also remain stable over the medium term. The county government is putting up measures to improve Revenue collection by Automating Revenue collection, to minimize any revenue leakage from available sources. Putting in place legislations and mechanisms as basis of widening the revenue bases and to comply with PFM acts, the county is striving to attain high level of local revenue to ensure uninterrupted service delivery when there is delay in national government transfers. This will be achieved by maintaining a strong revenue effort and containing the growth of total expenditure, while shifting composition of expenditure from recurrent to capital expenditure and eliminating unproductive expenditures.

2016-2017 FISCAL PERFORMANCE**LOCAL REVENUE**

| | 2016 - 2017 | 2015 - 2016 |
|--------------------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Receipts from Kiborgok Tea Farm | 13,837,953 | 17,540,000 |
| Business permits | 29,946,340 | 30,589,401 |
| Cess | 70,482,227 | 5,810,815 |
| Land rates | 25,433,243 | 26,163,805 |
| Plot rents | 2,542,171 | 1,191,086 |
| House and Stall rent | 2,862,813 | 3,906,900 |
| Market/Trade Centre Fees | 10,648,414 | 8,843,155 |
| Vehicle Parking fees | 27,083,689 | 35,222,291 |
| Agriculture | 6,969,199 | 9,201,200 |
| Cattle Dips and Vaccination | 2,532,910 | 3,707,783 |
| Slaughter House Administration | 472,460 | 1,010,880 |
| Sewerage Administration | 647,457 | 487,814 |
| Other Health and Sanitation Revenues | 45,927,766 | 28,093,981 |
| Other miscellaneous receipts | 5,343,115 | 21,677,606 |
| TOTAL | 244,729,757 | 194,462,307 |

EXCHEQUER RELEASES

| | 2016 - 2017 | 2015 - 2016 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Total Exchequer Releases for quarter 1 | 1,232,494,340 | 808,367,997 |
| Total Exchequer Releases for quarter 2 | 1,206,750,000 | 784,592,468 |
| Total Exchequer Releases for quarter 3 | 1,196,578,600 | 1,188,776,466 |
| Total Exchequer Releases for quarter 4 | 1,001,500,000, | 1,973,368,937 |
| Total | 4,637,322,940 | 4,755,105,868 |

PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

| Name of Donor | Date received | Amount in foreign currency | 2016 - 2017 | 2015 - 2016 |
|--|----------------------|-----------------------------------|--------------------|--------------------|
| | | | Kshs | Kshs |
| Grants Received from Bilateral Donors (Foreign Governments) | | | | |
| (DANIDA-HSPS3) | 4/5/2017 | N/A | 9,155,000 | 18,310,000 |
| Total | | | 9,155,000 | 18,310,000 |

All the grants from DANIDA were received and disbursed to the selected hospitals, dispensaries and health centres. This helped in settling their operational costs including the accountants' salaries.

TRANSFERS FROM OTHER GOVERNMENT ENTITIES

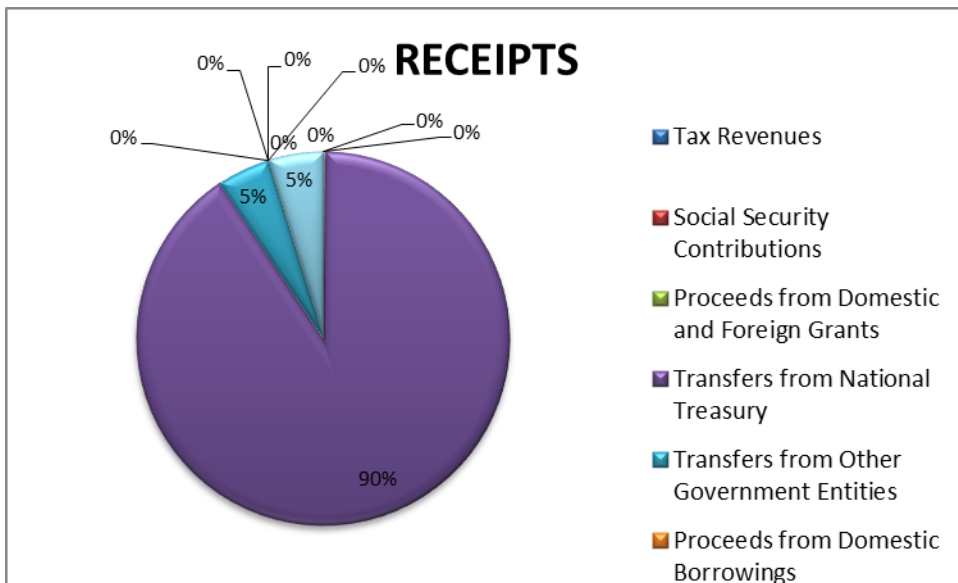
| Description | 2016 - 2017 | 2015 - 2016 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Transfers from Central government entities | | |
| Health-(FIF-Maternity, inpatient) | 79,402,500 | 47,727,500 |
| Public Works-RMLF | 78,835,012 | 60,405,657 |
| Health-USER FEE | 18,055,818 | 17,551,588 |
| M.O.H-Doctors & Nurse Allowances | 56,298,000 | - |
| TOTAL | 232,591,330 | 125,684,745 |

a) REVENUE

The total receipts was Kshs 5,123,799,027 against an expenditure of Kshs 4,845,798,545 thus leaving a surplus of Kshs 278,000,482. The county's own revenue sources shot up to Kshs 244,729,757 from 194,462,307 recorded from previous Financial Year. However this is still not potentially exhaustive. This increase can be attributed to the introduction of automation of the revenue collection system .Other transfers from government entities comprises of DANIDA Funds ,Road Maintenance Levy Fund ,Free Maternity and Free User Fee to the tune of 232,591,330.

A graphical representation of the revenue is as shown bellow

Figure 1 Nandi County Government revenue sources in FY 2016/2017.



I. STATEMENT OF RECEIPTS AND PAYMENTS

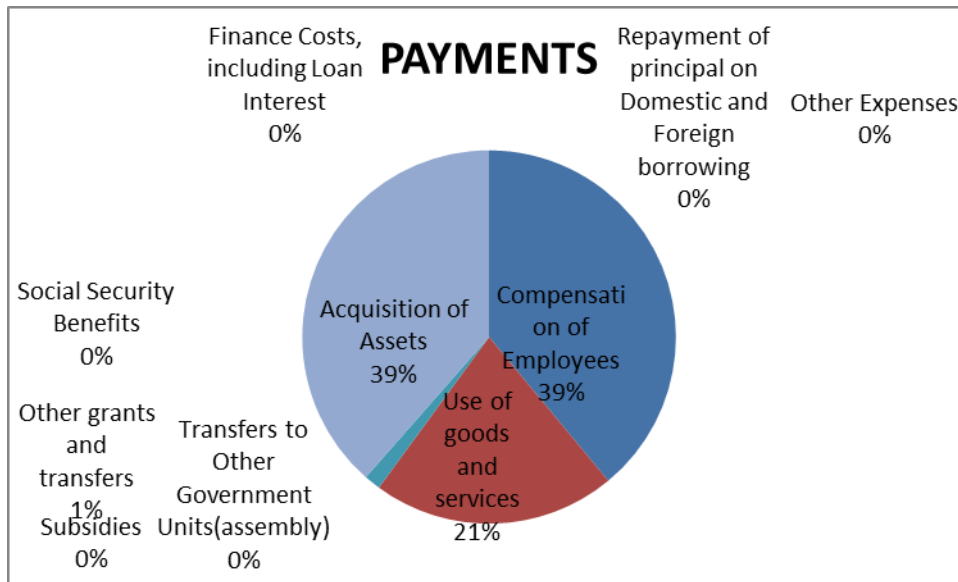
| | Note | 2016-2017 Kshs | 2015-2016 Kshs |
|---|------|----------------------|----------------------|
| RECEIPTS | | | |
| Exchequer releases | 1 | - | - |
| Proceeds from Domestic and Foreign Grants | 2 | 9,155,000 | 18,310,000 |
| Transfers from National treasury | 3 | 4,637,322,940 | 4,755,105,868 |
| Transfers from other government entities | 4 | 232,591,330 | 125,684,745 |
| County Own Generated Receipts | 9 | 244,729,757 | 194,462,307 |
| TOTAL RECEIPTS | | 5,123,799,027 | 5,093,562,920 |
| PAYMENTS | | | |
| Compensation of Employees | 11 | 1,889,451,174 | 1,713,379,155 |
| Use of goods and services | 12 | 1,020,637,542 | 934,975,721 |
| Other grants and transfers | 15 | 69,167,300 | - |
| Social Security Benefits | 16 | - | - |
| Acquisition of Assets | 17 | 1,866,542,529 | 1,975,137,361 |
| TOTAL PAYMENTS | | 4,845,798,545 | 5,004,491,127 |
| SURPLUS/DEFICIT | | 278,000,482 | 89,071,793 |

a) EXPENDITURE

The total expenditure for the County Government of Nandi was Kshs 4,845,798,545.

Compensation of employees remain the greatest consumer of the recurrent funds. Amount spent on salaries was Kshs 1,889,451,174 which is 64 percent of the recurrent funds. Use of goods and services was Kshs 1,020,637,542 .Bursary grants was Kshs 60,012,300.

Figure 2 Nandi County Government revenue sources in FY 2016/2017.



Acquisition of Assets was Kshs 1,866,542,529 against a budget of Kshs 2,526,109,045 which is 74 percent utilization.

b) CASH FLOWS

In the Financial Year 2016/2017 the County Government did not experience any form of Liquidity disruptions. The County put in place proper measures to mitigate cash flows disruption. There were also timely disbursements of funds by the National treasury. The cash and cash equivalent increased from Kshs 507,131,447 to 785,131,929 as at 30th June 2017

PENDING BILLS

The bills slightly increased from Kshs 487,529,124 to 664,609,044 this was partly attributed to challenges attributed to IFMIS which had poor internet connectivity which the system majorly rely on this has in some instances delayed payments, however the county is focused on settling the bills through an establishment of pending bills committee to handle the same.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Recent Economic Developments

The county's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery. The county's performance will also depend highly on the country's economic performance. Generally, the county operated under a stable macroeconomic environment.

The largest expenditure driver in the first half of the Financial Year 2016/17 was infrastructural development and the promotion of access to markets for fresh produce especially given that the county economy is heavily dependent on agriculture and livestock. Therefore, market access is vital for employment and equitable income distribution. It is important however to note that to ensure equitable development, resource distribution was sensitive to regional, as well as demographic considerations both regarding equity and efficiency have been realized. The allocation for the 2016/17 financial year is as shown in the table below;

Table 3: Portfolio Allocation 2016/2017 as per Printed Estimates

| Receipt/Expense Item | Original Budget | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilisation |
|------------------------------------|------------------------|----------------------|-----------------------------------|--------------------------------------|-------------------------|
| | a | c=a+b | d | e=c-d | f=d/c % |
| RECEIPTS | | | | | |
| Exchequer releases | 5,130,819,903 | 5,130,819,903 | 4,637,322,940 | 493,496,963 | 90% |
| DANIDA | 19,225,500 | 19,225,500 | 9,155,000 | 10,070,500 | 48% |
| HEALTH USER FEE | 18,055,819 | 18,055,819 | 18,055,818 | 1 | 100% |
| {FIF} maternity, inpatient | 68,195,394 | 68,195,394 | 79,402,500 | 11,207,106 | 116% |
| {MOH} doctors & nurses allowance | - | - | 56,298,000 | 56,298,000 | |
| Roads Maintenance Levy Fund {RMLF} | 78,835,014 | 78,835,014 | 78,835,012 | 2 | 100% |
| County Emergency Fund | 98,297,872 | 98,297,872 | - | 98,297,872 | 0% |
| Leasing of Medical equipment | 95,744,681 | 95,744,681 | - | 95,744,681 | 0% |
| Other Receipts | 333,545,003 | 333,545,003 | 244,729,757 | 88,815,246 | 73% |
| TOTAL | 5,842,719,186 | 5,842,719,186 | 5,123,799,027 | 718,920,159 | 88% |
| PAYMENTS | | | | | |
| Compensation of Employees | 2,092,297,916 | 2,092,297,916 | 1,889,451,174 | 126,829,668 | 90% |
| Use of goods and services | 2,284,285,626 | 2,284,285,626 | 1,020,637,542 | 1,263,648,084 | 45% |
| Other grants and transfers | | | 69,167,300 | 69,167,300 | |
| Acquisition of Assets | 2,526,109,045 | 2,526,109,045 | 1,866,542,529 | 659,566,516 | 74% |
| TOTAL | 6,903,322,687 | 6,903,322,687 | 4,845,798,545 | 2,056,894,042 | 70% |

Macroeconomic outlook and policies

Several common non-core expenditures were factored in the budget for 2016/17 to operationalize the county and to provide a stable administrative framework which will henceforth provide a foundation for the development of the county were necessary. Such expenditures included; purchases of vehicles and equipment, renovation and construction of buildings, recruitment and remuneration of staff, among others.

Such expenditures were mostly one-off and therefore may not need to be provided for in the subsequent Financial Years and as a result, the outlook for 2017/18 promotes a reorientation of expenditure focus to poverty reduction, employment creation and efficiency in production and service delivery. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to these key areas.

In this regard several yardsticks may be used to identify areas where expenditure reductions can be realized. First, it is important to appreciate that some agencies require more resources for non-core expenditures, while others due to their mandates need less to be as able to execute their mandates effectively. Thus, expenditure reductions for items such as printing, routine maintenance of vehicles, hospitality supplies, among others must be made where inordinate spending is identified. It is therefore important that these expenditures be reduced modestly without crippling the targeted spending units' mandates and objectives. The resultant savings can be re-designated to the core areas and strategies for 2017/18.

Growth prospects (Revenue outlook)
Internal Revenue Streams' Projections for FY 2018/19

| CODE | REVENUE ITEMS | Printed Estimates | Medium Term Projections | | |
|------------|----------------------------------|----------------------|-------------------------|----------------------|----------------------|
| | | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 |
| 1 | Total Anticipated Revenue | 5,443,182,868 | 6,678,319,892 | 6,735,984,881 | 6,489,926,212 |
| 1.1 | Local Revenue | 255,764,953 | 362,283,894 | 385,438,659 | 373,416,902 |
| 1520100 | Land Rates | 31,537,953 | 49,845,544 | 46,220,000 | 48,531,000 |
| 1520500 | Plot Rent/House rent | 1,060,000 | 1,113,000 | 5,050,160 | 5,050,160 |
| 1420328 | Single Business Permits | 30,500,000 | 47,025,000 | 36,070,090 | 32,070,090 |
| 1420328 | Loiquor Licensing | | | 12,000,000 | 32,070,090 |
| 1420405 | Market Fees | 11,300,000 | 11,865,000 | 15,440,640 | 16,212,672 |
| 1330405 | Agriculture | 6,600,000 | 6,930,000 | 9,000,000 | 9,450,000 |
| 1420345 | Cess | 13,800,000 | 34,490,000 | 85,600,000 | 89,880,000 |
| 1420507 | Kiborgok Tea Proceeds | 20,100,000 | 21,105,000 | 18,726,696 | 19,663,031 |
| 1580401 | Slaughter Fees | 972,500 | 1,021,125 | 632,000 | 663,600 |
| 1550105 | Kiosks & stalls | 3,896,000 | 4,090,800 | 3,500,000 | 3,675,000 |
| 1550000 | Trade Fair | 3,880,000 | 4,074,000 | 2,000,000 | 2,100,000 |
| 1420404 | Parking Fees | 33,642,700 | 47,324,835 | 45,563,190 | 47,841,350 |
| 1450100 | Vetenary | 8,477,300 | 8,901,165 | 6,500,000 | 6,825,000 |
| 1580100 | Health and Sanitation | 80,530,000 | 114,556,500 | 82,220,000 | 86,331,000 |
| 1420403 | Sewerage and Water | 332,400 | 349,020 | 680,000 | 714,000 |
| 1530000 | Advertising | 9,136,100 | 9,592,905 | 4,200,000 | 4,410,000 |
| 1530000 | Physical Planning | | | 2,000,000 | 2,100,000 |
| 1530000 | Weights % Measures | | | 3,000,000 | 3,150,000 |
| 1530000 | Tourism and Co-op Development | | | 1,400,000 | 1,470,000 |
| 1530000 | Hire of Exhauster | | | 2,200,000 | 2,310,000 |
| 1530000 | OTHER FEES | | | 3,435,883 | 3,607,677 |
| 1.2 | GOVERNMENT FUNDING | 5,187,417,915 | 6,103,819,903 | 5,899,375,051 | 5,799,990,000 |

| | | | | | |
|-------------------------|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| 1.2.1 | CRF Fund Balances | 432,312,047 | 973,000,000 | 795,575,051 | 441,000,000 |
| 1.2.4 | CRA EQUITABLE SHARES | 4,755,105,868 | 5,130,819,903 | 5,103,800,000 | 5,358,990,000 |
| 1.3 OTHER GRANTS | | 352,677,747 | 212,216,095 | 451,171,171 | 525,424,629 |
| 1.3.1 | DANIDA -HSPS3 | 18,310,000 | 19,225,500 | 9,155,000 | 9,612,750 |
| 1.3.2 | FREE MATERNAL H. C. | 67,048,800 | 68,195,394 | 71,605,164 | 75,185,422 |
| 1.3.3 | COMPENSATION OF USER FEE | 17,551,588 | 18,055,819 | 18,086,363 | 18,990,681 |
| 1.3.4 | RMLF | 60,405,657 | 78,835,014 | 202,600,435 | 212,730,457 |
| 1.3.5 | RMLF Pending | | | 78,835,014 | 82,776,765 |
| 1.3.6 | KDSP - World Bank | | 27,904,368.00 | 41,606,801 | 43,687,141 |
| 1.3.7 | Development of Youth Polytechnics | | | 29,282,394 | 30,746,514 |
| 1.4.1 | LEASING OF MEDICAL EQUIPMENT | 95,744,681 | 95,744,681 | 95,744,681 | 100,531,915 |
| 1.4.2 | COUNTY EMERGENCY FUND | 93,617,021 | 98,297,872 | 103,212,766 | 108,373,404 |
| 1.4.3 | WB KENYA | | 27,904,638.00 | 27,904,638.00 | 29,299,869.90 |
| 1.4.4 | WSTF GRANT | | 59,699,033.33 | 59,699,033.33 | 62,683,985.00 |

County Resource Envelope over Medium Term

| | | Printed Estimates | Medium Term Projections | | |
|--------|---|-------------------|-------------------------|---------------|---------------|
| | | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| 2 | TOTAL EXPENDITURE | 7,041,251,006 | 6,917,206,100 | 7,263,066,405 | 7,626,219,725 |
| 2.1 | RECURRENT | 4,506,015,048 | 4,421,206,100 | 4,642,266,405 | 4,874,379,725 |
| R 4411 | County Executive | 414,028,296 | 512,300,000 | 537,915,000 | 564,810,750 |
| R 4413 | Devolved Units and Special programmes | 87,867,422 | 92,100,000 | 96,705,000 | 101,540,250 |
| R 4412 | Finance, Economic Planning and ICT | 761,627,214 | 805,260,000 | 845,523,000 | 887,799,150 |
| R 4415 | Agriculture, Livestock, Veterinary services and Fisheries | 201,868,720 | 211,850,000 | 222,442,500 | 233,564,625 |
| R 4418 | Education, Research and Vocational Training | 358,963,433 | 361,530,000 | 379,606,500 | 398,586,825 |
| R 4414 | Health and Sanitation | 1,320,046,422 | 1,322,150,100 | 1,388,257,605 | 1,457,670,485 |
| R 4421 | Trade, Industrial Development and Investment | 38,916,500 | 39,150,000 | 41,107,500 | 43,162,875 |
| R 4420 | Infrastructure, Roads, Transport and Public Works | 257,576,867 | 260,540,000 | 273,567,000 | 287,245,350 |
| R 4417 | Youth, Sports, Gender and Social services | 38,709,613 | 39,426,500 | 41,397,825 | 43,467,716 |
| R 4416 | Tourism, Culture and Co-operative Development | 55,447,706 | 56,890,000 | 59,734,500 | 62,721,225 |
| R 4419 | Lands, Environment and Natural Resources | 179,649,000 | 85,260,000 | 89,523,000 | 93,999,150 |
| R 4422 | Public Service and | 35,037,204 | 36,489,000 | 38,313,450 | 40,229,123 |

| | | | | | |
|------------|---|----------------------|----------------------|----------------------|----------------------|
| | Labour | | | | |
| R 4423 | County Assembly | 756,276,651 | 598,260,500 | 628,173,525 | 659,582,201 |
| 3.1 | Development | 2,535,235,958 | 2,496,000,000 | 2,620,800,000 | 2,751,840,000 |
| D 4411 | County Executive | 90,500,000 | 95,000,000 | 99,750,000 | 104,737,500 |
| D 4413 | Devolved Units and Special programmes | 244,000,000 | 113,800,000 | 119,490,000 | 125,464,500 |
| D 4412 | Finance, Economic Planning and ICT | 106,555,683 | 96,000,000 | 100,800,000 | 105,840,000 |
| D 4415 | Agriculture, Livestock, Veterinary services and Fisheries | 166,634,452 | 186,000,000 | 195,300,000 | 205,065,000 |
| D 4418 | Education, Research and Vocational Training | 192,800,000 | 212,000,000 | 222,600,000 | 233,730,000 |
| D 4414 | Health and Sanitation | 199,921,190 | 325,000,000 | 341,250,000 | 358,312,500 |
| D 4421 | Trade, Industrial Development and Investment | 20,000,000 | 45,000,000 | 47,250,000 | 49,612,500 |
| D 4420 | Infrastructure, Roads, Transport and Public Works | 575,000,000 | 595,000,000 | 624,750,000 | 655,987,500 |
| D 4417 | Youth, Sports, Gender and Social services | 136,803,600 | 156,000,000 | 163,800,000 | 171,990,000 |
| D 4416 | Tourism, Culture and Co-operative Development | 76,350,000 | 56,700,000 | 59,535,000 | 62,511,750 |
| D 4419 | Lands, Environment and Natural Resources | 437,145,587 | 490,500,000 | 515,025,000 | 540,776,250 |
| D 4423 | County Assembly | 289,525,446 | 125,000,000 | 131,250,000 | 137,812,500 |

Medium Term Fiscal Framework

The county government will pursue prudent fiscal policy to assure macroeconomic stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for implementation of devolution mandates within a sustainable public finances management system.

With respect to revenue, the Government will maintain a strong revenue effort over the medium term. Measures to achieve this effort include improved tax and cess compliance with enhanced administrative measures and adoption of national and international revenue enhancement best practices. In addition, the county Government will rationalize existing tax and cess incentives, and expanding revenue base. In addition to the proposed Finance Bill that is under the consideration by county Assembly, the county Government is reviewing all other tax and cess policies in order to simplify and modernize them.

On the existing tourism activities and the prospects on the exploration of minerals in our country, the county Government is engaging with stakeholders to develop a comprehensive policy and legislative framework covering licensing, revenue sharing, taxation and sustainable use of the resources. This will ensure that we derive maximum benefit from these natural resources.

On the expenditure side, the county Government will continue with rationalization of expenditure to improve efficiency and reduce overlaps and wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) and other appropriate financial management systems across all Departments including use of the e-procurement platforms. In addition, the PFM Act, 2012 is expected to accelerate reforms in expenditure management system at the county.

The County has been able to lay a platform towards the implementation of i procurement with an extensive procurement plan that shall guide in capital expenditures. This shall help in prudently managing the expenditures by ensuring there is value for money and that transparency in procurement is upheld.

RESOURCE ALLOCATION FRAMEWORK

Expenditure Justifications

Resource allocation and utilization in the next Financial Year and in the medium term will be guided by the emerging priorities, county plans and the principles of PFM Act to ensure effective utilization of public finances. The sector allocations are also informed by the county goals and people's aspirations as captured in the County Integrated Development Plan (CIDP), which is aligned to the goals and the objectives of the country and the Pillars anchored in Vision 2030 blueprint.

Whereas expenditure cuts are targeted on the one-off expenditures that do not require additional expenditure for the next financial year, expenditure increments are informed by core needs identified through analysis by fiscal experts in the County as well as from insightful and welcome submissions from the county public and submissions by individuals and organizations on the 2016/17 budgetary estimates.

In this regard, the areas that are identified to receive additional funds are the “high impact” areas or chronically neglected, but important, areas of public spending such as increased funding for ambulances, health facilities, provision of clean water, road grading, gravelling, tarmacking, rehabilitation of cattle dips and for the provision of extension services for agriculture. To fund these urgent

programs, and in the realization that the finances of the county are finite, sacrifices must be made in non-core spending areas and those savings should be used to secure provision for priority services.

Fiscal Risks to the outlook

Appreciation of the shilling could erode Kenya's competitiveness and lead to unfavorable business in the export sector. The macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how some sectors in the county will perform. The risks to the 2017/18 financial year's budget include challenges in revenue performance as the county continues to put structures in place, seal loop holes and expand the revenue base. The current process of county restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures. With commitment in improving infrastructure within the county, the share of resources going to priority physical infrastructure sector, such as roads and water will rise over the medium term.

County human resources restructuring will receive greater attention in terms of their number as well as their capacity. Going forward, implementation pace in the spending units will be monitored closely especially with regard to the development expenditures and uptake of grant resources. These will inform appropriate measures to be taken in the context of the next budget process

Adjustments to the 2016/17 budget will also take into account actual performance of expenditure so far and absorption capacity for the remainder of the financial year. Because of the resource constraints faced, the county government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures.

Expenditure Drivers

Development initiatives that will be implemented in the coming Fiscal Years are contained in the County Integrated Development Plan (CIDP) whose development proposals were identified by stakeholders through a consultative process. All the sectors in the county had priority development proposals identified. These proposals will drive expenditures for the four Fiscal Years. The Government however is in the process of reviewing its CIDP with an aim of coming up with a new CIDP and has already completed on the development of the sector policies and sector plans. These expenditure drivers in the respective sectors include;

Agriculture, Livestock and Fisheries: cash crops development, productivity and technology adoption, fruits and vegetables enhancement, fish farming promotion and support, livestock production enhancement initiatives, value addition and marketing, and value chain linkages.

Education Sector: ECDE strategy, schools infrastructural enhancement, vocational and tertiary training strategy and quality enhancement in educational institutions

Health and Sanitation Sector: improvement and upgrading of health facilities, service delivery enhancement, community health strategy, efficient drugs and commodities management strategy and cemetery and mortuaries.

There shall be an establishment and development of Medical Training College to promote training of skilled labour on health services promotion.

Roads, Transport and Infrastructure:

Infrastructural development is geared towards agricultural transformation, encourage expansion of trade within and across the county borders as well as expand economic opportunity for employment and also develop ICT infrastructure.

The county will scale up investment in infrastructure by upgrading existing roads, carry out routine maintenance of existing roads, and opening up of new roads which aims to significantly reduce the cost of doing business and therefore facilitate high returns and poverty reduction in the county. The medium term investment in road upgrade throughout the county will be aligned to support agriculture by linking farmers to markets.

In the previous financial year, the county invested substantial amount in purchasing of roadwork machinery and equipment so as to ensure quality road maintenance and sustainability as well as minimize overall costs in the long run. In the medium term, the county plans to allocate more funds in Phase II of the program to purchase more equipment intended to fully mechanize the roads department. Subsequently, the county intends to establish a workshop/garage in order to service its motor vehicles, plant and machinery as well as filling and service station as part of austerity measures towards cost saving on fuels and maintenance.

To promote commerce coupled with security interventions, the county street lighting will be done in major urban areas in collaboration with the National Government. In addition, efficient waste management system will be put in place as well as proper drainage and sewer lines especially in Kapsabet town and Nandi Hills Town.

County government shall construct office complex to house all the county departments to enhance service delivery.

An allocation of a fund in order to assist in response to emergencies and disasters on time.

Lands, Environment, Water and Natural Resources Sector: improvement of water supply infrastructure, water management systems and waste disposal systems. Others are environmental conservation strategies and other natural

resources management and harnessing systems. Enhancing land management for sustainable development and provision of titles.

County spatial planning, urban areas land use Plans, land demarcation, adjudication and registration, urban and rural housing development

Tourism, and Co-operatives Development: Niche tourism, Sports tourism, Tourism quality and management strategies, Tourism marketing strategies, Trade promotion and marketing strategies through enhanced co-operatives for pooling of resources and economies of scale. Strategies to develop tourism infrastructure that can attract both local and international visitors are put into consideration which entails: rehabilitation of existing sites including Chepkiit water falls in Mlango and marketing the existing tourist attractions

Sports, Youth, Culture and Gender Sector: Sports Stadia development, sports activities enhancements, talents development and mentorship programs, women, special needs groups and youth empowerment, and culture promotion and development.

Governance, Justice, Law and Order (GJLOs) and Public Administration Sector: county legislations, capacity building for development, public service performance management, county governance infrastructure and security and peace building

Medium-Term Expenditure Framework (MTEF)

Going forward, and in view of the macroeconomic circumstances since the inauguration of the county government and the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority ones. The First County Integrated Development Plan (CIDP) for the county forms a basis for informed decision making regarding resource allocation in terms of equity and efficiency and value for money.

The priority social sectors, education and health, will continue to receive adequate resources. The two sectors are already receiving a significant share of resources in the budget though they are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.

The economic sectors including agriculture and livestock will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity poor market returns for agricultural produce.

With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, energy and water and irrigation, will continue to rise over the medium term. This will help the sector provide reliable and affordable energy, as well as increased access to water and development of irrigation projects across the county.

All the other sectors will continue to receive adequate resources in line with our county's commitment to balanced sector development so as to enhance the quality of life for the residents of the county

CONCLUSION

The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the Revised Estimates (Supplementary Budgets) and County Fiscal Strategy Paper of 2018. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the county gets to deliver on its functions.