



COUNTY GOVERNMENT OF UASIN GISHU

THE COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER 2019 (CFSP)

**TRANSFORMATIONAL DEVELOPMENT PROCESS FOR
SHARED PROSPERITY**

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The County Treasury P. O. Box 40-30100 ELDORET, KENYA

Email: info@uasingishu.go.ke

Website: www.uasingishu.go.ke

This document is also available at www.uasingishu.go.ke

FOREWARD

County Fiscal Strategy Paper (CFSP) is the primary financial policy document setting out the County government's policy and priority interventions intended for implementation in the financial year 2019/20 and in the medium term. The paper identifies the broad strategic priorities and policy goals that will guide in the preparation of the County budget for the next financial year and over the medium term. CFSP 2019 lays ground for the preparation of 2019/20 budget.

The CFSP 2019 has been prepared pursuant to Section 117 of the Public Finance Management (PFM) Act 2012 which requires the County Treasury to prepare County Fiscal Strategy Paper and submit it to the County Assembly by 28th February of each year. The paper has been aligned with the national objectives as captured in the Budget Policy Statement, with application of fiscal responsibility principles as required by section 107 of PFM Act 2012.

The CFSP 2019 has been prepared within the context of a strong and resilient national economy in the face of global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The positive growth prospects over the medium term supported by stable macroeconomic environment and favourable weather conditions are expected to drive agricultural production, value addition, support exports, and leverage on stable commodity prices and access to credit for investment and employment creation in the County. The projected growth of the Kenyan economy over the medium term is expected to release more resources to the County for expanded execution of the broad strategic priorities and interventions for transformational growth and development in the County.

The County government will pursue broad strategies and programmes towards realization of the County's main transformations and outcomes, thus: investing in health services; investing in water services, cooperative development and management; investing in roads infrastructure; and investing in agricultural production and food security. Other important areas that the government will also appropriate resources include land banking for public utility and investment; trade development; education, youth training, sports development and social protection; and partnerships in housing and solid waste management. The development transformations and outcomes envisaged in the CFSP 2019 are aligned to the 'Big Four' plan of the National Government. The County government will entrench good governance and improve service

delivery for residents to benefit from the expected development outcomes in FY 2019/2020 and over the medium term.

The County government will strengthen fiscal performance in FY 2019/2020 and over the medium term in a bid to shore up local revenue collection while focusing on expenditure productivity in the face of inherent scarcity in public resources. The government is also committed to implementing strategies aimed at strengthening participation of the youth, women and PWDs in the socio-economic development of the County.

The CFSP 2019 continues with the transformational development process for sustainable growth and development, thus securing livelihoods of residents of the County.

CPA JULIUS RUTTO

CECM – FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The 2019 County Fiscal Strategy Paper has been prepared in accordance with the Public Finance Management Act 2012. The paper identifies the broad strategic priorities and policy goals that will guide in preparation of the County budget for FY 2019/20 and over the medium term. In addition, it gives a summary of County government spending plans, as a basis for 2019/20 budget.

The preparation of the 2019 CFSP was a highly participatory and a collaborative effort. The information contained in this paper was obtained from the County Government Departments and Agencies and the residents of the County.

Special recognition goes to all County Executive Committee Members for their contribution towards this policy paper and all the Chief Officers from line ministries who together with their technical officers provided information that went into this policy paper.

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Finally, special appreciation and gratitude goes to His Excellency the Governor and His Excellency the Deputy Governor for their general leadership in the development discourse of the County.

CPA MILLICENT OKONJO

CHIEF OFFICER – ECONOMIC PLANNING

ABBREVIATIONS AND ACRONYMS

AI	:	Artificial Insemination
ADP	:	Annual Development Plan
AMS	:	Agricultural Mechanization Services
BPS	:	Budget Policy Statement
CBD	:	Central Business District
CEC	:	County Executive Committee
CFSP	:	County Fiscal Strategy Paper
CG	:	County Government
CIDP	:	County Integrated Development Plan
CIMES	:	County Integrated Monitoring & Evaluation System
CRA	:	Commission of Revenue Allocation
DMSP	:	Debt Management Strategy Paper
EAC	:	East Africa Community
ECDE	:	Early Childhood Development Education
ELDOWAS	:	Eldoret Water & Sewerage Company
FY	:	Financial Year
GDP	:	Gross Domestic Product
IBEC	:	Inter-Governmental Budget and Economic Council
ICT	:	Information Communication Technology
IFMIS	:	Integrated Financial Management Information System
KUSP	:	Kenya Urban Support Programme
MTEF	:	Medium Term Expenditure Framework
NHIF	:	National Health Insurance Fund
NOREB	:	North Rift Regional Economic Bloc
NSSF	:	National Social Security Fund
OSR	:	Own Source Revenue
PE	:	Personnel Emoluments
PFM	:	Public Finance Management
PSM	:	Public Service Management

RMNCAH	:	Reproductive Maternal, Neonatal, Child and Adolescent Health
RRI	:	Rapid Result Initiative
SME	:	Small and Medium Enterprises
TVET	:	Technical and Vocational Education and Training
UGDH	:	Uasin Gishu District Hospital
UK	:	United Kingdom
USA	:	United States of America

LIST OF TABLES AND FIGURES

LIST OF TABLES

Table 2.1: Showing FY 2017/18 Budget Revised Estimates	25
Table 3.1: County Government Fiscal Projections 2017/18 – 2021/2022 (KSh million)	29
Table 4.1: Medium Term Sector Ceilings, 2019/20 - 2020/22 (KSh. Millions).....	35

LIST OF FIGURES

Figure 3.1: Average Growth in Revenue and Expenditure Allocations, 2018/19– 2019/20 FY ..	32
Figure 4.1: Showing Growth in Allocations between FY 2018/19 Budget and Proposed FY 2019/20 Budget by Department/ County Entity	36

TABLE OF CONTENTS

TABLE OF CONTENTS

FOREWARD	3
ACKNOWLEDGEMENT	5
ABBREVIATIONS AND ACRONYMS	6
LIST OF TABLES AND FIGURES.....	8
LIST OF FIGURES	8
TABLE OF CONTENTS.....	9
PREAMBLE	11
1. TRANSFORMATIONAL DEVELOPMENT PROCESS FOR SHARED PROSPERITY.....	12
1.1 Overview	12
1.2 County Development Programmes	16
1.3 Outline of the CFSP 2019	22
2. RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK	23
2.1 Overview of Recent Economic developments	23
2.2 Impact of National Macroeconomic Variables on County Development	24
2.4 Revised Estimates	25
2.5 County Economic Policy and Outlook.....	26
2.6 Risks to the Economic Outlook.....	26
2.7 Proposed Interventions to the Risks	27
3. FISCAL POLICY AND BUDGET FRAMEWORK	28
3.1 County Fiscal Policy	28
3.2 Fiscal Framework.....	28
3.3 Adherence to Fiscal Responsibility Principles.....	30
3.4 Fiscal Structural Reforms.....	31
3.5 Debt Financing Policy.....	31
3.6 Budget Framework for Proposed FY 2019/20	31
3.7 Summary	33
4. FY 2019/20 BUDGET & MEDIUM TERM EXPENDITURE FRAMEWORK.....	34
4.1 2019/20 MTEF Framework.....	34
4.2 Medium-Term Spending Proposals.....	34
4.3 Apportionment of base ceilings.....	36

4.4 County Expenditure Priorities	37
4.4.1 Public Administration Sector.....	37
4.4.2 Infrastructure Sector	38
4.4.3 Agriculture and Rural Development Sector	38
4.4.4 Health Sector	40
4.4.5 Education Sector.....	40
5. CONCLUSION.....	42
ANNEX: PROPOSED PROGRAMMES FOR FY 2019 / 2020 MTEF BUDGET	43

PREAMBLE

County Fiscal Strategy Paper (CFSP) is a prime policy document of the County government as it reveals and specifies what its priorities are, how they will be implemented through strategic interventions, programmes and projects, and the amount of resources allocated to achieve the priorities within the context of scarce resources.

CFSP sets out the County government's policy and priority interventions for the financial year 2019/20 and over the medium term. The paper identifies the broad strategic priorities and policy goals that will guide in the preparation of the County budget for the next financial year and over the medium term.

Section 117 of the PFM Act 2012 requires the County Treasury to prepare CFSP and submit the same to the County Assembly by 28th February of each year. The Section, and Regulations 26, 27 and 28 of the Act further require the County Treasury to align the Paper with the national objectives as articulated in the Budget Policy Statement, and apply fiscal responsibility principles provided in section 107 of PFM Act 2012. Section 117 of the Act further requires the County Treasury to specify the broad strategic priorities and policy goals that will guide the County government in preparing its budget for the coming financial year and over the medium term. The CFSP also includes financial outlook with respect to County government revenues, expenditures and borrowing for the coming financial year and over the medium term. Vide Section 117(5) of the PFM Act 2012, in preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of the Commission on Revenue Allocation; the public; any interested persons or groups; and any other forum that is established by legislation. The Section further requires that not later than fourteen days after submitting the County Fiscal Strategy Paper to the County Assembly, the County Assembly shall consider and may adopt it with or without amendments.

1. TRANSFORMATIONAL DEVELOPMENT PROCESS FOR SHARED PROSPERITY

1.1 Overview

National and international economic dynamics shape the direction of growth and development of the County; national, regional and global economic developments therefore influence development decisions of the County. It is thus imperative that policy, planning and budgeting decisions at the County level are made within the context of national, regional and global economic developments.

Global growth is projected to remain steady and grow by 3.7 percent in 2018 and 2019. However, this growth optimism is constrained by rising trade tensions which are likely to have negative impact on confidence, asset prices, global trade and investments. Growth in advanced economies is expected to pick up to 2.4 percent in 2018 down from 2.3 percent in 2017 mainly supported by strong fiscal stimulus in the United States of America (USA). This growth is however dampened by a slowdown in the euro area and the United Kingdom (UK) as a result of declining global trade and industrial production. Growth is therefore projected to ease to 2.1 percent in 2019 reflecting consequence of trade war.

Growth in emerging markets and developing economies is expected to stabilize at 4.7 percent in 2018 and 2019. Higher oil prices have also lifted growth among fuel-exporting countries in Sub-Saharan Africa and the Middle East. Sub-Saharan Africa continues to enjoy strengthened growth prospects with growth expected to rise to 3.1 percent in 2018 from 2.7 percent in 2017, and further to 3.8 percent in 2019 supported by a stronger global growth, higher commodity prices, improved capital market access and contained fiscal imbalance in many countries. However, downside risks may arise from uncertainties in the run up to the general elections in South Africa. East African Community (EAC) is estimated to realize increased growth of 5.9 percent in 2018 from 5.3 percent in 2017 driven by a rebound in agricultural activity on the backdrop of favourable weather conditions and a pickup in private sector credit growth. The growth is expected to further rise to 6.3 percent in 2019 supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

Nationally, the domestic economy has remained strong and resilient in the face of global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The Kenya's economic growth has averaged 5.6 percent for the last five years compared to the average growth rate of 4.7 percent and 4.6 percent in the periods 2008-2012 and 2002-2007 respectively. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. Month-on-month overall inflation remained stable and within target at 5.7 percent in December 2018 from 5.6 percent in November 2018, largely on account of low food prices following favourable weather conditions and a decline in energy prices due to lower prices of electricity and diesel. However, overall inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices. Over the medium term, economic growth is expected to rise gradually to seven percent per annum due to investments in strategic areas under the 'Big Four Plan'.

The County's opportunity lies with the Kenya's well integration with the global economy. With the growing global growth prospects, the positive developments are likely to favorably impact the Kenyan economy and hence the County's. Therefore, with the positive growth prospect in the regional and global economies, the national and thus the County economies are expected to leverage on the opportunities. However, the growing integration to global markets, while creating new financing opportunities, exposes the national and the County economies to more vulnerabilities, especially due to changes in global risk sentiments.

The County is expected to benefit from opportunities created by the expansion of the national, regional and global economies. The positive growth prospects over the medium term supported by stable macroeconomic environment and favourable weather conditions are expected to shore up agricultural production, enhance value addition, support exports and imports, and leverage on stable commodity prices and access to credit for investment and employment creation. The projected growth of the Kenyan economy over the medium term is expected to release more resources to the County for expanded execution of the broad strategic priorities and interventions for transformational growth and development in the County.

Growth potential of the County is evident and is bolstered by its strategic economic, geographical and social positioning as an epicenter for agricultural production in Kenya, as a transit point into Western Kenya and Eastern Africa region, and as a highly cosmopolitan region in which the government can invest, build and leverage on the social diversity that it represents. It is also regarded as the indisputable athletics epicenter, which position the County government can leverage on by investment in athletics infrastructure and diversification of talents potential to incorporate other sports and arts in order to consolidate and strengthen the County's position as a sports hub. Uasin Gishu County is considered a transport and service hub in the region, reflected in its fairly well developed infrastructure, thus: road and telecommunication networks; railway line passing through it; international airport; inland container depot; and branch of Central Bank of Kenya and several other financial institutions for financial deepening and growth. The County is also endowed with fairly well developed educational facilities with two public universities (Moi University and University of Eldoret) and campuses of several other public and private universities, and tertiary institutions (Eldoret Polytechnic, Rift Valley Technical Training Institute, among others). These are geared towards developing human resources capacity and research for enhanced growth and development. The County boasts of a National Referral Hospital (Moi Teaching and Referral Hospital), County Referral Hospital and several other reputable health facilities suitable for medical tourism.

The County is therefore largely driven by agricultural expansion, real estate, inflows from sports (especially athletics), wholesale and retail activities, manufacturing, and service industry, among others. The County government will concentrate its investment activities on the growth potential areas, namely, health services, physical infrastructure, agriculture and value addition, creating conducive environment for business, among others.

The County will develop and implement broad based strategies and interventions in the financial year 2019/2020 and over the medium term targeting the County's growth potential areas for maximum realization of development outcomes. The County's priorities during the period will also be aligned to 'The Big Four Plan' of the national government, thus: increasing the share of manufacturing sector to GDP; ensuring all citizens enjoy food security and improved nutrition by 2022; expanding universal health coverage; and delivering at least five hundred thousand (500,000) affordable housing units.

The strategies and interventions will be implemented towards achievement of County goals while securing the socio-economic development of the County, yielding increased production and productivity, and efficiency in the County thus accelerating and sustaining growth, creating job opportunities and securing livelihoods of residents. The County goals include:

- To attain food security and improve nutritional status of residents of Uasin Gishu County;
- To reduce poverty and increase incomes amongst residents of Uasin Gishu County;
- To improve health and well-being of residents of Uasin Gishu County;
- To improve access to clean and portable water, and attain sustainable environment through protection, restoration, conservation and management of the environment;
- To establish a sustainable, secure, compliant and reliable infrastructure in Uasin Gishu County;
- To provide quality education that is accessible, affordable and responsive to societal needs.

In the financial year 2019/2020 and in the medium term the government will be geared towards achieving the following transformations and outcomes.

i. Investing in Health Services

Investing in health services considers infrastructure development in health facilities and equipping, strengthen research in health, and strengthening of referral systems for enhanced capacity in the provision of quality and affordable healthcare services.

ii. Investing in water services

Development of water resources may revolutionize agricultural and industrial development for socio-economic development. Investing in water services targets improved access to clean and portable water. The focus is on water development and distribution, and construction and rehabilitation of water supplies in the County. It also considers protection and conservation of water towers.

iii. Cooperative Development and Management

Cooperatives afford members an opportunity to exert control over their economic livelihoods as they play an increasing role in facilitating job creation, economic growth and development.

Investing in cooperatives development focuses on building capacity of cooperatives to adequately service members.

iv. Investing in roads infrastructure

Reliable roads infrastructure stimulates economic growth. Reliable roads network connects supply chains and efficiently moves goods and services across the County and beyond, thus contributing to the competitiveness of the County. Investment in roads infrastructure considers construction and rehabilitation of roads, drainage systems, and installation of street lights. It also focuses on transport infrastructure such as construction and rehabilitation of bus bays and *boda boda* shades.

v. Investing in agricultural production and food security

Agriculture is the main stay of Uasin Gishu County and therefore forms a strong growth potential area. Majority of the County's population depend on agriculture for employment, income and food security, thus securing their livelihoods. Investing in this subsector focuses on increasing agricultural productivity and production, value addition and empowerment of especially women and the youth through targeted programmes.

1.2 County Development Programmes

CFSP 2019 embraces broad strategies and targeted interventions committed to unlocking the growth potential of the County while strengthening resilience to shocks and fostering sustainable growth and development. The paper therefore articulates priority economic policies, structural reforms, and sector-specific expenditure programs to be implemented under the Medium Term Expenditure Framework for the financial year periods 2019/2020-2021/2022 to actualize County Government's goal of *Transformational Development Process for Shared Prosperity*. The strategies and interventions are geared towards the transformations and outcomes, thus:

I. Investing in Health Services

Access to quality and affordable healthcare services is an essential precursor to a healthy and productive population for sustainable growth and development. To realize this outcome, the County government strategy will continue to focus on development and upgrading of health facilities in the County. The government will investment in infrastructure development and expansion in health facilities, and equipping the facilities with necessary equipment and requisite medical supplies. In the FY 2019/2020 and over the medium term, the government will focus mainly on completion of ongoing infrastructure projects in health facilities, including Kapteldon,

Ziwa and Huruma Hospitals. The government will also upgrade health facilities and strengthen capacity of human resources in health by exposing them to relevant experience, training and skills through collaboration with the National Government, development partners and other stakeholders.

The government will strengthen referral system and services by establishing a Referral Coordinating Unit and purchasing additional ambulances. The County will also strengthen research in health by establishing Health Research Centre. Preventive, Promotive and RMNCAH, and curative and rehabilitative programmes will be strengthened. Further, residents will be sensitized and encouraged to register for the National Hospital Insurance Fund (NHIF), and a programme to ensure that the senior citizens are also covered under the scheme will be implemented to improve access to quality and affordable healthcare services in the County.

II. Investing in Water Services

The County government has over the year's committed substantial amount of resources to development of water resources in the County, with quite a number of water projects having been completed and operationalized while others ongoing. However, access to clean and portable water remains a challenge in the County. Investing in the development of water resources is likely to revolutionize agricultural and industrial development in the County with imminent opportunities in attaining food security, employment creation and income, and poverty alleviation while securing livelihoods of residents of Uasin Gishu County. The County already has quite a number of water points and sources that can be exploited to increase access to clean and portable water within the County. The strategy here therefore, will involve water development and distribution. The County will focus on construction and rehabilitation of dams and water pans, drilling and equipping of boreholes and springs protection, implementation of community water projects, construction and rehabilitation of water supplies, and installation of rain water harvesting infrastructure.

Construction/rehabilitation of dams will also involve desilting, embankment and spillway repair; and demarcation, fencing and growing of indigenous trees. The government will also construct/rehabilitate water pans for irrigation and to encourage use of green houses for enhanced food security. Implementation of community water projects will ensure distribution of water to schools and the communities around for increased access to quality water. The County government will rehabilitate and maintain all the water supplies in the County (Turbo, Moi's Bridge, Burnt

Forest, Sambut, Sosiani and Kipkabus) and develop new intake and treatment works. Further, the government will promote roof catchment/rain water harvesting across the County by encouraging public institutions and households to install roof catchment infrastructure. Protection and conservation of water sources play an important role in ensuring uninterrupted availability of water. The government intends to protect water catchment areas by protecting water sheds and water bodies as well as protecting and conserving wetlands and riparian. Residents will also be sensitized on the value of protecting and conserving water towers by organizing Eldoret City Marathon through Climate Action.

The County government will also enhance capacity of ELDOWAS to effectively and efficiently deliver water and sanitation services to residents of Uasin Gishu County.

III. Cooperatives Development and Management

Cooperatives are agents of sustainable socio-economic development. Through cooperatives, people are able to exert control over their economic livelihoods as they play an increasing role in facilitating job creation, economic growth and development. Cooperatives play an important role in facilitating access to credit, procurement, storage and distribution of important marketing products.

The government notes that for cooperatives to positively impact the development of the County, they must be able to enhance their viability and improve ability to service their members, and remain economically viable, innovative and competitive enterprises. This invites strengthening of capacity building efforts for cooperative movement in the County. In the FY 2019/2020 and in the medium term, the County's strategy will focus on sensitization of farmers, women and the youth to organize themselves into cooperatives, revival of dormant cooperatives and registration of new ones. The County government will also train members on cooperatives management and entrepreneurship skills, and finance cooperatives to bolster their capacity to offer affordable credit to members.

To augment value addition, the government will fast track establishment of milling plants and completion of ongoing cooling plants across the County. Incubation centres will also be established for enterprise development.

IV. Investing in Roads Infrastructure

Adequate and reliable roads infrastructure is an important part driver for sustained agricultural transformation and, expansion of commerce, export growth and expanded economic opportunity for employment creation. Reliable roads network connects supply chains and effectively and efficiently moves goods and services across the County and beyond. Investing in roads infrastructure therefore reduces cost of doing business; enhancing competitiveness; transforming the County into a regional hub; and achieve the twin objective of food security and market linkage.

In order to have an efficient and reliable road network in the County, the County government will prioritize investment in road infrastructure development and management. Focus will be on construction and maintenance of roads, and construction and rehabilitation of drainage systems. In the FY 2019/2020 and over the medium term, the government will carry out construction of roads to bitumen standards, grading and gravelling of roads, construction of bridges and box culverts, and installation of culverts, and construction and rehabilitation of drainage systems. Timely routine maintenance programme will also be designed and implemented to keep the roads in motorable condition. To improve security and drive economic activity in Eldoret Central Business District (CBD) and other urban centres, the government will install and maintain street lights. The government will also develop transport infrastructure in the County by constructing and rehabilitating bus bays, *boda boda* shades and establishing traffic signal infrastructure. To improve response to fire and other emergencies, the County government will construct fire stations and train firefighting and rescue personnel.

To decongest the Central Business District of Eldoret town and ensure free flow of traffic, the government will carry out surveying, designing and construction of by-passes, new roads, walkways and cycle ways over the medium term. A comprehensive urban development plan with provisions for all services and amenities expected of a modern city will be developed to actualize the Eldoret City status. The County government will also operationalize County Mechanical & Transport Fund to acquire and manage equipment for the County government; establishment of Asphalt Construction Plant will be prioritized in the medium term.

V. Investing in Agricultural Production and Food Security

Uasin Gishu County is largely agriculture based with majority of its population dependent on agriculture for employment, income and food security, thus securing their livelihoods. The County

is considered the epicenter of agricultural productivity in Kenya, which position makes the subsector a strong growth potential area whose optimal exploitation would likely lead to exponential economic growth. To unlock this potential, the County government will continue investments in agricultural productivity and production focusing on crop, livestock and fisheries production.

To unlock potential in agricultural productivity and production in FY 2019/2020 and over the medium term, the government will invest in research and extension services for appropriate knowledge, information, and skills to farmers; mechanization of agriculture by strengthening capacity of AMS; provision of input subsidy (seed, fertilizer and A.I.), and crop insurance subsidy; post-harvest management through construction of appropriate storage facilities and driers; soil testing and management; effective crop pests and disease control (control army worm); effective livestock disease control, management and surveillance through construction and rehabilitation of cattle dips, vaccinations and veterinary services; effective animal breeding services (quality AI services); and improved animal feed by installing feed mixers. The County government will also strengthen and upscale irrigation services and promote use of greenhouse technology in crop production. Crop diversification will be prioritized over medium term by promoting emerging cash crops such as coffee, and horticultural production (macadamia, avocado, pyrethrum, potatoes, among others).

Fish production will be prioritized, especially as a source of food security, nutrition and income to residents. Appropriate interventions will be implemented to increase fish production including; construction and rehabilitation of fish ponds and provision of fingerlings, establishing fish cages utilizing new technology (aquaponics and re-circulating systems); acquiring and operationalizing fish feed extruder, and installation of aqua-shops.

In addressing unemployment, and incomes that farmers derive from their agricultural activities, the government will strengthen value addition through establishment of agro-processing plants including milling plants, milk cooling plants (completion and operationalization), construction of category 'A' slaughterhouse, acquisition of yoghurt making equipment, among others. Empowerment programmes targeting women and the youth such as *kijana na acre* and *inua mama na kuku* will also be prioritized and strengthened.

Realization of the transformations and outcomes illustrated above will be reliant on enablers that the County administration will strive to make possible. Successful implementation of policies, programmes and projects heavily depend on resource base of the County. The County government will therefore strengthen its local revenue collection mechanisms, while focusing on expenditure productivity. To improve efficiency and effectiveness in utilization of public funds and budget execution to facilitate economic transformation, the government will fully embrace use of Integrated Financial Management Information System (IFMIS) in all financial transactions including e-procurement; strengthen Program Based Budgeting; and strengthen staff capacity in public finance management. The County government will also decentralize financial services to sub-counties to enhance service delivery at the lower levels of devolution. Reforms in licensing, issuance of permits and registration/starting of business will be pursued as efforts towards creating conducive environment for doing business in the County for increased investments and employment creation. Public private partnerships will be pursued to harness private sector resources to bolster efforts to actualize development goals of the County.

The government remains committed to bringing on board women, youth and the vulnerable to participate in socio-economic development of the County. Strategic empowerment programmes will be implemented to address women and youth problems. Already *inua mama na kuku* and *kijana na acre* programmes for women and youth respectively are in place, and will be strengthened in FY 2019/2020 and over the medium term. Women and the youth will also benefit from proposed programmes targeting trade, cooperatives and enterprise development in the form of markets and stalls, trainings, access to credit, among others. The government will pursue strategic social protection programmes to benefit the vulnerable in the County, especially the elderly, people with disabilities, among others. To endow the youth with knowledge and skills, the government will continue investing in development and expansion of vocational training centres across the County, and provide bursaries and scholarships to students attending secondary schools, tertiary and institutions of higher learning. The government will also continue with development of infrastructure in ECDE centres and equipping them. Further, to develop sports, the government will continue with efforts to nurture sports talent, diversify sports and develop sports infrastructure in the County; completion of Chagaiya High Altitude Training Camp and 64 Stadium will be fast tracked. The County will also organize Eldoret City Marathon.

To avail land for public utility and investment, the government will accumulate land through land banking. For trade development, the government's strategy will focus on market infrastructure development, that is, construction and rehabilitation of markets and stalls, installation of security lights, water and sanitation, garbage collection, among others. In addressing the 'Big Four' agenda on affordable housing, the government will partner with national government agencies such as NSSF, National Housing Corporation and the private sector to develop affordable housing in the County. Effective solid waste management will also be prioritized by acquiring equipment and land for dumpsite, and construction of solid waste recycling plant through partnership.

Effective and efficient service delivery remains the hallmark of the County Government of Uasin Gishu. To achieve this, the government will embark on continuous staff training and development. The government will also continue with efforts to entrench good governance and zero-tolerance to corruption. Staff will be sensitized on effects of corruption and corruption prevention, and revamp operations of integrity officers to help curb the vice. Feedback mechanisms on corruption will also be developed and implemented.

To enhance security in the County to boost investor confidence, the government will collaborate with the National Government.

1.3 Outline of the CFSP 2019

Recent Economic Developments and Policy Outlook

Section II outlines the economic context in which the 2019/20 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook.

Fiscal Policy and Budget Framework

Section III outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate the transformation of the County as envisaged in the CIDP II.

Medium-Term Expenditure Framework

Section IV presents the resource envelope and spending priorities for the proposed 2019/2020 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the 2019/2020-2021/22 MTEF period.

2. RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

This section gives economic overview in which 2017/18 budget was prepared. It outlines the recent National and County Government economic developments and macroeconomic outlook.

2.1 Overview of Recent Economic developments

Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.6 percent for the last five years outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period 2002 to 2007.

The economy grew by 6.0 percent in the third quarter of 2018 and 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018, averaging 6.0 percent in the first three quarters of 2018. This was mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction sectors. Thus, growth is projected at 6.0 percent in 2018 up from 4.9 percent in 2017. Due to ample liquidity in the money market, interest rates have been low and stable for the period 2002 to 2011. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. In the period 2013-2018 except June-December 2015, interest rates remained stable and low. This was because world currencies were under pressure.

Inflation has been low, stable and within the Government target range of 5+/-2.5 percent in the period 2013 to 2018 as a result of prudent monetary and fiscal policies. Month-on-month overall inflation remained stable and within target at 5.7 percent in December 2018 from 5.6 percent in November 2018, owing to a decline in food prices particularly maize, onions and tomatoes following improved weather conditions and a decline in energy prices following lower costs in prices of electricity and diesel. However, overall Inflation increased from 4.5 percent in December 2017 to 5.7 percent in December 2018 on account of an increase in international oil prices.

The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at KSh 102.3 in December 2018 from KSh 103.1 in December 2017. Against the Euro and the Sterling pound, the Shilling also strengthened to KSh 116.4 and KSh 129.7 in December 2018 from KSh 122.0 and KSh 138.2 in December 2017, respectively.

2.2 Impact of National Macroeconomic Variables on County Development

Macroeconomic factors focus on the overall economy of a nation. Economic performance at the national level impacts development discourse of counties for it is able to determine level of economic activity, and amount of resources that counties may access for their development expenditures. The stable macroeconomic environment prevailing in the country is essential in creating conducive environment for private sector investments and expanded business opportunities for employment creation in the County.

Kenya's economy exhibits positive growth prospects, which scenario posits enhanced capacity to generate resources at the national level which counties can benefit from. With the expanding economy, Uasin Gishu County expects to receive an increased amount of equitable share from National Treasury. This will improve the County's capacity to undertake more development programmes and projects.

2.3 Update on Fiscal Performance and Emerging Challenges

Preparation of the CFSP takes into account consequential assumptions underlying its fiscal strategy both in the short and medium term. Consequently, the fiscal framework is anchored on assumptions, thus: strong local revenue collection; increasing County's equal share from the National Treasury; a commitment to sound expenditure controls; and a commitment to maintaining sound balance between development and recurrent spending. Equally underscored is the need to eliminate non-essential expenditures, inefficient spending and leakages.

Fiscal Performance

Revenue collection

In the FY 2017/18 the County received KSh 5,707,800,000 as its share of equitable share, Roads Maintenance Levy fund KSh.157,500,000, Maternal Health Care fee and User compensation KSh.138,178,681, Donor Funds (HSSF) KSh.23,230,116. The County managed to collect a total

of KSh. 801,540,123 as own source revenue against a target of KSh. 850,000,000 representing a negative variance of KSh. 48,459,877 approximately 6% on local revenue.

Expenditure analysis

During the year, recurrent expenditure amounted to KSh. 4,725,604,817, while development expenditure stood at KSh. 1,557,039,796. In general, the County's budget met the minimum fiscal responsibility principle requiring at least thirty per cent of total budget go to development.

Emerging Challenges

- Procurement challenges due to slow uptake of e-procurement by the business community;
- Decentralization of revenue collection which has led to weak supervision;
- Delays in release of funds by national government which affected absorption levels.

2.4 Revised Estimates

In the 2017/18 financial year, the County government revised its budget through supplementary as indicated in the table 2.1.

Table 2.1: Showing FY 2017/18 Budget Revised Estimates

FY 2017/18 Revised Estimates		
	Estimate Budget	Revised
Total Revenue & Grants	7,425,884,487	8,042,144,047
Unspent Bal b/f		836,841,574
Revenue (Total)	7,425,884,487	7,205,302,473
National Govt Transfers	5,977,414,645	5,707,800,000
Local Revenue	1,000,000,000	850,000,000
Grants & Others	448,469,842	647,502,473
CG Expenditure	7,425,884,487	8,042,144,047
Recurrent	5,041,718,524	4,993,108,853
<i>Rec. as a % of CG Expenditures</i>	71.01%	65.41%
Personnel Emoluments	2,627,079,258	3,166,635,464
Operation & Maintenance	2,414,639,266	1,826,473,389
<i>PE as a % of CG Revenues</i>	37.65%	42.82%

FY 2017/18 Revised Estimates		
	Estimate Budget	Revised
Development	2,384,165,963	3,049,035,194
<i>Dev. as a % of CG Expenditures</i>	28.99%	34.59%
Unspent Bal c/f	0	1,502,475,747

As indicated in the table above, the County budget on recurrent expenditure was revised downwards to allow allocation of more resources to development activities. Similarly own source revenue was revised downwards due over projections. Further, Development was revised upwards due to unspent balances from the previous financial year.

2.5 County Economic Policy and Outlook

The County Fiscal and Strategy Paper specifies the broad strategic priorities and policy goals that will guide the County government in preparing its budget for the FY 2019/20 and over medium term. The County Government will continue to work with the National Government, development partners and other counties in the region and beyond in addressing development challenges facing residents of the County, especially in water, agriculture, infrastructure and health. NOREB will be strengthened to deepen regional integration for enhanced trade and investment.

The County government will over the medium term implement policies set out in the CIDP II. The policy will be focusing on priority programmes identified in public participation forums with a view of securing socio- economic development.

In the medium term, the County will focus on resource mobilization inform of grants and development partners to support development agenda across all the sectors. Revenue collection will be heightened by ensuring there are sufficient legislations to guide revenue collection, ensure there are no loopholes, improved enforcement and compliance and full integration of revenue collection in partnership with local banks and Safaricom through *UGPay*

2.6 Risks to the Economic Outlook

- Subdued revenue performance due to lack of capacity;
- Delay in exchequer releases hence affecting absorption levels;
- Delay in the enactment of County Allocation of Revenue Bill. This affects counties' budgeting process for lack of clear ceilings beforehand;

- Variations of County allocation of revenue formula by the Commission on Revenue Allocation and Senate is also a potential risk as this may lead to reduced share of shareable revenue;
- Expenditure pressures due to increasing wage bill thus leaving inadequate resources for development;
- The outlook is based on assumed normal rainfall. However, rainfall pattern proved erratic in some seasons in the past. Erratic rainfall pattern, if experienced, is likely to affect agricultural production;
- Conflicting priorities between the County Assembly and the County Executive thus affecting budget making process and budget execution.

2.7 Proposed Interventions to the Risks

- Retaining recurrent and development expenditures within the prescribed limit of 65 percent and 35 percent respectively;
- Formulation of adequate legislations to guide and manage revenue collection in the County;
- Full automation and integration of revenue collection in partnership with local banks;
- Implementation of Rapid Results Initiative (RRI) for revenue collection.

3. FISCAL POLICY AND BUDGET FRAMEWORK

This section presents consolidated fiscal policies and framework for FY 2019/2020 and MTEF; and measures the County government will take in budget allocation.

3.1 County Fiscal Policy

The County government will remain steady in implementing sound fiscal policies to create the necessary conditions for enhanced economic prosperity. The policies will focus on critical development programmes in health, water, cooperative development, roads infrastructure and agricultural production, and push for austerity measures for prudent management of public resources. In addition, the County will put strategies to improve revenue collection as well as consider external resource mobilization to finance development programmes as outlined in County Integrated Development Plan (CIDP) 2018-2022.

The County's fiscal policy for the FY 2019/20 budget and over the medium term aims at:

- Reducing recurrent expenditure to devote more to development;
- Expanding investment inflows by encouraging private sector investments;
- Ensuring a balanced budget is maintained;
- Reforming expenditure management and revenue administration;
- Productivity reforms of the public sector to improve value for money in service delivery;
- Any borrowing will be used to finance development projects only.

3.2 Fiscal Framework

The fiscal framework outlines the medium term fiscal performance for the County government detailing the resource envelope and its spending pattern. In addition, it provides updated forecasts for the current budget year, projected estimates for MTEF and actual results for FY 2017/18 as indicated in table 3.1

Table 3.1: County Government Fiscal Projections FY 2017/18 – 2021/22 (KSh million)

	2017/18		2018/19		2019/20	2020/21	2021/22
	Estimate Budget	Revised	Estimate Budget	Revised	Proj.	Proj.	Proj.
Total Revenue & Grants	7,425,884,487	8,042,144,047	8,428,075,521	9,930,551,268	8,404,575,473	8,656,712,737	8,916,414,119
Unspent Bal b/f		836,841,574		1,502,475,747	0	0	0
Revenue (Total)	7,425,884,487	7,205,302,473	8,428,075,521	8,428,075,521	8,404,575,473	8,656,712,737	8,916,414,119
Equitable Share	5,977,414,645	5,707,800,000	5,934,600,000	5,934,600,000	6,200,000,000	6,386,000,000	6,577,580,000
Local Revenue	1,000,000,000	850,000,000	1,200,000,000	1,200,000,000	900,000,000	927,000,000	954,810,000
Grants & Others	448,469,842	647,502,473	1,293,475,521	1,293,475,521	1,304,575,473	1,343,712,737	1,384,024,119
CG Expenditure	7,425,884,487	8,042,144,047	8,249,483,870	9,930,551,268	8,404,575,473	8,656,712,737	8,916,414,119
Recurrent	5,041,718,524	4,993,108,853	5,041,718,524	5,356,510,175	5,125,706,804	5,279,478,008	5,437,862,348
Rec. as a % of CG Expenditures	71.01%	65.41%	69.94%	59.97%	69.42%	69.42%	69.42%
Personnel Emoluments	2,627,079,258	3,166,635,464	3,349,932,171	3,339,932,171	3,198,930,000	3,294,897,900	3,393,744,837
Operation & Maintenance	2,414,639,266	1,826,473,389	1,691,786,353	2,016,578,004	1,926,776,804	1,984,580,108	2,044,117,511
PE as a % of CG Revenues	37.65%	42.82%	48.16%	38.67%	45.06%	45.06%	45.06%
Development	2,384,165,963	3,049,035,194	3,207,765,346	4,574,041,093	3,278,868,669	3,377,234,729	3,478,551,771
Dev. as a % of CG Expenditures	28.99%	34.59%	30.06%	40.03%	30.58%	30.58%	30.58%
Unspent Bal c/f	0	1,502,475,747					

3.3 Adherence to Fiscal Responsibility Principles

In line with the Constitution, section 107 of Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and transparent management of public resources, the County government will adhere to the fiscal responsibility principles as set out in the statute as follows:

- a) *Maintaining Balanced Budget.* Section 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of its total revenue. In conformity to this regulation, the County government share of wages and benefits to revenue is at 48 percent in FY 2018/19, and it's projected to decline to 45 percent in 2019/20 and in medium term. Going forward the County government will work towards reducing the personnel emoluments (PE) to the recommended percentage and in accordance with the law.
- b) *Prudent Fiscal Risk Management.* The County government will take into account any fiscal risks that may affect revenue base, revenue collection and exchequer issues. In addition, a provision of 2 percent contingency of total County government revenue of the previous year's audited financial statement will be factored in the budget to cater for emergencies and other unforeseen expenditures.
- c) *Thirty percent of all expenditure is dedicated to development expenditure.*
In FY 2017/18 the County government realized 29 percent development expenditure while in this current financial year, 30 percent of total County government expenditure will be devoted to development projects as shown in table 3.1. In the medium term plan a minimum of 31 percent of County government expenditure will be annually set aside for development activities.
- d) *County Debt Financing to be used for Development.* Over the medium term, the County government's borrowing maybe used only for the purposes of financing development expenditure and not for recurrent expenditure. Such borrowing will be in line with the Constitution of Kenya, PFM Act 2012 and the borrowing framework by sub nationals.

3.4 Fiscal Structural Reforms

Towards achieving inclusive prosperity, the County government will implement structural reforms as stipulated in PFM Act 2012 and PFM regulations 2014. In FY 2019/20 and medium term, the County government will endeavour to undertake the following:

- a. Enhance revenue collection. The County government will implement structural reforms to improve on resource mobilization and revenue performance. Such reforms will include; Full roll out of automation of revenue collection systems (*UGpay*), sensitization of public on the need to pay revenue, decentralization of revenue collection to sub County and ward levels, collaborate with local banks to promote agency banking and Introduction of Rapid Result Initiative (RRI).
- b. Full roll out and operationalization of Integrated Financial Management Information System (IFMIS). The County government will fully implement the use of IFMIS and e-procurement in budgeting, expenditure and procurement of goods and services.

3.5 Debt Financing Policy

Over the medium-term, the County may only borrow to finance development programmes as prescribed in the PFM Regulations of 2015 and the borrowing framework by sub nationals and approved by Inter-Governmental Budget and Economic Council (IBEC). The County Debt Management Strategy Paper (DMSP) will also guide any such borrowing.

3.6 Budget Framework for Proposed FY 2019/20

Over the medium term plan, the County government will focus on implementing critical programmes as outlined in CIDP 2018 – 2022 and Annual Development Plan (ADP).

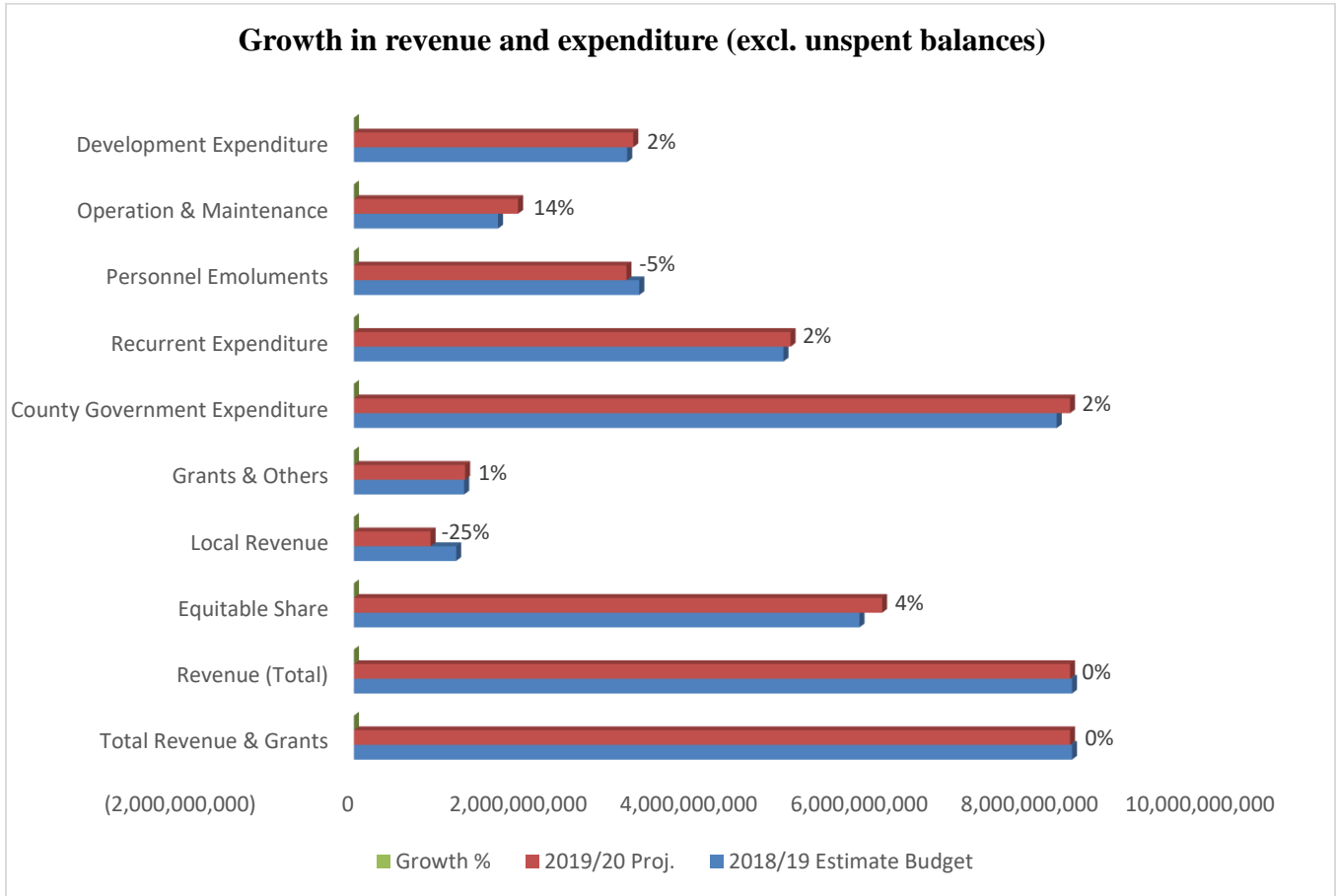
Revenue projection

In FY 2019/20, the County government targets to raise a total revenue of KSh. 8,404,575,473 inclusive of grants. This will comprise KSh. 900,000,000 as Own Source Revenue (OSR), KSh. 6,200,000,000 as Equitable Share and KSh. 1,304,575,473 as Grants. The OSR has been revised downwards by 25 per cent from the previous year due to under performance and over projection. Nevertheless, the County will pursue revenue reforms such as automation of revenue systems (*UGpay*), decentralization of revenue collection to Sub-county and Ward levels, expansion of revenue streams, enforcement, and legislation on revenue administration as a measure to enhance revenue collection.

Expenditure forecast

In the same period, the ADP and CIDP will guide the County government spending. The County targets to spend KSh. 8,404,575,473 in FY 2019/20 budget out of which KSh. 5,125,706,804 and KSh. 3,278,868,669 will be set aside for recurrent and development expenditures respectively translating into 69 and 31 percent as indicated in Table 3.1.

Figure 3.1: Average Growth in Revenue and Expenditure Allocations, FY 2018/19–2019/20



As shown in Figure 3.1, local revenue is projected to fall by 25 percent from the current year while equitable share will increase by 4 percent. This increase in equitable share can be attributed to the new revenue sharing formula used by the CRA. The PE is projected to decrease by 5 percent attributable to efforts by the County government to tame the ballooning wage bill. The development expenditure is also projected to increase by 2 percent in the coming year attributed to overall increase in revenue.

3.7 Summary

The County government endeavours to implement a balanced budget towards the realization of County goals outlined in the CIDP. It will observe the fiscal responsibilities principles provided in the PFM Act of 2012 and PFM regulations of 2015 aimed at ensuring prudent management of public resources. The County is also cognizant of the harsh economic environment it is operating in and will therefore observe fiscal risks that may affect performance by instituting measures that will combat such risks.

4. FY 2019/20 BUDGET & MEDIUM TERM EXPENDITURE FRAMEWORK

This section discusses expenditure priorities of the County Government for the three-year spending framework.

4.1 2019/20 MTEF Framework

County Government projects a drop of 5 percent in total expenditure to KSh. 8,018,611,879 in the 2019/20 Budget compared to the current budget attributed to decrease in equitable share by 5 percent and conditional grants by one percent as indicated in the Budget Policy Statement (BPS) 2019, and a further revision downwards of local revenue by 25 percent. However, over the medium term spending will grow by an average of 3 percent a year, reaching KSh. 8,506,945,342 in FY 2021/22.

The targeted revenue collection for the coming financial year is KSh. 5,859,000,000 in form of equitable share, KSh.1, 035,749,916 as conditional grants and KSh. 900,000,000 as local revenue.

The wage bill, which accounts for 47 percent of total expenditure, constitutes the single largest share of County government expenditure by economic classification, crowding out other spending.

Over the medium-term expenditure framework (MTEF) period, the County government will maintain a balanced budget and any distress addressed in line with the fiscal responsibility principles provided in the PFM Act 2012 and the borrowing framework for sub-nationals. The County will also intensify efforts to improve spending efficiency, increase capacity and improve governance.

4.2 Medium-Term Spending Proposals

Table 4.1 provides the projected baseline ceilings for the 2019/20 MTEF, classified by sector and sub-sector.

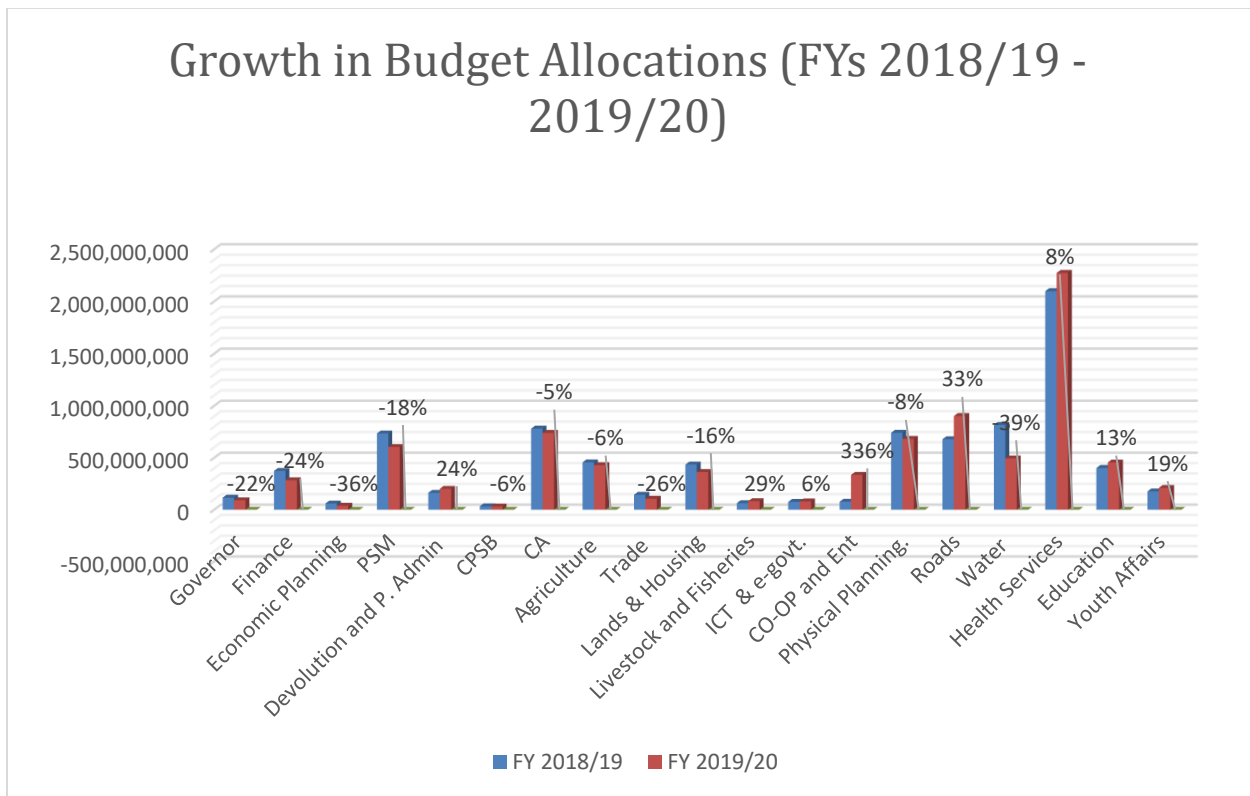
Table 4.1: Medium Term Sector Ceilings, 2019/20 - 2020/22 (KSh. Millions)

Sector	MDAs	Estimates			FY 2019-2020				% Change 2018/19 & 2019/20	2020/21		2021/22	
		2018/19			CBROP Indicative Ceiling	CFSP Ceiling				Projections		Projections	
		Rec. Gross	Dev. Gross	Gross Total	Gross Total	Rec. Gross	Dev. Gross	Gross Total		Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross
Public Administration	Governor	115,936,611	0	115,936,611	151,841,452	90,936,612	0	90,936,612	-21.56%	93,664,710	0	96,474,652	0
	% of Total Expenditure	2.22%	0.00%	0	1.81%	1.78%	0.00%	1.08%		1.78%	0.00%	1.78%	0.00%
	Finance	374,140,457	0	374,140,457	447,484,510	283,883,284	0	283,883,284	-24.12%	292,399,783	0	301,171,776	0
	% of Total Expenditure	7.17%	0.00%	0	5.32%	5.56%	0.00%	3.38%		5.56%	0.00%	5.56%	0.00%
	Economic Planning	59,794,443	0	59,794,443	87,461,843	38,360,525	0	38,360,525	-35.85%	39,511,341	0	40,696,681	0
	% of Total Expenditure	1.15%	0.00%	0	1.04%	0.75%	0.00%	0.46%		0.75%	0.00%	0.75%	0.00%
	PSM	715,270,472	19,293,720	734,564,192	619,914,852	584,270,472	20,000,000	604,270,472	-17.74%	601,798,586	20,600,000	619,852,544	21,218,000
	% of Total Expenditure	13.70%	0.60%	0	7.37%	11.44%	0.61%	7.19%		11.44%	0.61%	11.44%	0.61%
	Devolution and Public Administration	21,635,508	140,939,455	162,574,963	230,200,581	31,035,508	170,000,000	201,035,508	23.66%	31,966,573	175,100,000	32,925,571	180,353,000
	% of Total Expenditure	0.41%	4.39%	0	2.74%	0.61%	5.15%	2.39%		0.61%	5.15%	0.61%	5.15%
	CPSB	32,850,007	0	32,850,007	55,722,842	30,850,007	0	30,850,007	-6.09%	31,775,507	0	32,728,772	0
	% of Total Expenditure	0.63%	0.00%	0	0.66%	0.60%	0.00%	0.37%		0.60%	0.00%	0.60%	0.00%
	County Assembly	671,972,798	109,798,650	781,771,448	679,754,091	680,000,000	60,000,000	740,000,000	-5.34%	700,400,000	61,800,000	721,412,000	63,654,000
% of Total Expenditure	12.87%	3.42%	0	8.09%	13.32%	1.82%	8.80%		13.32%	1.82%	13.32%	1.82%	
Sub-Totals	1,991,600,296	270,031,825	2,261,632,121	2,272,380,172	1,739,336,409	250,000,000	1,989,336,409	-12.04%	1,791,516,501	257,500,000	1,845,261,996	265,225,000	
% of Total Expenditure	38.15%	8.42%	0	27.03%	34.07%	7.58%	23.67%		34.07%	7.58%	34.07%	7.58%	
Agriculture & Rural Devt.	Agriculture	212,955,531	243,363,984	456,319,515	402,098,059	216,955,531	212,161,321	429,116,852	-5.96%	223,464,197	218,526,161	230,168,122	225,081,945
	% of Total Expenditure	4.08%	7.59%	0	4.78%	4.25%	6.43%	5.11%		4.25%	6.43%	4.25%	6.43%
	Trade	14,696,257	128,704,029	143,400,286	246,018,650	15,696,257	90,000,000	105,696,257	-26.29%	16,167,144	92,700,000	16,652,159	95,481,000
	% of Total Expenditure	0.28%	4.01%	0	2.93%	0.31%	2.73%	1.26%		0.31%	2.73%	0.31%	2.73%
	Lands	59,505,411	375,689,669	435,195,080	367,270,684	63,505,411	300,000,000	363,505,411	-16.47%	65,410,574	309,000,000	67,372,891	318,270,000
	% of Total Expenditure	1.14%	11.71%	0	4.37%	9.09%	9.09%	4.33%		1.24%	9.09%	1.24%	9.09%
	Livestock and Fisheries	12,932,706	50,657,844	63,590,550	113,665,461	11,932,706	70,290,000	82,222,706	29.30%	12,290,687	72,398,700	12,659,408	74,570,661
	% of Total Expenditure	0.25%	1.58%	0	1.35%	0.23%	2.13%	0.98%		0.23%	2.13%	0.23%	2.13%
	ICT & e-govt	34,961,559	40,517,038	75,478,597	83,698,045	39,961,559	40,000,000	79,961,559	5.94%	41,160,406	41,200,000	42,395,218	42,436,000
	% of Total Expenditure	0.67%	1.26%	0	1.00%	0.78%	1.21%	0.95%		1.21%	0.78%	1.21%	1.21%
	CO-OP and Ent	16,884,107	60,239,230	77,123,337	165,086,078	15,884,107	320,000,000	335,884,107	335.52%	16,360,630	329,600,000	16,851,449	339,488,000
	% of Total Expenditure	0.32%	1.88%	0	1.96%	0.31%	9.70%	4.00%		0.31%	9.70%	0.31%	9.70%
	Physical Planning & Urban Devt	30,229,904	710,793,535	741,023,439	830,513,752	12,229,904	670,147,800	682,377,704	-7.91%	12,596,801	690,252,234	12,974,705	710,959,801
% of Total Expenditure	0.58%	22.16%	0	9.88%	0.24%	20.31%	8.12%		0.24%	20.31%	0.24%	20.31%	
Sub-Totals	382,165,475	1,609,965,329	1,992,130,804	2,208,350,730	376,165,474	1,702,599,121	2,078,764,595	4.35%	387,450,439	1,753,677,095	399,073,952	1,806,287,407	
% of Total Expenditure	7.32%	50.19%	1	26.27%	7.37%	51.61%	24.73%		7.37%	51.61%	7.37%	51.61%	
Infrastructure	Roads	412,310,157	266,719,201	679,029,358	559,300,635	523,310,157	379,681,250	902,991,407	32.98%	539,009,462	391,071,688	555,179,746	402,803,838
	% of Total Expenditure	7.90%	8.31%	0	6.65%	10.25%	11.51%	10.74%		10.25%	11.51%	10.25%	11.51%
	Water	118,291,936	698,644,523	816,936,459	720,430,616	114,291,935	380,000,000	494,291,935	-39.49%	117,720,693	391,400,000	121,252,314	403,142,000
	% of Total Expenditure	2.27%	21.78%	0	8.57%	2.24%	11.52%	5.88%		2.24%	11.52%	2.24%	11.52%
	Sub-Totals	530,602,093	965,363,724	1,495,965,817	1,279,731,251	637,602,093	759,681,250	1,397,283,343	-6.60%	656,730,155	782,471,688	676,432,060	805,945,838
% of Total Expenditure	10.16%	30.09%	0	15.22%	12.49%	23.03%	16.63%		12.49%	23.03%	12.49%	23.03%	
Health	Health Services	1,912,243,419	187,233,176	2,099,476,595	1,941,880,109	1,914,903,937	359,000,000	2,273,903,937	8.31%	1,972,351,055	369,770,000	2,031,521,586	380,863,100
	% of Total Expenditure	36.63%	5.84%	0	23.10%	37.51%	10.88%	27.06%		37.51%	10.88%	37.51%	10.88%
	Sub-Totals	1,912,243,419	187,233,176	2,099,476,595	1,941,880,109	1,914,903,937	359,000,000	2,273,903,937	8.31%	1,972,351,055	369,770,000	2,031,521,586	380,863,100
% of Total Expenditure	36.63%	5.84%	0	23.10%	37.51%	10.88%	27.06%		37.51%	10.88%	37.51%	10.88%	
Education	Education	328,117,587	74,104,479	402,222,066	420,444,034	385,117,587	70,000,000	455,117,587	13.15%	396,671,114	72,100,000	408,571,248	74,263,000
	% of Total Expenditure	6.29%	2.31%	0	5.00%	7.54%	2.12%	5.42%		7.54%	2.12%	7.54%	2.12%
	Youth Affairs, Gender & Sports	75,581,305	101,066,813	176,648,118	283,327,226	52,581,305	157,588,298	210,169,603	18.98%	54,158,744	162,315,947	55,783,506	167,185,425
	% of Total Expenditure	1.45%	3.15%	0	3.37%	1.03%	4.78%	2.50%		1.03%	4.78%	1.03%	4.78%
	Sub-Totals	403,698,892	175,171,292	578,870,184	703,771,259	437,698,892	227,588,298	665,287,190	14.93%	450,829,858	234,415,947	464,354,754	241,448,425
	% of Total Expenditure	7.73%	5.46%	0	8.37%	8.57%	6.90%	7.92%		8.57%	6.90%	8.57%	6.90%
Grand Totals	5,220,310,175	3,207,765,346	8,428,075,521	8,406,113,521	5,105,706,804	3,298,868,669	8,404,575,473	-0.28%	5,258,878,008	3,397,834,729	5,416,644,348	3,499,769,771	
% of Total Expenditure	67%	33%	1		61%	39%	100.00%		61%	39%	61%	39%	

4.3 Apportionment of base ceilings

The allocations in the spending ceilings has taken into account the commitment of the Governor to complete all ongoing capital projects before the end of his term and the growth plan outlined in the CIDP. The County Treasury also identifies programmes that are underspending and reallocates this funding to where it is needed most. The ceiling of the County Assembly is apportioned based on advisory from the CRA.

Figure 4.1: Showing Growth in Allocations between FY 2018/19 Budget and Proposed FY 2019/20 Budget by Department/ County Entity



As shown in Figure 4.1, allocations to the Co-operative & Enterprises Development Department is projected to grow significantly by 335 percent in the 2019/20 financial year attributed to prioritized programmes on value addition to be supported by the sub-sector. The next fastest growth is in Roads (33 percent) followed by Livestock (29 percent) sub-sectors. However, in terms of allocations, the Health Sector will receive the lion’s share accounting for 27 percent of the total public expenditure followed by Roads (10 percent) and Economic Planning the least accounting for 0.29 percent. These allocations reflect the priorities of the County outlined in section one of the document.

4.4 County Expenditure Priorities

Over the next three years, the largest allocations are for health, water, cooperatives, roads infrastructure and agriculture. Together, these areas account for more than 53 per cent of government expenditure.

The medium term expenditure framework for 2019/20 – 2021/22 ensures continuity in resource allocation to prioritized programmes outlined in the CIDP and other policy documents to boost growth. The key priority targets for each sector is based on broad consultations during Public Sector Hearings conducted in November 2018.

4.4.1 Public Administration Sector

The sector comprises of the Office of the Governor; Finance and Economic Planning, and Devolution, Administration and Public Service Management Departments; County Public Service Board; and County Assembly.

Over the medium term period, the sector intends to implement programmes aimed at entrenching good governance in the County; ensure prudent resource mobilization and management; enhance service delivery; and promote effective economic planning and management. Some of the most urgent priorities of the sector include completion of ongoing and construction of new Sub-County and Wards headquarters, installation of communication system, expansion of County headquarters, setting up of service delivery centres and a legal library, digitization of archives and modernization of customer care unit. The sector will also strengthen county planning by developing key policy documents such as Indicator Handbook for tracking implementation of the CIDP and Sectoral Plans, and conduct baseline survey. More focus will also be on tracking the implementation of County policies, programmes and projects by fully implementing the County Integrated Monitoring System (CIMEs).

In order to implement the prioritized programmes, the sector has been allocated KSh. 1,989,336,409 for the FY 2019/20. This accounts for about 23 per cent of the public expenditure.

4.4.2 Infrastructure Sector

The sector comprises of Roads, Transport, Energy and Public Works, and Water, Environment, Natural resources, Tourism and Wildlife Management sub-sectors.

The sector intends to create an effective and reliable road infrastructure, provide clean and safe water for both domestic and industrial use, conserve environment and promote tourism.

Over the medium term, investments in the sector will therefore support roads, water and sanitation infrastructure demand in the County. Funding will be prioritized towards construction of roads, bridges and drainage system, street lighting and promotion of green energy. Other prioritized proposals are expansion of community water supplies, drilling and equipping of boreholes, desilting of dams/pans, conservation of water catchment areas, solid waste management and County greening programmes.

In order to implement the prioritized programmes, the Sector is allocated KSh. 1,397,283,343 in financial year 2019/20 accounting for 16 percent of the total public expenditure. Allocations for recurrent expenditure is KSh. 637,602,093 and development expenditure KSh. 759,681,250.

4.4.3 Agriculture and Rural Development Sector

The sector is comprised of Agriculture, Livestock Development and Fisheries, Co-operative and Enterprise Development, ICT, Trade & Industrialisation and Lands, Housing Physical Planning and urban Development Subsectors.

In line with the aims of maximizing the sector's contribution to the *Big 4 agenda* on food security, manufacturing and affordable housing, the sector will be working to improve coordination of programmes that will enhance food security, promote trade and industrialization, provide affordable housing, strengthen cooperative movement land administration, and promote use of ICT and innovation in the County.

Over the medium term, the focus for the Agriculture and Livestock sub-sector is to improve postharvest management through construction of grain stores, roll out subsidy programmes for maize seeds and crop insurance, control of crop pests and diseases, and revamp extension services to increase production. The sub-sector will also promote crop diversification to reduce over reliance on traditional crops and thus increase farmers' incomes. To boost livestock production

and fisheries, most urgent priorities are to construct a modern slaughterhouse and aqua shops, transfer technology on aquaponics re-circulatory system to farmers and operationalize the 46 milk cooler plants. The sector will also conduct livestock census to establish population of livestock reared in the County, supply acaricides to control livestock diseases, upscale AI services to improve breeding and supply farmers with feed mixers and extruders to improve feed formulation.

The Trade and ICT sub-sector will seek to promote trade, industrialization and ICT innovations over the medium term. The strategy entails providing adequate market infrastructure, marketing of County produce and products; training and financing of SMEs; developing SME incubation centres and industrial parks; promoting entrepreneurial skills and collaborations with other government agencies and partners; and developing light industries and fair trade practices. Others include developing and maintaining ICT Systems, enhancing information security of ICT systems, supporting innovations in technology development that contribute towards job and wealth creation; facilitating of development of ICT skills and promoting efficient communication and information.

The sector will strengthen the cooperative movement through promotions, registration, revival and trainings for cooperatives, support the establishment of value addition investments through cooperatives and avail cheap credit to them. It will also institute good governance practices in cooperatives through compliance audit, automation and legislation. Further, it will promote cottage industry development and establishment of incubation centres.

The lands sub-sector top priority for the medium term include land banking, preparation of valuation rolls and development plans, titling programmes, securing of public utility lands, and development of County estates. The sub-sector will also be implementing the Kenya Urban Support Programme (KUSP) that aims to support Eldoret Municipality deliver improved infrastructure and services to the residents of the town.

To implement the prioritized programmes, the Sector has been allocated KSh. 2,078,764,595 for the financial year 2019/20 accounting for 24.7 percent of the total public expenditure. Recurrent expenditure for the same period is KSh. 376,165,474 while development expenditure is KSh. 1,702,599,121.

4.4.4 Health Sector

The sector's goal is to increase access to quality health care services, enhance efficiency and effectiveness in service delivery, increase access to quality, promotive and preventive health care services, offer informed diagnostic and better treatment, and reduce exposure to health risk factors.

Over the medium term, the sector will strengthen health services to improve primary healthcare and extend health coverage to all in line with the *Big 4 agenda* on universal health coverage. The strategy entail completion of the Sub County hospitals (Ziwa, Moiben and Kesses) and other health facilities, setting-up of a Trauma and emergency centres at Turbo and Burnt Forest, and construction of an oxygen plant, rehabilitation centre and an outpatient complex at UGDH. The sector will also invest on a public health laboratory and medical equipment to improve forensic and diagnostic services and automate health facilities to enhance service delivery. Other priorities are; setting up of a research centre and a County referral coordination unit, and investments in health transport services.

The sector accounts for about 27 percent of public expenditure and utilization of these resources efficiently will improve the health and well-being of the residents. The sector has been allocated KSh. 2,273,903,937 for the financial year 2019/20 consisting of KSh. 1,914,903,937 for recurrent and KSh. 359,000,000 for development.

4.4.5 Education Sector

The sector seeks to improve access to quality early childhood education and quality vocational training, provide social welfare services and promote sports development.

Over the medium term, the sector will concentrate on ECDE infrastructure by constructing more classrooms and ablution blocks and equipping them with teaching/learning materials. The focus will also be on upgrading Home Craft Training Centre to increase access to basic training and skills, rehabilitate Rescue Centre to enhance child rights, care and protection, and construction of cultural centre for preservation of County's cultural heritage.

The sector will also continue to expand participation in skills development of youths in the County by constructing and equipping more youth polytechnics' workshops, and up scaling of the

internship and TVET scholarship programmes. Other priorities are upgrading of the 64 stadium and other playing fields, and development of sports amenities at the Home Craft Training Centre.

To implement the prioritized programmes, the sector has been allocated KSh. 665,287,190 in the FY 2019/20 broken down into KSh. 437,698,892 recurrent and KSh. 227,588,298 development accounting for 7.9 percent of total public expenditure.

5. CONCLUSION

The CFSP 2019 is an important policy document that specify the broad strategic priorities and policy goals that will guide the County government in preparing its 2019/20 budget and over the medium term.

The medium-term spending plan aims for a transformational development process for shared prosperity. To achieve this, the paper identifies five priority areas of health, water, cooperative development, roads infrastructure and agricultural production that takes into account the promises of H.E. the Governor and the goals outlined in the CIDP. The prioritized areas will thus continue to receive priority in allocations over the medium-term.

The County projects a total expenditure of KSh. 8,404,575,473 in the 2019/20 budget to be financed by KSh. 6,200,000,000 (equitable share), KSh.1, 035,749,916 (conditional grants) and KSh. 900,000,000 (local revenue). This is however projected to grow by an average of 3 percent each year over the medium-term.

The County government remains committed to a balanced budget over the medium term and any distress will be addressed within the confines of the necessary laws. The expenditure ceilings will be maintained and any reprioritization done within sectors. The fiscal policy and the debt management strategy will work to mitigate risks to fiscal projections.

In conclusion, to increase the County's economy ability to grow sustainably as envisaged in the paper, decisive actions will be taken to raise productivity, increase competition, reduce the cost of doing business and develop a sustainable approach to managing public finances.

ANNEX: PROPOSED PROGRAMMES FOR FY 2019 / 2020 MTEF BUDGET

Programme	Sub-Programmes	Key Outputs
1.0 Devolution and Public Administration		
P1: General administration support services	SP 1.1: Employee support services SP 1.2: Field Administrative Services	Government building constructed at ward and sub counties; Field offices linked with the County communication system
1.1 Public Service Management		
P 2: General administration support services	SP 2.1: Administrative support services SP2.2: Library services	Service Centers; Legal library.
1.2 Economic planning		
P3: Economic Planning Services	SP3.1: Planning Services SP3.2: Statistical Services	CIDP II developed; Sectoral Plans; County Statistical Abstracts (CSA); Baseline report.
1.4 Finance		
P4: Financial Services	SP4.1: Asset/Liability Management Services SP4.2: Audit Services SP4.3: Financial services	Functional asset & liability management services; Operational debt management system; Automated audit services; Risk mapping and register; Archived financial records
2.0 Agriculture		
P1: Crop Development and Management	SP 1.1: Seed Subsidy Programme SP 1.2: Crop insurance SP 1.3: Postharvest Management services SP 1.4: Crop Pest and Disease Control Service SP 1.5: Crop Diversification SP 1.6: agricultural Empowerment programme SP 1.7: Soil and water management and environmental conservation services SP 1.8: Irrigation services	Maize Seed Subsidy distributed; Crop insurance subsidy provided; Post-harvest facilities constructed; Crop pests and diseases controlled; Seedlings distributed; <i>Kijana na Acre</i> Programme implemented; Hand held soil scanners purchased; Drip irrigation kits and tanks acquired; Bulking sites established;

Programme	Sub-Programmes	Key Outputs
	SP 1.9: Value Addition services SP 1.10: AMS Services	Agricultural machinery acquired
P2. Agriculture Training Services	SP 2.1: ATC Services SP 2.2: Crop Diversification SP 2.3: Livestock Production	Modern residential hostel constructed; Water and sanitation services provided; Modern stores constructed and furnished; Greenhouse outdoor irrigation system installed; Coffee farming revived; Silage choppers purchased; Farm and agro- processing equipment and machineries purchased; Model Zero grazing unit Feed mixers procured; Rehabilitation of plunge dip.
2.1 Livestock Development and Fisheries		
P1: Livestock Production	SP 1.1: Value Addition on Services SP 1.2: Livestock Production Services SP 1.3: Livestock Census SP 1.4: Dairy Promotion Services	Value addition on milk; Livestock diversification; Livestock Census conducted; Feed formulation mixers and hammer mill purchased & Demo plots established.
P2: Veterinary Services	SP 2.1: Livestock Disease Control Services SP 2.2: Animal Breeding Services SP 2.3: Value Addition on services	Reduced incidences of diseases; Subsidized AI inseminations provided; Slaughter houses constructed.
P3: Fisheries Production	SP 3.1: Fisheries Production Services SP 3.2: Value Addition	Fish Ponds rehabilitated and established; Fish feed extruder purchased; Fingerlings subsidy provided; Aqua-shop constructed and installed.
2.2 Cooperative and Enterprise Development		
P1: General Administrative Support Services	SP 1.1: Administrative support services	Office expansion and refurbishment

Programme	Sub-Programmes	Key Outputs
P2: Cooperative Development Services	SP 2.1: Cooperative Development and Management Services SP 2.2: Enterprise Development Services	Capacity building conducted; Cooperative Societies revamped; Audit conducted; Linkages and Partnerships formed; Research and development; All cooperatives automated; Benchmarking tours; Youth Empowerment; Cooperative Loans disbursed; Incubation centres; Entrepreneurs supported.
2.3 ICT & E-Government		
P1: ICT Services	SP 1.1: Security of County Information S.P 1.2: ICT Services	Blade servers installed; County ICT centres fully equipped; Power back up systems installed; ICT incubation centres established; Free Wi-Fi installed within Eldoret CBD and Major townships; Improved service delivery; Point-to-point connectivity; Outdoor LED Screens installed within Eldoret CBD; ICT Innovation awards programme established; Installation of CCTV Cameras within the County Departments and CBD; Geospatial infrastructure support tools acquired; Agriculture Information Management System and Farming Profiling System (AIMIS) acquired; Installation and maintenance of DMS; Youths trained on basic ICT solutions

Programme	Sub-Programmes	Key Outputs
2.4 Trade, Investment and Industrialization		
P1: Trade Development and Promotion	SP 1.1: Market Infrastructure Development Services SP 1.2: Export Promotion Services SP 1.3: Trade Support Services SP 1.4: SMEs services	Market Infrastructure Development; Export promotion and capacity building; Building trade support facilities; Accessible & affordable SME loans.
P2: Industrial development, investments and International Trade	SP 2.1: Regional Integration	Investments Conferences (NOREB counties)
2.5 Lands and Housing		
P1: Land Management and Administration	SP1.1: Land Management and Administration	Land banking country wide; Valuation roll developed; Titling Programme (Kesses & Soy); Digitization of Land Records;
P2: Survey Services	SP 2.1: Survey Services	Trading centers surveyed (Moiben Kapseret); Public Utilities Surveyed(Turbo, Soy & Kesses); Establishment of Geodetic Control 1st Order (CBD SC HQS and Other Towns);
P3: Housing Services	SP3.1: Housing Services	Resettlement Action Plan , Turbo; Replacement of Asbestos roofs in County Estates Turbo; Renovations of County Houses; County offices renovated; Improved estate drainage; Fencing of Public Utilities;
2.6 Physical Planning and Urban Development		
P1: Physical Planning Services	SP1.1 Physical Planning Services	Physical Development Plans developed; Investments plans developed; Analogue development plans developed and digitized; Buildings named and numbered

Programme	Sub-Programmes	Key Outputs
P2: Urban Development & Management Services	SP2.1: Urban Development & Management Services	Urban Road Improvement; High Mast and Street Lights constructed; Traffic lights Installation; Storm water drainage constructed and maintained; Beatification of Eldoret Municipality – Greening; NMT’s infrastructure constructed.
3.0 Roads, Transport, Energy and Public Works		
P1: Road and Transport Infrastructure Development	SP 1.1: Roads Infrastructure Services	All weather roads; Improved drainage; Bridges/box culvert constructed.
P2: Energy Services	SP2.1: Street lighting services	Street lights installed within CBD and urban centers.
P3: Public Works Services	SP 3.1: Public Works Services	Improved working conditions.
P4: Fire and Emergency Services	SP 4.1: Fire Rescue and Emergency Services	Improved response to fire and emergencies.
3.1 Water, Environment, Natural Resources, Tourism & Wildlife management		
P 1: Water and Sanitation Development	SP 1.1 : Water Development Services	Community water projects developed; Protection of springs; Rehabilitation of water supplies; New water supplies, New intakes & treatment works; Rehabilitation of water dams/pans; Installation of rain water harvesting structures; Purchase of water pipes.
P2: Solid Waste Management	SP 2.1: Waste Storage Services SP 2.2: Waste Transportation Services	Purchase standard litter bins; Purchase skip loader lorries ; Purchase of a side loader; Purchase tipper; New Dumpsite; Kipkenyo dumpsite gate.

Programme	Sub-Programmes	Key Outputs
P3: Environmental Restoration, Protection, Conservation and Management	SP 3.1: Afforestation and re-Afforestation SP 3.2: Protection and conservation of water sources	Contribute towards climate change mitigation and adaptation; Purchase and plant trees; Protection and fencing of wetlands and riparian areas.
P 4: Tourism Development and Promotion	SP 4.1: Tourism Infrastructure Development SP 4.2: Tourism promotion and marketing	Construction of recreation site; Construction of a watch tower and implementation of Wetland Management plan; Construction of administration block; Development of nature trails and campsites; Phase 2 construction; Construction of an administration block, hostels and development of nature trails and view point; Construction of a toilet block and a gate. Capacity building of hoteliers; Capacity building of community based tourism associations; Inventory of historic sites, buildings and churches; Inventory and documentation of Sirikwa caves.
4.0 Health Services		
P1: Preventive, Promotive and RMNCAH services	SP1.1: Communicable diseases Control	Increased TB cure rate; Immunization;
P2: Curative and Rehabilitative services	SP2.1: County Referral Health Services SP 2.2: Specialized Health services SP2.3: Forensic and Diagnostic services	County referral hospital; Sub County hospital; 70 bed maternity hospital; Children hospital; Trauma and emergency center; Specialized Centre; Oxygen plant; Incinerators; Health facilities assessed; Targeted health sector surveys;

Programme	Sub-Programmes	Key Outputs
		HF providing specialized services; Health care services for PWD; Health facilities offering Telemedicine; Rehabilitation center; Laboratories diagnostics; Public health laboratory; CT Scan; MRI machines; Reference lab; Radiological services; Gene expert machine;
P3: General administration and Support Services	SP3.1: General administration SP3.2: Health transport	Communication in Health Management and administrative services improved; Specialized motor vehicle;
P4: Health Policy, Standards and Regulations	SP 4.1: Health Research SP 4.2: Health Policy SP 4.3: Health Standards and Regulations	Health operational research; Research Centre; Automated Health facilities; Reports; Health sector strategic and business plan; County referral coordinating centre/unit; Health Disaster preparedness policy; Recreational facilities;
5.0 Education, Culture and Social Services		
P1: ECD Education	SP 1.1: ECD Education SP 1.2: Administrative Support Services	ECDE classrooms; ECDE toilets; ECDE centres assessed; School feeding programs; Teachers trained; Learning resources/materials acquired.
P2: Development & Promotion of Culture	SP2.1: Cultural services	Cultural Centres; Sub County cultural center; Modern libraries.
P3: Social Development Services	SP3.1: Community development services	Social amenities refurbished; County PWDs Fund established.

Programme	Sub-Programmes	Key Outputs
5.1 Youth Affairs, Gender and Sports		
P1 : Youth Affairs and empowerment	SP1.1: VTC Training	Workshops; Classrooms; Hostels.
P2: Sports Development	SP2.1: Sports development	64 stadium upgraded; Kipchoge stadium upgraded; Sub County playing & Ward playing grounds upgraded; Sports talent academy; Gymnasium; Swimming pool; High altitude training camp.