REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

LAIKIPIA COUNTY FISCAL STRATEGY PAPER (CFSP)

2021

FEBRUARY 2021

COUNTY VISION AND MISSION

Vision

The Greatest County with the Best Quality of Life

Mission

To enable every household in Laikipia County to lead a prosperous life

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The Laikipia County Fiscal Strategy Paper (CFSP) for the year 2021 is a key policy document of the County Government of Laikipia indicating how the government will prioritize allocation of resources to finance programmes and projects as captured in the approved Annual Development Plan (ADP) 2021/22. The total resource envelope will comprise of the proposed allocations from equitable share and conditional grants as outlined in the 2021 Budget Policy Statement (BPS) issued by the Cabinet Secretary to the National Treasury and Planning, County's Own Sources Revenue (OSR) and the proceeds of the County Infrastructure Bond

The County Treasury continues to embrace fiscal responsibility in line with the Public Finance Management Act 2012 Sec. 107 and the Public Finance Management Regulations (County Governments), 2015, Sec. 25. This will be accomplished *inter alia* by progressively bringing the personnel emoluments down towards the required 35% of County government's total revenue from 38.3 per cent and 42.1 per cent for 2019/20 and 2020/21 respectively; reductions in the recurrent expenditure due to allocating more resources to development budget to above 30% and where the county recorded 37.3 per cent and 39.6 per cent in the FY 2019/20 and FY2020/21 respectively.

The preparation of the CFSP 2021/22 is done against the background of a recovery process after the outbreak of the COVID 19. The county endured the adverse effects of the outbreak in the areas of own source revenue and the redirection of expenditures to mitigate against the adverse effects of the pandemic. In FY 2019/20, the county's own source revenue declined by 11 per cent compared to the previous 2018/19 arising from subdued economic activities in the areas of hospitality and transport among others.

To help in the recovery of the affected sectors an Economic Stimulus Programme (ESP) was created to increase liquidity to small businesses and create more employment opportunities for the youth. The ESP has the following components: Under Infrastructure, opening of new roads and drainage works using the labour based contracts targeting about 80 kilometers per ward; In agriculture, provision of subsidized farm inputs like certified seeds, fertilizers and livestock genetic improvement vaccines, construction of household water pans and provision of dam liners to increase area under irrigation and promotion of extension services; under trade, provision of financial support to 5,000 businesses for recovery by working with commercial institutions to unlock about KShs 3.3billion, tourism and cooperative support, manufacturing and investment promotion support, MSMEs capacity and technical support; under education, vocational training centres support and bursary support; under Health, NHIF subsidies for vulnerable groups and mining exploration and exploitation support under environment. The partnering with Commercial Banks for invoice discounting and LPO financing will play a critical role in facilitating contractors continue delivering services to the county in these constrained circumstances.

The County's economy is on the recovery path and it's envisaged that this will continue as evidenced by the growth in OSR where the first half of 2020/21 reported KShs 322.97 million up from 289.8. million for a similar period in 2019/20. The need to enhance resources through pursuit of other options like PPP presents an improved resource base that will be channelled to providing more public services hence improved livelihood for the people. The ingenious financing mechanisms like leasing of Equipments, partnering with government and non-government agencies to provide machinery and equipment, skills, expertise and management required in undertaking infrastructural works will be a big boost in supplementing the resources available. The county will further continue enhancing the county revenue base so as to increase resource envelope – through expansion of tax base and expand collaboration with private sector and development partners to complement the implementation of programmes.

This CFSP envisages to realise key strategic objectives all geared towards increasing the daily per capital to KShs 1,000 and increasing employment opportunities in the county. The key areas to drive the process will include Agriculture, Innovation, Enterprise Development, Manufacturing and Mining and are therefore prioritised for consideration. The resources available will prioritise for the discretionary items like the wages, payment for leased Equipments, purchase of drugs, County Assembly allocation, interest payments for the bonds before the department ceilings are determined. The county line departments and the County semi-autonomous agencies will be expected to prioritise programmes and projects with the highest level of outcomes. This however to be accompanied by prioritising clearing of pending bills arising from the revenue shortfalls experienced in the preceding period and completion of ongoing projects.

The strategic priorities captured therein reflect objectives of the County Integrated Development Plan (CIDP 2018-2022), the county medium term framework for achieving fiscal balance and growing the Gross County Product by at least 10%. Consequently, the National Government's Medium Term framework captured in the 2021 Budget Policy Statement (BPS) theme: **"Building Back Better: Strategy for Resilient and Sustainable Economic Recovery"** has also been reflected. The realization of these objectives will go a long way in making the county realize the vision of **"The Greatest County with the Best Quality of Life''**

The county will continue tapping into the ongoing human resources development initiatives like Enterprise Development, Project Management offered to staff at Dedan Kimathi University among other capacity building initiatives that are expected to train individuals start, expand and manage businesses. Other staff empowerment programmes will be initiated to enhance the overall working environment of staff.

In compiling this CFSP, we benefitted from the wise counsel and guidance of H.E the Governor, H.E the Deputy Governor and Hon. Speaker. The Finance, Planning, Budgeting and Appropriation Committees of the County Assembly of Laikipia played a critical role by providing oversight to the process. Equally, we received support and contributions from my CECM colleagues. We also consulted a wide range of stakeholders and the general public in line with the requirements of the Public Finance Management (PFM) Act 2012 and the Constitution of Kenya.

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ACKNOWLEDGEMENTS

This County Fiscal Strategy Paper 2021 has been prepared in accordance with Section 117 of the Public Finance Management (PFM) Act, 2012. It outlines the current state of the economy and outlook over the medium term, broad macroeconomic issues and the medium term fiscal framework, resource envelope and criteria for resource allocation, key strategic priorities and policy goals and a summary of the Government's spending plans as a basis for the FY 2021/22 budget. The CFSP is expected to improve public's engagement in the management of public finances in Laikipia County and guide development and implementation of government programs.

The preparation of the Laikipia County Fiscal Strategy Paper 2021 was a collaborative effort supported by individuals, government agencies and entities. The County Executive Committee Members played a key role by providing departmental support towards the finalization of this paper.

I recognise the leadership role provided by CECM for Finance and Economic Planning and his guidance in the entire process. I also thank the other county government departments and Agencies for providing necessary information and technical assistance in the preparation of CFSP. We are highly indebted to the County officers for conducting very successful and insightful CFSP public participation forums across the county at the five administrative sub counties.

In addition, I am grateful to the core team in the Economic Planning unit, Budget unit, Accounting and Financial Reporting Unit and Laikipia County Revenue Board who spent a significant amount of time putting together this document.

Finally, I thank the Sub County Administrators, other devolved levels technical staff and members of public who prepared the ground, mobilised and participated at the sub county public fora whose views greatly enhanced this County Fiscal Strategy Paper 2021.

CHIEF OFFICER
14 JUN 2021

Paul Njenga Waweru,
Ag. Chief Officer, Finance and Economic Planning

ABBREVIATIONS AND ACRONYMS

AIA	Appropriation in Aid
BPS	Budget Policy Statement
CBEF	County Budget and Economic Forum
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CFSP	County Fiscal Strategy Paper
CRA	Commission on Revenue Allocation
COMS	County Operations Management Systems
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development Education
ESP	Economic Stimulus Programme
FY	Financial Year
GDP	Gross Domestic Product
GCP	Gross County Product
GHRIS	Government Human Resource Information System
HFIF	Hospital Facility Improvement Fund
ICT	Information and Communication Technology
IPPD	Integrated Product and Process Development
IPSAS	International Public Sector Accounting Standards
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KIPPRA	Kenya Institute for Public Policy Research Analysis
LCDA	Laikipia County Development Authority
LCPSB	Laikipia County Public Service Board
LCRB	Laikipia County Revenue Board
MSME	Micro, Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NSE	Nairobi Stock Exchange
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PPP	Public Private Partnership
NTRH	Nanyuki Teaching and referral Hospital
NYTRH	Nyahururu Teaching and Referral Hospital

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EXECUTIVE SUMMARY

The fiscal strategy of Laikipia County Government for the year 2021/2022 is set out in this paper. The CFSP is prepared in accordance to PFM Act section 117 which states that, the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and then shall submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.

The contents of the CFSP are largely informed by the PFM Act section 117(2) which provides for the aligning of the CFSP with the national objectives in the Budget Policy Statement. The CFSP serves as the basis for the preparation of the annual estimates of revenue and expenditure for the County Budget FY 2021/2022. The County Fiscal Strategy Paper has five chapters, as outlined below:

Chapter I- Introduction to County Fiscal Strategy Paper. This chapter outlines legal basis for the preparation of the county fiscal strategy paper, fiscal responsibility principles and the strategic objective of the County Government.

Chapter 2 - Recent global, national and county economic developments. This chapter highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

Chapter 3 -Macro-economic policy frameworks and medium term outlook. This chapter explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term. Further, the chapter includes the County's medium term framework, outlining the strategic legislative and executive actions that Government will undertake to accelerate economic growth, raise additional own-source revenue and costs management. In addition, analysis of budget performance and significant internal risks to the outlook are highlighted.

Chapter 4 - Fiscal framework and structural measures for 2021/22 and the medium term. This chapter highlights the projections for county revenue, recurrent and development expenditure. It sets out a framework for sustainable public finances management, while managing vulnerability to economic and fiscal risks.

Chapter 5 - Resource envelope and criteria for resource allocation. This chapter highlights the resource envelope, sector ceilings and spending priorities for FY 2021/22, MTEF budget and the medium term. This is informed by the national objectives and goals as outlined in the 2021 Budget Policy Statement and the set out resource sharing guidelines.

CHAPTER ONE
INTRODUCTION

1.1 Introduction

Kenya is in the 8th year of implementation of the two-tier system of government comprising of the national and the county governments as stipulated in the Constitution of Kenya, 2010, Chapter 11. The county governments are responsible for spearheading development in their respective areas of jurisdiction as stipulated in Schedule 4 of the Constitution of Kenya 2010. They are required to realize this through a participatory process that links planning and budgeting as provided for in Section 102 of the County Government Act, 2012.

The Public Finance Management Act, 2012 Sections 117 and 118 provide guidelines on the county's responsibilities in the budgeting process. Towards ensuring a comprehensive budget process, the county governments are expected to prepare a County Fiscal Strategy Paper (CFSP) and submit it to the County Assembly by 28th February of each year.

1.2 Legal Basis for the Preparation of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is prepared in accordance with Section 117 of the Public Finance Management (PFM) Act, 2012. The law states that:

- The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- In preparing the County Fiscal Strategy Paper, the County Treasury shall 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 County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- The County Treasury shall seek and take into account the views of the Commission on Revenue Allocation (CRA), the public, any interested persons or groups and any other forum that is established by legislation (for example CBEF).
- It further states that the County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Fiscal Responsibility Principles for the County Government

In line with the Constitution, the Public Finance Management (PFM) Act, 2012 and the Public Finance Management (County Governments) Regulations 2015, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107 (1-2) of Public Finance Management Act states that; in managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

- The County government's recurrent expenditure shall not exceed the county government's total revenue.

- Over the medium term a minimum of 30% of the County government's budget shall be allocated to the development expenditure.
- The County government's expenditure on wages and benefits for public officers shall not exceed 35% of the County government's total revenue as provided by PFM Act 2015 regulations.
- 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.
- The County debt shall be maintained at a sustainable level as approved by County Assembly.
- Fiscal risks shall be managed prudently
- A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking in to account any tax reforms that may be made in the future.

1.4 County Governments' Compliance with Fiscal Responsibility Principles

As mentioned above, pursuant to Section 107 (2) (b) of the Public Finance Management Act, 2012 the County Treasury is required to enforce the aforementioned Fiscal Responsibility Principles. In the FY 2019/20 the County performed as follows across the principles:

a) The County government's recurrent expenditure shall not exceed the county government's total revenue. The County total recurrent expenditure stood at KShs 3.923 billion against the total county revenue of KShs 5.814 billion representing 67.4 per cent.

b) Over the medium term a minimum of 30% of the County government's budget shall be allocated to the development expenditure. In the FY 2019/20, the county allocated KShs 2.737 billion in the total budget of KShs 7.341 billion representing 37.3 per cent. In the FY 2020/21, the County allocated KShs 3.137 billion in the total budget of KShs 7.919 billion representing a 39.6 per cent.

c) The County government's expenditure on wages and benefits for public officers shall not exceed 35% of the County government's total revenue as provided by PFM Act 2015 regulations. In the FY 2019/20, the County expended KShs 2.581 billion against a total revenue of KShs 6.729 billion while in FY 2020/21, the wage bill is projected at KShs 2.802 billion against total revenue of KShs 6.649 billion. This represents 38.3 per cent and 42.1 per cent for 2019/20 and 2020/21 respectively.

d) 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. In the FYs 2019/20 and 2020/21, the county undertook a balanced budget. However, in 2021/22, debt financing will be included in the budget via the floating of a KShs 1.247 billion County Infrastructure Bond to support development of capital projects in water and infrastructure.

e) The County debt shall be maintained at a sustainable level as approved by County Assembly. According to the Public Finance Management (County Governments) Regulations 2015, Section 179 and Section 50(5) of the PFM Act 2012, the County total public debt shall not exceed twenty percent (20%) of the county government's most recent audited revenues, as approved by county assembly.

f) Fiscal risks shall be managed prudently. The County has continued to improve on audit reports from the office of the Auditor General. In the year 2018/19, the county received a qualified opinion with only one item preventing the county from an unqualified opinion.

g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking in to account any tax reforms that may be made in the future. The Laikipia County Revenue Board has continued to engage the members of the public in the preparation of the Finance Bill in her endeavor to ensure tax payers are well engaged on all tax proposals.

1.5: Strategic Objectives of the County Government

The County's development programme for the FY 2019/20 to date was adversely affected by the effects of COVID 19 both from the revenue and the expenditure fronts. The county's revenue shrunk by 11 per cent from the revenues realised in 2018/19 while expenditures were reallocated to sectors like health and trade to mitigate the adverse effects.

The COVID 19 pandemic disrupted the workflow in the County as a result of curfews and requirements for people to stay at home. This resulted in loss of jobs and incomes for some people while for others the average number of hours of work hence the income declined in almost all sectors of the economy with agriculture, education and the hospitality sub-sectors taking the lead. COVID-19 disrupted the operations of businesses and supply chains hence affected demand and supply of most goods and services in the County. The county government incurred additional expenses to ensure continuity in provision of water and sanitation services.

To facilitate the recovery of the economy there will be need to build on the achievements of implementing the county's Economic Recovery Strategy in FY 2020/21 in addition to the other development objectives. Therefore, the CFSP will endeavour to enhance the transformation of the county's productivity across key sectors of the economy. Therefore, to achieve the development goals and transformative agenda, this County Fiscal Strategy Paper targets to raise the amount and share of own source revenue, share of development budget, build a world class public service, grow manufacturing through innovation and enterprise development while improving the business climate to retain current businesses and attract new investors.

Specifically, the County will endeavor to achieve the following strategic objectives:

- To resuscitate private sector and create jobs for the youth by increasing liquidity to MSMEs through the economic stimulus program. The Business Stimulus Fund, has mobilized about KShs 3.3 billion, through interest sharing and credit guarantee schemes with commercial banks. The County will enhance support to tourism and cooperative development, manufacturing and investment promotion, MSMEs capacity and technical development; Further, the scheme has a risk-sharing facility to incentivize the lenders to provide credit to higher-risk borrowers.

- Improve agricultural productivity through provision of subsidized farm inputs like certified seeds, fertilizers and livestock genetic improvement vaccines, construction of household water pans and provision of dam liners to increase area under irrigation and promotion of extension services;
- Enhance capacities for vocational training institutes to be centres for innovation and through bursary and technical support.
- Improve NHIF coverage through increased subsidies for vulnerable groups .
- Enhance the Enterprise and Innovation Programme in order to support business planning, skills development, access to credit from the partner financial institutions, marketing, certification etc., Providing additional worksite and related infrastructure, focusing on boosting manufacturing, commercial agriculture and tourism.
- Increasing budgetary allocation for disaster preparedness programs that include and not limited to firefighting equipment, training fire fighters among others.
- Hasten development of new and widen utilization of existing apps like health telemedicine and i COMS for health and performance management respectively and adopt programmes to ensure widespread access to reliable and affordable internet using aerial and satellite-based telecommunication technologies given the vastness of the county.
- Develop labour market interventions and policy reforms that drive employment creation within the key sectors of agriculture, trade and industry, infrastructure, tourism, technology and innovation.
- Enhance capacity for manufacturing through provision and mobilization of more resources for the rescue package for businesses and traders hard-hit by the effects of COVID-19 plus preferential identification and marketing of Laikipia Brand products.
- Increase access to water for production through expansion and rehabilitation of existing piped water connection, Improved infrastructure development for example construction of water pans and dams, upscale abstraction of water from rivers, spring protections, harvesting of rainwater from roof and other catchments, increased water storage capacity.
- Improve road infrastructure through applying labor based and local resource-based approaches for road development and maintenance, increasing the share of unpaved roads in good and fair condition to above 62 per cent, Improve and expand infrastructure for Non-Motorized Transport (NMT) in urban areas, enhance trickling of benefits from the rehabilitated Nairobi-Nanyuki Railway , support growth of a logistics hub in Nanyuki.
- Accelerate the Smart Towns Initiative for completion and introduction of more urban centres into the programme, digitization of land and physical planning administration, develop and implement a property and business addressing system and urban planning and design instruments.
- Promote tourism through enforcement of sanitation and hygiene standards in all accommodation facilities, mapping of all tourism sites and expand the tourist products, allocate resources for investment and rehabilitation of tourism-supporting infrastructure, including sports stadia, cultural information centre and museum and promote the county as a tourist destination through the Twende Laikipia Initiative.
- Improve health standards of the citizenry through infrastructure development for example, improved bed Capacity in Nyahururu County Teaching and Referral Hospital and Nanyuki Teaching and Referral Hospital, support improvement of health workers to household ratio

to 1:100 ,undertake leasing of medical equipment and an integrated ICT system for effective referral and service fulfilment.

- Enhance ECDE and vocation training through infrastructural development and provision of equipments to all ECDE and vocational training centers; and pursue opening of University branches in the County with adequate and learning spaces.
- Promote gender mainstreaming, protection and response against gender-based violence and involvement of women in all sectors of economic activities.
- Promote protection, conservation and management of the environment and natural resources, while implementing interventions on climate change adaptation and mitigation, disaster reduction and increasing community resilience.
- Support mineral's exploration and extraction in the county to support industrialization.
- Provide and promote alternative sources of clean energy for domestic and industrial use.

The expected outcomes in the medium term will include;

- Increased access to water for household use, businesses and for agriculture from the current 67% to at least 80%. This will ultimately expand land under irrigated agriculture to over 50,000 acres.
- Fully exploited potential in mining to boost the county's economy by attracting detailed exploration, incentivize investment into value addition to the minerals.
- Increased Gross County Product to KShs 133 billion by 2022 and thereby raising the daily per capita income to KShs 1,000 within the medium term.
- Growth in licensed businesses to 70,000 businesses in Laikipia that would support 100,000 employees and further continue supporting new and expanding current innovations.
- Improved literacy rates, business and technical skills (technical and entrepreneurship) of the youth.

CHAPTER TWO
RECENT GLOBAL, NATIONAL AND COUNTY ECONOMIC DEVELOPMENT

2.1 Introduction
Global and national economic variability affect both directly and indirectly our county fiscal decisions and operations. This section therefore highlights recent economic developments on the global and national level and its impact on the county's economic development.

2.2 Macroeconomic Environment
Kenya's economy performance in the year 2020 was adversely affected by the outbreak of Covid-19 pandemic and the swift containment measures, hence recording low growth rates as compared to 2019. The economy grew by 4.9 percent in the first quarter of 2020 (January to March) compared to a growth of 5.5 percent in the first quarter of 2019. The slowdown in quarter one was as a result of the decline in economic activities in most of the country's major trading partners due to the uncertainty associated with the COVID-19 pandemic.

Economic activity was markedly subdued in the second quarter of 2020 (April to June) compared to the corresponding quarter in 2019. Real GDP contracted by 5.7 per cent in the review period compared to an expansion of 5.3 per cent in the second quarter of 2019. Although Kenya was somehow spared the severe effects of the COVID-19 pandemic in the first quarter of 2020, the economy was significantly affected by the disease in the second quarter of 2020. The poor performance in the quarter was to a large extent negatively affected by measures aimed at containing the spread of the COVID-19. As a result, the performance of most sectors of the economy contracted in the second quarter of 2020. However, the economy was supported by improved performance of Agriculture, Forestry and Fishing activities, Health Services and Mining and Quarrying activities.

Economic performance in the third quarter of 2020 (July to September) remained depressed but relatively better compared to the second quarter of 2020. Real GDP is estimated to have contracted by 1.1 per cent in the quarter compared to a growth of 5.8 per cent in the corresponding quarter of 2019. During the quarter in review, the performance albeit constrained, was supported by a significant improvement in agricultural production and accelerated growths in mining and quarrying, construction, and public administration. Strong growths in information and communication, financial and insurance, and real estate also supported growth from a deeper contraction. The contraction was much lower than that recorded during the second quarter largely against a backdrop of partial easing of COVID-19 containment measures that facilitated gradual resumption of a number of economic activities.

Even though Kenya had improved five positions to 56 globally on attractiveness to investors according to the World Bank Ease of Doing Business 2020 report, it's likely to drop two steps down to 58 on the ease of doing business. This is according to the latest World Bank Ease of doing business 2021 report. The drop is pegged on a number of factors including shrinking manufacturing index, high-cost electricity, high corruption and high tax regime. The position 58 is out of 190 countries measured in the ease of doing business index.

Generally, macroeconomic factors were favorable to growth during the period under review. However, the average inflation rate rose to 5.78 per cent in the first half of 2020 compared to 5.16 per cent during the same period in 2019. The rise in inflation was mainly attributed to higher prices of some food items despite low prices of petrol recorded during the period. Transport index also increased due to rise in Matatu and Taxi fares.

In the second half of 2020 Inflation rates recorded an average of 4.78 percent. The drop in average inflation was mainly due to decrease in prices of several food items. Housing, water, electricity, gas and other fuel index also decreased during the period due to lower costs of water vendor services, cooking gas, kerosene, house maintenance and some house rents

Year-on-year overall inflation rate remained low, stable and within the Government target range of 5+/-2.5 percent since the end of 2017 demonstrating prudent monetary policies. The inflation rate was at 5.6 percent in December 2020 from 5.8 percent in December 2019. This lower inflation was supported by a reduction in food prices

The overall Consumer Price Index (CPI) increased by 0.98 per cent from 110.779 in November 2020 to 111.866 in December 2020. The month to month Food and Non-Alcoholic Drinks' Index increased by 2.45 per cent between November and December, 2020. This food inflation was mainly attributed to increase in prices of particular food items, which outweighed the decreases recorded in others. For instance, the retail prices of loose maize flour and capsicums (pilipili hoho) declined by 1.28 per cent and 8.91 per cent, respectively. On the other hand, prices of spinach, oranges and kales (Sukuma-wiki) rose by 8.09, 6.18 and 5.61 per cent, respectively.

The Housing, Water, Electricity, Gas and Other Fuels' Index, increased by 0.59 per cent between November and December, 2020. This was mainly attributed to increases of 0.76 per cent and 2.08 per cent, in cost of electricity and kerosene, respectively.

The Transport index increased by 1.15 per cent over the same period mainly due to a rise in the retail prices of diesel and petrol by 1.20 per cent and 0.92 per cent, respectively.

The overall producer prices decreased by 1.47 per cent from December 2019 to March 2020 while the 'year on year' inflation was 1.07 per cent. The highest price increase was in the manufacture of wood, products of wood and cork except furniture at 6.47 per cent while the highest decline was in the manufacture of basic metals at negative 5.36 per cent. Over the last one year, the highest increases were in manufacture of chemicals and chemical products and manufacture of beverages at 6.64 per cent and 6.06 per cent, respectively.

The foreign exchange market has largely remained stable but was partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the COVID-19 pandemic. The Kenya Shilling exchanged at Ksh 110.6 to the US dollar in December 2020 as compared to Ksh 101.5 in December 2019. The Shilling also weakened against the Sterling pound and Euro, exchanging at Ksh 148.4 and Ksh 134.3 in December 2020 as compared to Ksh 133.0 and Ksh 112.7 in December 2019 respectively. Overall, the Kenya Shilling has remained relatively stable weakening by only 9.0 percent against the US Dollar in the period December 2019 to December 2020. This stability in the Kenya Shilling was supported by increased remittances and adequate foreign exchange reserves.

2.3 Recent Global and Regional Economic developments

The global economy was projected to contract by 4.4 percent in 2020 from a growth of 2.8 percent in 2019 due to the outbreak and spread of the COVID-19 Pandemic and the ensuing containment measures that have devastated global economies. This economic outlook is worse than the growth reported during the 2008 - 2009 global financial crisis.

Advanced economies were projected to contract by 5.8 percent in 2020 from a growth of 1.7 percent in 2019. Significant contraction of the economy was projected in the United States (-4.3 percent), Japan (-5.3 percent) and the United Kingdom (-9.8 percent). Growth in the Euro area was expected to contract by 8.3 percent in 2020 from a growth of 1.3 percent in 2019.

The emerging markets and developing economies were also projected to contract by 3.3 percent in 2020 from a growth of 3.7 percent in 2019. All major economies were projected to contract in 2020 except China which was projected to grow by 1.9 percent, a slowdown from a growth of 6.1 percent in 2019.

The Sub-Saharan African region was projected to contract by 3.0 percent in 2020 from a growth of 3.2 percent in 2019 due to the negative impacts of the pandemic. The largest impact of the crisis on growth been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies was to slow significantly, but in many cases was still expected to be positive in 2020.

Growth in the East African Community (EAC) region was estimated to slow down to 1.0 percent in 2020 compared to a growth of 6.2 percent in 2019, supported by positive growths in Kenya, Tanzania and Rwanda. Economic activities in Burundi and Uganda were expected to contract in 2020.

2.4 County Economic Performance

According to Gross County Product (GCP) report, 2019 by KNBS, Laikipia County's main economic activities are agriculture (43.7%), wholesale and retail trade inclusive of repair of motor vehicles (8.8%), financial and insurance activities (7.7%), public administration and defense (7.4%), transport and storage (7.3%) and lastly construction (7%). The rest of the economic activities including mining and quarrying, manufacturing, electricity supply, water supply and waste collection, information and communication, real estate activities, professional technical and support services, education, human health and social work activities and other social activities contributed a combined 18.1 per cent of the GCP.

In 2019, the County had an estimated GCP of KSh 97.849 billion at current prices and KSh 46.138 billion at 2009 prices representing 1.1 per cent of the National GDP. The economic performance represented a growth rate of 10.1 per cent from the estimated Ksh 88.864 billion in 2018.

In 2019, the county economy continued on a positive growth trajectory across most of the sectors as indicated in the County Statistical Abstract 2020. Trends across the key sectors are highlighted below;

Agriculture, Livestock and Fisheries

In agriculture sub-sector, food crops production increased by 2% from 196,810 metric tonnes in 2018 to 200,535 metric tonnes in 2019. The volume of coffee produced also grew by 1.3% from 77 metric tonnes to 78 metric tonnes during the same period. Under the horticulture sub-sector, volume of fruits and vegetables expanded by 5.4% from 27,692 metric tonnes in 2018 to 29,184 metric tonnes in 2019. Likewise, the volume of cut flowers expanded by 2.5% from 442 metric tonnes to 453 metric tonnes during the same period. Area under irrigation increased by 5.7% from 3,758 hectares in 2018 to 3,973 hectares in 2019. Additionally, retail and wholesale prices of farm inputs and selected food commodities remained relatively stable throughout the period.

Livestock sub-sector growth also expanded across various categories with meat production increasing by 15.1% from 3,595 metric tonnes in 2018 to 4,138 metric tonnes in 2019. Quantity of other livestock products grew by 14.6% from 553 metric tonnes in 2018 to 634 metric tonnes in 2019. Volume of milk produced increased slightly by 4.8% from 31.2 million litres in 2018 to 32.7 million litres in 2019. In poultry farming, egg production increased by 3.8% from 10.5 million eggs in 2018 to 10.9 million eggs in 2019 while fish production contracted by 27% from 18.6 metric tonnes in 2018 to 13.6 metric tonnes in 2019.

Trade, tourism and co-operatives

The sector continued to grow with the MSMEs expanding by 39.2% from 14,975 licensed business establishments in 2018 to 20,846 licensed business establishments in 2019.

The total number of visitors' arrival by tourist attraction grew by 33.4% from 152,890 in 2018 to 203,912 in 2019. In addition, the number of active SACCOs increased by 6.5% from 124 societies in 2018 to 132 societies in 2019 with share capital expanding by 20% from KShs 266.7 million to KShs 320.1 million during the same period.

Manufacturing

The sector grew by 5.5% on the number of industries from 435 in 2018 to 459 industries in 2019. The growth was mainly due to increase in enterprises dealing with grain mill products, wood and products of wood and dairy products.

Construction, Transport and storage

There was contraction in the construction sector as the building plans approved for private ownership decreased by 5.1% from 234 plans in 2018 to 222 plans in 2019. On the public transport sector, the number of public service vehicles operating in Laikipia County grew by 11.2% from 1,350 vehicles in 2018 to 1,501 vehicles in 2019. This is despite the number of passengers recorded decreasing by 14.1% from 6,855,840 to 5,891,639 during the same period.

Electricity and water supply

Domestic electricity connections grew by 9.2% from 56,430 connections in 2018 to 61,640 connections in 2019 while in commercial entities connections, there were no significant changes from the 2018 figures which stood at 6,844 connections. On water supply, the number of households with access to piped water expanded by 56.7% from 29,956 households in 2018 to 46,940 households in 2019.

County Business Environment
On the ease of doing business, Laikipia County was ranked position 5 overall out of 42 counties in a survey conducted by KIPPRA on the county business environment for SMEs in Kenya. Based on the parameters and scoring criteria used in the survey, the county fared well on electricity connections at 70.37, roads and access to markets at 63.47, licensing at 80.39, self-regulation at 78.43 and security at 59.3. On the other hand, the county performed decimally on innovations and patenting, access to government procurement opportunities (AGPOs), access to public toilets and waste management.

Majority of MSMEs in Laikipia County operate in the wholesale and retail trade, repair of motor vehicles and motorcycles (68.8 per cent); accommodation and food services (9.7 per cent); arts, entertainment and recreation (7.6 per cent); and manufacturing (6.4 per cent). The COVID-19 outbreak and the ensuing containment measures have disrupted the operations of businesses and supply chains hence affecting demand and supply of most goods and services in the county. To resuscitate private sector, the County Government has established an economic stimulus program to increase liquidity to small businesses and create jobs for the youth. Under the ESP, the county government aims to undertake opening of new roads and drainage systems using labour based contracts, provision of subsidized farm inputs, construction of household water pans to promote irrigation, provision of financial support to 5,000 businesses for recovery by working with commercial banks to unlock about KShs 3.3 billion, tourism and cooperative support, manufacturing and investment promotion support and MSMEs capacity and technical support.

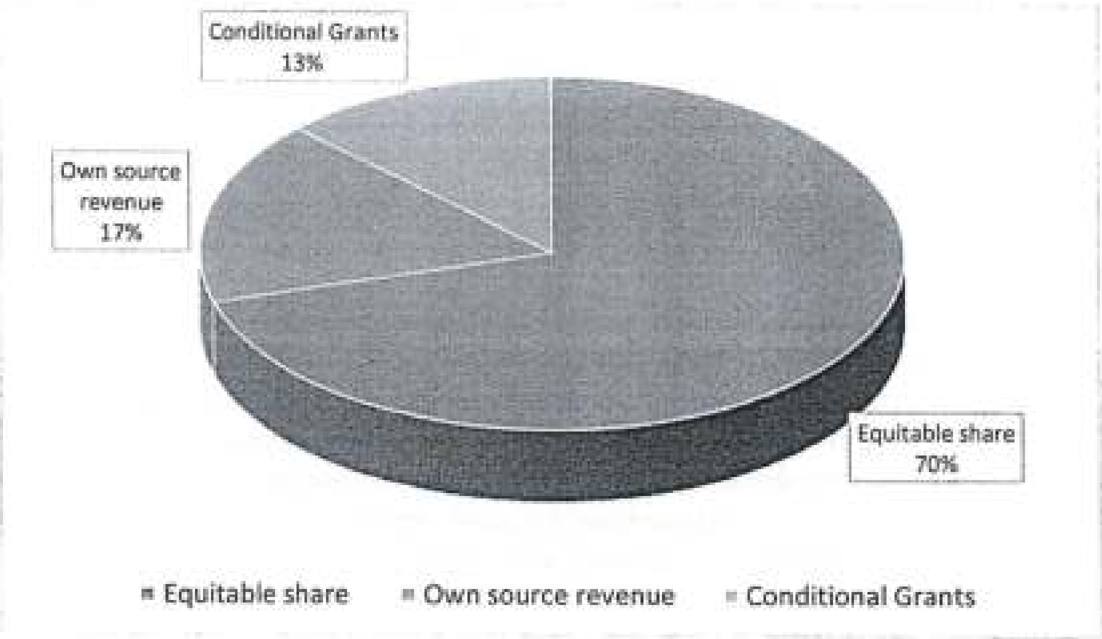
Further, the County Government through the established Directorate of Industrialization and Innovations has prioritized on development initiatives aimed at improving business environment for SMEs to thrive in the county. These initiatives include programmes such as industrial infrastructure support programme, innovation growth and development program, investment profiling and promotion, linkage and partnership and brand promotion.

In addition, the government continues to implement the affirmative action and the procurement and disposal Act 2015 by ensuring access to government tenders to youth, women and persons living with disabilities most of which are in SMEs.

2.5 Budget performance at the County Level
In the financial year 2020/2021 the county expects to receive a total revenue of KShs. 5,937,198,849 comprising of KShs. 4,177,800,000 from equitable share of the national revenue and estimated KShs. 1.006 billion from own source revenue which include 350,000,000 from hospital revenue, KShs. 25,000,000 from vocational training institute and KShs. 631,000,000 from other local revenue sources. In addition, the county will receive KShs. 752,523,849 as conditional grants.

The proportion of county revenues by source is as depicted in the following Figure 1.

Figure 1: FY 2020/21 County Revenues by Source



The conditional grants from national government comprise of: KShs. 9,968,208 User Fee Forgone, KShs.132, 021,277 Lease of Medical Equipment, KShs. 143,385,638 Road Maintenance Levy Fund and KShs. 18,319,894 for Vocational Training Centres.

Loans and grants from development partners comprise of KShs. 90,610,649 Transforming Health Care Systems for Universal Care Project (THSUCP), KShs. 236,105,200 Climate Smart Agriculture project, KShs. 45,000,000 Kenya Devolution Support Programme (KDSP) level 1 grant, KShs. 11,880,000 Universal Health in Devolved Systems Programme – DANIDA, KShs. 15,626,168 EU-IDEAS LED, KShs 12,916,815 Agricultural Sector Development Support Programme (ASDSP), and KShs. 36,690,000 for Ministry of Health COVID-19 allowances grant.

From July 2020 to December 2020 the county had collected KShs 178,540,265 from local sources representing 56 percent of the half year local revenue target of KShs. 315,937,500, hospital revenue was 141,009,845 and revenue from the VTC amounted to KShs 3,423,000. Therefore, the total own source revenue was KShs 322,973,110. This low performance is attributed largely to the COVID-19 pandemic, which disrupted businesses and economic activities. However, revenue collection is expected to significantly increase in the 3rd quarter since most annual licenses are payable in that quarter. Low revenue collection was recorded in the month of October and August. In addition, the county received KShs. 1,737,964,800 as equitable share from the National Treasury and KShs. 372,184,405 as Conditional Grants receivable from the National Government and Development partners.

In the period July 2020 to December 2020 the total expenditure amounted to KShs. 2,149,864,674 representing 27 per cent absorption rate on the total budget. The development and recurrent expenditures were KShs. 436,955,574 and KShs. 1,712,909,100 representing 14 per cent and 36 per cent absorption rate respectively. There was an under-utilization of the expenditure budget due to

Non-disbursement of funds by the national treasury for equitable share and grants for 2 months (November and December). Critical expenditure such salaries were paid through bank borrowings and repaid upon receipt of cash from National Treasury; while essential services and Covid-19 activities were paid using available opening balances and local revenue collections.

To enhance own source revenue, the county government aims to improve efficiency and effectiveness in the Laikipia County Revenue Board (LCRB) through continuous capacity building, full revenue collection automation, updating the land valuation roll and land value capture among other measures. This will in turn lead to increased number of enterprises complying with the County Finance Act and thus improving on revenue collection.

The County Treasury will continue to support the operations of Financial Reporting Unit to ensure reliable, timely and accurate financial reporting. This is in line with the PFM Act 2012 and IPSAS requirements. Internal audit systems will be strengthened to guarantee value for money by ensuring that government resources are applied efficiently and effectively toward the intended purposes and in compliance with laid down laws and policies.

Public participation provides an all-inclusive avenue for stakeholder's engagement in order to identify and prioritize Government projects and activities during the budgeting process. To enhance outcomes from the stakeholder engagements, the county government has prioritized civic education, foras with the Civil Society Organizations, town hall meetings, community barazas and implementation of public participation communication strategies.

The County Treasury has embraced the end to end procurement cycle through the IFMIS. In addition, the county treasury aims to achieve and sustain the proposed 14 days' as turn-around-time (TAT). Guidelines on the handling of purchase orders and invoices to all the accounting officers and contractors in order to ensure efficiency in service delivery have been issued.

The County Government through Supplier Development Program will continue to sensitize the county suppliers on PPDA (2015) procurement procedures and guidelines, the e-Procurement and the role suppliers' play in making the system successful. Partnerships with the financial institutions like banks to partner in trade finance products will be supported and lastly the need to focus on expanding and diversifying their businesses and building confidence.

CHAPTER THREE
MACRO-ECONOMIC POLICY FRAMEWORK AND MEDIUM TERM OUTLOOK

3.1 Introduction

This section explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term. In addition, analysis on significant internal risks to the outlook is highlighted.

3.2 Global, National and County Economic Prospects

The world economic growth is projected to rebound to 5.2 percent in 2021 from a contraction of 4.4 percent in 2020, mainly supported by gradual strengthening in consumption and investment. Growth in the advanced economies is projected to improve to 3.9 percent in 2021 compared to a contraction of 5.8 percent in 2020 supported by improved growths in the major economies, particularly the United States and the United Kingdom. Growth in the Euro area is also projected to improve to 5.2 percent from a contraction of 8.3 percent in 2020.

The emerging markets and developing economies are also projected to improve to 6.0 percent in 2021 from a contraction of 3.3 percent in 2020. This recovery is well echoed in the forecasted growth of Emerging and Developing economies in Asia and Europe, Latin America and the Caribbean, and Sub-Saharan Africa.

The economic growth in the Sub-Saharan Africa region is expected to recover to 3.1 percent in 2021 as most of the economies in the region recover from the adverse effects of the Covid-19 Pandemic.

Nationally, the growth outlook for 2020 has been revised down from the initial projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP) following receipt of more recent indicators and taking into account the contraction of 5.7 percent in the second quarter and the World Economic Outlook figures released by the IMF. In this respect, economic growth for 2020 is now estimated at 0.6 percent in 2020 and expected to recover to 6.4 percent in 2021.

Looking ahead, economic growth is projected to slow down to 5.5 percent in 2022 (due to in part the uncertainty associated with the 2022 general elections). In terms of fiscal years, economic growth is projected to grow by 3.5 percent in FY 2020/21 and further to 6.2 percent over the medium term.

This growth outlook for the calendar year 2020 and the FY 2020/21 and the medium term, will be supported by: stable macroeconomic environment, ongoing investments in strategic priorities of the Government under the "Big Four" Agenda, the ongoing public investments in infrastructure projects, the Economic Stimulus Program being implemented, the planned Post COVID-19 Economic Recovery Strategy, turn around in trade as economies recover from COVID-19 Pandemic and expected favorable weather that will support agricultural output. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth. The economic growth projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) which is implementing Vision 2030.

On the domestic front, risks will emanate from weaker external demand, reduced tourist arrivals, containment measures due to the COVID-19 pandemic, risks arising from public expenditure pressures, and the erratic weather related shocks that could have a negative impact on energy generation and agricultural output, leading to higher inflation that could slow down growth.

To cushion the country against the downsides of the risks, the Government is implementing an Economic Stimulus Package to protect lives and livelihoods. Implementation of the "Big Four" Agenda will unlock better growth and positively impact the lives of people through jobs creation and poverty reduction. The Government is also planning a Post COVID-19 Economic Recovery Strategy to return the economy on a stable growth path.

3.3 Laikipia County Medium Term Framework

Over the medium term, the County Government will continue to pursue prudent fiscal policy and reforms to ensure economic stability and promote economic recovery. The 2021 CFSP is premised on the need to urgently overcome the immediate socio-economic challenges that the county faces today. At the heart of the policies in this document, is the desire to foster a conducive environment critical to return the economy back to growth path.

Despite the challenges posed by COVID-19, the county government fiscal policy focuses government spending in support of revival of businesses and enterprises from these devastating effects. In this regard, the county government has identified and entrenched six (6) pillars towards sustaining social economy namely: Economic stimulus program; Policy, legislation and institutional reforms; Strengthening county government's preparedness and response to pandemics/disasters; Enhancing ICT capacity for business competitiveness and efficiency in service provision; Human capital development; and Comparative advantage in livestock production. These pillars will be actualised as follows.

3.3.1 Economic Stimulus Program (ESP)

To resuscitate private sector, the Government will continue firming up the economic stimulus program to increase liquidity to small businesses and create jobs for the youth. ESP has the following components: Laikipia county business stimulus fund, Laikipia innovation and enterprise development program, Road infrastructure development using leased machinery and labour-based contracts, Subsidized farm inputs and mechanization services, Livestock genetic improvement vaccines, Market creation and extension services ,Water and irrigation infrastructure development, Tourism and cooperative support, Manufacturing, innovation and investment promotion support, MSMEs capacity and technical support, Vocational training centers support, NHIF subsidies for vulnerable groups, Mining exploration and extraction support and Information, communication Technology (ICT).

3.3.2 Policy, legislative, and institutional reforms

The County Government has overtime enacted various legislations to govern various sectors including health, livestock disease control, social assistance, education, and cooperative Societies. The County has also established its own county corporations that include the Laikipia county development authority, the Laikipia county revenue board, among others to improve efficiency and enhance private sector cooperation and integration. The County has recently published several regulations to help address COVID-19 as it supports social economic activities. These regulations include:

- The Laikipia County Public Health Regulations, 2020.

- The Laikipia County COVID-19 Emergency Response Fund, Regulations 2020.
- The Laikipia County Emergency Fund regulations, 2020
- The Laikipia County Business Stimulus Fund Regulations, 2020

Besides, the County has various bills awaiting approval of the County Assembly including the Laikipia County Water Service Bill and the Disaster Risk Management Bill.

The county government will also ensure full compliance with the national standards and existing legislations to avoid litigations touching on financial administration and management that may delay development and generate possible sanctions impacting negatively on the county financial systems.

3.3.3 Strengthening county government's preparedness and response to pandemic and disasters

The COVID-19 pandemic has exposed weaknesses of many counties including Laikipia on their preparedness to deal with pandemics and other disasters. To address these challenges, the county government has formulated policies and regulations to guide disasters risk preparedness and response. Regulations in place include Laikipia county public health regulations, 2020, Laikipia county COVID-19 emergency response fund regulations 2020 and Laikipia county Emergency Fund regulations, 2020.

In addition, to strengthen Disaster Risk Management, following intervention programmes will be implemented;

i) Fast track the enactment of the Disaster Risk management Bill which is at the second reading in the County Assembly and implementation of the Disaster Risk Management Policy.
ii) Increasing budgetary allocation for disaster preparedness programs that include and not limited to firefighting infrastructures and equipment, training on emergency preparedness, among others.
iii) Collaborate widely with member counties that form the Central Region Economic Bloc (CEREB) to allow for information exchange and coordinated response measures.
iv) Collaborate with National Government institutions as well as Civil Society Organizations to strengthen the capacity of County Government to respond effectively to pandemics through implementation of programmes such as County Level Emergency and/or Contingency Plans; County Disaster Risk Profiling; and development of urban resilience strategies in the urban areas and urban water supply

3.3.4 Enhancing ICT capacity for business competitiveness and efficiency

According to Laikipia county statistical abstract 2020, the ICT sector contributed KShs 931 million to county GDP despite ICT access and use in the county being low. Approximately 51.5 per cent of the population aged 3 years and above own a mobile phone which is above the national average of 47.3 per cent. While approximately 96.0 per cent of the internet users in the county rely on mobile phone for connectivity.

A key component of the Post-COVID-19 economic recovery is enhancing investment in development of the requisite ICT and digital infrastructure to facilitate e-commerce and efficient delivery of public services. The County governments will fast track implementation of various ICT projects and programs to ensure business continuity and build resilience of the county against future pandemics and disasters. The specific development interventions planned for implementation include.

i. Development of new and widen utilization of existing applications like health telemedicine and iCOMs for health and performance management respectively.
ii. In partnership with the private sector, support programmes that will enable households to acquire ICT assets such as smart phones and laptops and increase mobile phone ownership.
iii. Adopt programmes to ensure widespread access to reliable and affordable internet using aerial and satellite-based telecommunication technologies.
iv. Work with information technology personnel in public primary and secondary schools to support the development of ICT competence and skills among the students.
v. Heighten internet connectivity to public buildings and key trade centers to boost e-commerce especially for MSMEs in trade and business.
vi. Give strategic prominence to planning, budgeting and investment in ICT through allocating more resources both human and financial.
vii. Develop and implement ICT policies and procedures to mitigate the cyber threats and collaborate with the national Computer Incident Response Team (CIRT) and the Communications Authority (CA) towards managing cyber threats.
viii. Fast-track the review and implementation of Laikipia county ten-year ICT master plan.

3.3.5 Promoting human capital development

Investment in human capital is critical in driving inclusive economic growth for the County's recovery and re-engineering strategy. However, according to May 2020 KNBS COVID-19 Survey, only 23.2 per cent of the county labour force worked at least for 1 hour for pay; 76.8 per cent of the employees worked without any pay; 11.7 per cent had never worked, and 65.1 per cent worked in the informal sector. However, 2.9 per cent of employees did not attend to work due to COVID-19 related issues. On average, workers in the county lost 9.6 hours per week due to COVID-19. Laikipia County had about 5 per cent of employees who stopped working, while another 48 per cent of households avoided market places due to the fear of contracting the disease. This indicates the pandemic posed the risk to human capital through disruptions of access to essential services as well as loss of income.

The profound impacts of the COVID-19 in the county on human capital development underscores the importance of achieving Universal Health Coverage (UHC), financing for strong educational systems, creating employment opportunities in informal sector and ensuring the availability of strong and adaptable programs so that county can quickly and effectively mitigate the effects of the shock and lay the ground for future resilience. Towards this, the county will endeavor to achieve the following

i) Develop labor market interventions and policy reforms that drive employment creation within the key sectors of agriculture, trade and industry, infrastructure, tourism, technology and innovation as informed by the Laikipia County Labour Report 2020.
ii) The County will continue developing technical education through training and skills development as already witnessed by the 200 staff under the Business Development training Programme, 41 staff recently inducted at Kenya School of Government, over 100 officers

sponsored to undertake the post Graduate Diploma in Project Management at Dedan Kimathi University and training of farmers and Small and Medium Enterprises.

iii) Build workplace resilience to public health emergencies and outbreaks of infectious diseases in all economic sectors as well as enforcing re-organization of workspaces to ensure heightened safety.

iv) Improve the investments in community and primary health including hiring and training of more Community Health Volunteers (CHVs), increase access to clean water and reliable sanitation, increase immunization and continue supporting public health.

v) Strengthen the capacity of workers and the employers' organizations to enhance their knowledge base and ICT skills for business continuity during the COVID-19 pandemic period and in the long-term.

3.3.6 Harnessing comparative advantage in livestock production.

Laikipia County has a comparative advantage in livestock production with a high potential for livestock keeping. According to Laikipia county statistical abstract 2020 livestock population in the county in year 2019 was estimated as follows; dairy cattle (72,860), beef cattle (221,760), sheep (349,988), goats (397, 610), camels (11,956), pigs (1676) and poultry (483,480). The value of livestock slaughtered in county in year 2019 was estimated as follows; cattle (Ksh 740, 082,000), goats (Ksh 170, 764,000), sheep (Ksh 359, 419,000), pigs (Ksh 10,623,000) and camels (Ksh 55, 800,000). The value of the livestock (cattle, sheep and goat) that moved out of the county was estimated at Ksh 1,864,100,000. The estimated annual milk production in the county was 32,699,907 litres while the estimated value of egg production in the county was Ksh. 151,458,000

There are 32 private ranches, one government ranch and nine (9) group ranches. The livestock production is mainly in two categories namely large-scale ranch and pastoralism. Whereas the former is defined by their commercial nature of production, the latter is yet to improve its productivity to compete effectively for the market in urban areas, hospitality and service industries. The county plans to harness the potential of livestock production by implementing measures and interventions as follows

i. Support the establishment of feedlot systems to improve the quality and quantity of beef produced while controlling pests and diseases. Four pilot feed lots are targeted within the financial year in the group ranches.

ii. Continue improving market infrastructure so that pastoralists can get good returns when they sell their livestock. The county targets to improve and upgrade five key modern abattoir and their market structures to attract more buyers.

iii. Improve the delivery of extension and veterinary services to address the problem of livestock diseases and pest control.

iv. Continue working closely with the neighbouring counties and ranchers to improve security which is critical in ensuring that pastoralists can access pastures and water during drought season.

v. Support the development of disease-free zones. This will help improve the marketability of Laikipia beef.

vi. Improvement of the animal's genetics by providing breeding bulls and AI services to the community ranches. Genetic improvement of goats and sheep is ongoing with the county having given the communities pure Dorper lambs and Galla Bucks.

vii. Continue with the improvement of livestock traceability by adopting an electronic ear tagging system for identification.
viii. Put in place interventions for pastoralists during extreme weather conditions to address the problem of pasture shortages and water.
ix. Improve grazing systems within the group ranches to ensure that pastoralists maximize the resources in these ranches before venturing out during dry seasons.

3.4 Sectoral Support for Broad Based Sustainable Economic Growth

3.4.1 Manufacturing

According to Laikipia Statistical Abstract 2020, the manufacturing sector was one of the top three sectors contributing 0.8 per cent to the Laikipia GCP in 2019. In that regard, manufacturing sector is important in supporting recovery of the county economy from the effects of Covid-19 pandemic. Manufacturing in Laikipia County include: textile, furniture, food products and metal fabrication. The key products useful in value addition in support of manufacturing include wheat, tomato, maize, avocado and leather. Other activities that the County is considering in support of manufacturing include mining and extraction activities. In the medium term, the County will:

i. Continue to provide and mobilise more resources to rescue manufacturers' hard-hit by the effects of COVID-19. The County will continue injecting stimulus and emergency funds to cushion the businesses and traders through affordable and accessible credit.
ii. Continue to support the MSMEs to take advantage of the opportunities presented by the pandemic especially in production of essential goods such as masks, Personal Protective Equipment (PPEs), and sanitizers, disinfectants, canned foods, immunity boosting products, hospital beds and ventilators with a commitment to procure from them.
iii. Continuously strengthen innovation and enterprise programme to support existing and upcoming businesses on branding, marketing, products certification and network building.
iv. Strengthen bonds with key partners to boost manufacturing and innovation activities by providing necessary skills, expertise and implementation of quality programmes that resonate well with the evolving industries' skills.
v. Promote research, technologies and innovations in manufacturing by closely working with Kenya Industrial Research and Development Institute (KIRDI).
vi. Support the vocational training centers towards expanding their mandate of training to incorporate production and manufacturing units.

3.4.2 Agriculture

According to County statistical abstract 2020, the sector's contribution to GCP in 2019 accounted for 44.19% approximately valued at KShs. 43.242 billion out of the total KShs 97.849 billion Gross County Product (GCP) at current prices.

As the agri-food sector gradually shifts from an emergency response to re-engineering, recovery and building resilience, the county will prioritize on programmes that are intended to facilitate attainment of food security, nutrition and commercialization of agriculture. The sector will adopt the following strategies:

i. Continue promoting contract farming for key crops like vegetables and sorghum in conjunction with key market players along the value chain.

ii. Support the uptake of digital platforms when capacity building farmers in modern agricultural technologies, provision of advisory and information services, marketing agricultural produce and improving access to innovative services.
iii. Increase the ccounty's investment in storage and cooling facilities particularly at collection points to minimize farm and post-harvest losses.
iv. Actualize warehousing receipt system to boost credit accessibility among farmers .This will reduce pressure on farmers to sell their produce immediately after harvests when prices are usually low.
v. Strengthen partnership with the national Government, private sector and non-state actors in increasing agro-processing and value addition capacities by establishing, upgrading, and reviving agro-processing plants/industries.
vi. Establish programmes for surveillance of disasters such as extreme weather conditions at the county level equipped with relevant technical specialists and finances to effectively prepare, respond and prevent risks.
vii. Support farmers access quality and affordable agricultural inputs: -livestock and crop inputs.
viii. Support farmers to access agricultural insurance which is essential in safeguarding farmers' incomes, effects of climate change and extreme weather conditions.
ix. Expand sustainable irrigation in the county through partnership with development partners through the water for production initiative.
x. Establish sensitization strategies and enhance farmers' ability to adopt sustainable land management practices to minimize environmental degradation.

3.4.3 Water and Sanitation

High levels of personal hygiene especially regular and correct hand hygiene have been emphasized by WHO as one of the measures to curb transmission of COVID-19. This has placed a higher demand for water more so at the households, health care facilities, marketplaces, public places and among essential services provides. There is low access to piped water-public tab/stands pipe stands at 11.3 per cent in rural, 23.8 per cent urban, 9.0 per cent peri urban areas. Access to piped water-piped into plot/yard stands at 18.3 per cent rural, 30.8 per cent urban, 16.7 per cent peri urban. Access to pipe water-piped into dwelling in rural, urban and peri-urban areas is 9.4 per cent, 22.8 per cent, and 4.9 per cent respectively. This means low revenue from piped water for the county government. Similarly, it also implies low access to clean and safe water which is guaranteed through piped water system.

Currently there is low access to piped sewer which stands as follows; only 44.9 per cent in urban households uses flush to piped sewer, 12.9 per cent of urban households' flush to septic tank and 11.2 per cent while 22.5 per cent of rural households do not have a toilet facility. Low connectivity to piped sewer denies the county the much-needed revenue from sanitation services as well as access to safe sanitation. Currently sharing of a toilet facility with other households is common which stands at 37.7 per cent rural, 58 per cent urban. Toilet sharing puts households at risk of contracting COVID-19, and other infectious diseases in cases where proper toilet hygiene is not maintained. Currently access to WASH is high among households with majority having access to water and soap at 64.6 per cent. On the other hand, 82 per cent of the households do not have a designated handwashing facilities in their households. This may compromise hand washing hygiene of households thus making households vulnerable to contracting COVID-19. The county commits to the following strategies for implementation:

i. In partnership with stakeholders expand and rehabilitate the existing piped water connection infrastructure to help increase water access at households and reduce water leakages.
ii. Upscale the construction of water pans and dams as well as ground water to meet the expected increase demand of water supply in households, institutions and public places.
iii. Together with relevant stakeholders enforce the water harvesting policy and storage in all buildings constructed in the county.
iv. Undertake water trucking during times of prolonged drought emergencies and water shortages to households.
v. Encourage the participation of both men and women in water management and governance and involvement of communities in protection of water catchment areas
vi. Implement the Laikipia county water master plan.
vii. Collaborate with development partners to expand sewer infrastructure to accommodate more households
viii. Build toilet and WASH facilities in communities, schools, marketplaces and in other public places to increase access to sanitation.

3.4.4 Health

The overall goal of health sector is to attain the highest possible standards of health care to all in accordance to the Constitution. The Constitution underscores the right to health and recognizes provision of equitable, accessible and affordable health care to all. To tackle the implications of COVID-19, the county implemented various interventions including investing more in preventive and public health. In effect, the county experienced increased health budget allocation. More County health personnel were recruited to increase the health worker: household ratio to 1: 100 households; Digitization of health care in the County to reduce the need to go to referral hospitals and purchase of right medicine; provision of medical insurance for county staff and NHIF's, Kenya Alliance's, Jubilee Insurance's and AON Minet's accreditation in Nyahururu, Nanyuki and Rumuruti hospitals. In the medium term the county plans to implement the following;

i. Increase bed capacities in Nyahururu and Nanyuki Teaching and Referral Hospitals with new 240 ward beds and more than 200 isolation beds to at least three hundred as per Government regulations
ii. Improve health workers household ratio to 1:100 by deploying more community health workers and public health workers across the county.
iii. Undertake leasing of medical equipment and an integrated ICT system for effective referral and service delivery.
iv. Promote digitalization of health care in the County to minimize the need of visiting referral hospitals for consultation as well as constructing and renovating primary health facilities and equipping them with essential drugs.
v. Provide enough water collection points and water use facilities in the health care facilities to allow convenient access and use of water for medical activities.
vi. Continue training and recruiting more health personnel to enable health care facilities to provide equitable essential services to limit direct and indirect mortality.
vii. Continue collaborating with high learning institutions and prioritize investment in research and development to spur innovation in health sector

viii. In partnership with the national government and private sector work towards realization of universal health care through support to county-wide enrolment to NHIF and other private health insurances.

ix. Support infrastructure development for Kenya Medical Training College at Nanyuki and Nyahururu hospitals.

3.4.5 Education and Training

The sector aims at providing an enabling environment for access, retention, completion and transition rates for early childhood education pupils and trainees in hands on skills, entrepreneurship skills and life- skills, establish and manage professional teaching and learning services for all early learning centers and tertiary institutions; enhance development capacities towards technology and innovations advancement and promote vibrant industry-institutional linkages in the area of skilling for employability

Despite the negative effects of COVID-19 Pandemic and the ensuing containment measures, the Government continues to make sustained investments in the education sector through infrastructural development, skills development and training, teacher recruitment, construction and equipping of technical institutions. Following are development interventions to be implemented in the medium term.

i. In collaboration with the national government and other development partners support infrastructural development and equipping of ECDE centers, primary schools, secondary schools and vocation training centers.

ii. Continue offering bursaries and scholarships support to orphans and the neediest in special schools, secondary schools, vocational training centres, colleges and universities.

iii. In partnership with stakeholders in the education sector the county will continue supporting and monitoring the implementation of the competency based curriculum.

iv. Continuously support professional development and capacity development of ECDE teachers and vocational training centres trainers.

v. Support the vocational training centers in the county towards expanding their mandate of training to incorporate production and manufacturing units. This will resonate well with the evolving industries' skills.

3.4.6 Tourism

Tourism is a strategic sector in Laikipia County with potential to contribute significantly to socio-economic development of the county. The proximity of county to Mt. Kenya, Meru, Aberdares and Samburu game parks have great potential in boosting tourism within the county through provision of hospitality services to the tourists. Other tourist's attraction in the county includes landscapes, unique local cultural practices, Thompson Falls and sports tourism. According to Laikipia County statistical abstract 2020, accommodation and food services activities contributed Ksh 646 million on the total GCP of Ksh 97,849 million in 2019.Visitor arrivals to Thompson Falls alone stood at 203,912.

The tourism sector is one of the worst hit sectors by the COVID-19 Pandemic and the ensuing containment measures. The massive cancellation of hotel bookings prompted by lockdowns and travel bans imposed by various countries in an effort to curb the spread of the virus, occasioned massive job and income losses by many people directly and indirectly employed in the tourism sector.

To stimulate recovery of the tourism sector, the county Government is scaling up efforts to promote aggressive post COVID-19 tourism marketing and providing of financial support through Laikipia county business stimulus fund. In addition, the government plan to implement the following towards continuous revival of the sector.

i. Leverage on opportunities availed by the Nanyuki airstrip, OL-lentille airstrip and neighboring Isiolo International Airport both in facilitating transportation of tourists, passenger and cargo.
ii. Market the county as a tourist destination through the Twende Laikipia Initiative and Destination Laikipia in collaboration with players in the tourism industry.
iii. Address emerging issues of climate change and encroachment of human activity to wildlife containment areas which is a threat to sustainability of tourism.
iv. Allocate resources to develop tourism-promotion infrastructure, including sports stadia, cultural centers, museums, theatres, art galleries, game reserves and heritage sites.
v. Map and profile all tourism sites and expand the tourist products to include animal orphanages, sanctuaries, sports tourism, art, agro-tourism, amusement parks, bird sites and camping sites.
vi. Continue supporting development and performance of music, filmmaking, drama, and dance, art and crafts exhibitions.

3.4.7 Transport

To ensure every citizen in Laikipia enjoys the benefits of an expanded road network, the county Government has been scaling up the construction of urban and rural roads in every part of the county. This has continued to open up many areas to economic activities and spur growth in other sectors of the economy. Under the leasing programme, as at November 2020, a total of 160.3 Kms of road have been graveled while 430.05 Kms have been graded since November 2019.Going forward and building on the progress made so far, the government plans to implement the following towards continuous revival of the sector.

i. Continue applying labor based and local resource-based approaches for road development and maintenance.
ii. Focus on increasing the share of unpaved roads in good and fair condition to above 62 per cent which is the national average. For the unpaved road network, focus on adopting the Low Volume Sealed Roads (LVSR) technology for greater network coverage.
iii. Improve and expand infrastructure for Non-Motorized Transport (NMT) in urban areas and along roads with heavy trucks.
iv. Continue collaborating with Kenya Railways and Lamu Port South Sudan Ethiopia Transport (LAPSSET) Corridor Development Authority to build rail transport infrastructure and supporting auxiliary services as a transport and logistics alternative to roads.
v. Enhance the realization of economic benefits from the Thika-Nanyuki railway to the economy of the county in the areas of tourism promotion, transport and hospitality.
vi. Support growth of a logistics hub in Nanyuki supported by the growing infrastructure development and market in the CEREB and the Northern Frontier.
vii. Continue funding the leasing programme for machinery and equipment such as graders, tippers and excavators to fasten the road and bridge construction and maintenance.

3.4.8 Urban Development and Housing

This sector aims at sustaining and expanding cost-effective public utility infrastructure facilities and services in the areas of road transport infrastructure, spatial planning, survey and mapping, town planning, land governance management and urban development. Implementation of programs under this sector will greatly enhance the commercial and productive activities in the dominant rural areas of the county. Collaboration with the national government and development partners will also be enhanced on road infrastructure improvement, urban development, land governance, energy distribution and housing development. For re-engineering and recovery, the county will:

i. Fast track the County Spatial Plan in line with the County Government Act, 2012.
ii. Collaborate with LCDA to develop affordable housing schemes on receipt of the feasibility study sponsored by World Bank.
iii. Create physical plans for all commercial centers with at least 1000 people and update the physical plans and Zoning of Nanyuki and Nyahururu towns to include the new growth corridors.
iv. Provide additional resources to complete another 10-12 smart towns across the County, with the lessons drawn from the three pilot sites of Wiyumiririe, Oljabet and Naibor.
v. Promote appropriate building technology for use by the public in house construction and improvement in every sub county that responds to local cultural and environmental circumstances.
vi. Continue with digitization of land and physical planning administration to lower the cost of doing business and ensure integrity of the transactions. Together with the Ministry of lands integrate the systems for seamless processing of land and buildings approvals.
vii. Develop and implement a property and business addressing system to facilitate access to finance for businesses and adoption of e-commerce. The County Government is in discussions with the Postal Corporation to merge the postal address system with this property address system.
viii. Develop and implement urban planning and design instruments that support sustainable management and use of natural resources in line with the New Urban Agenda.
ix. Develop a policy to promote home ownership to address the problem of rent distress during times of emergency.
x. Implement programmes aimed at an increasing household access to clean energy sources and technologies for cooking to mitigate against exposure to respiratory diseases risk factors.

3.4.9 Environment and natural resources management

Laikipia County is endowed with several natural resources including pasture land, forests, wildlife; minerals and water resources. The County has prioritized protection, conservation and management of the environment and natural resources. This includes promoting rangeland management, rivers and wetland management, conservation enterprise development and forest management. In the medium term the sector will prioritize on the following development interventions towards sustainable environment and natural resources management:

i. Promotion of afforestation through agro forestry, greening public places and participatory forest management towards achieving minimum national 10% tree cover.

ii. Support the rehabilitation of degraded rangelands through eradication of invasive species, implementation of optimal grazing plans, reseeding and healing of soil erosion.
iii. Partner with the national government, private sector and none-state actors to restore and protect catchment areas, capacity build the WRUAs and CFAs and implement relevant policies and guidelines
iv. Prioritize on solid waste management at households level both in urban and rural areas through Re-use, recycle and reduce electronic waste (e-waste)
v. Work with the national government, donor agencies, private sector, local communities in droughts and floods mitigation measures
vi. Formulate policy and legal framework to guide sustainable exploration, extraction and utilization of minerals and other natural resources in the county
vii. The county in partnership with the national government will initiate and promote alternative sources of clean energy for cooking and for other energy requirements.

3.4.10 Social Protection, Gender and Youth

The sector plays a critical role towards promotion of gender equity and equality, empowerment of vulnerable groups, youth empowerment, children welfare services and promotion of diverse cultures, arts and sports to enhance cohesiveness in the county. The county will collaborate with national government entities in registration and data collection for PWDs orphans, elderly persons and street children with relevant organizations and allocating budgets for programmes and interventions for social protection. In the medium term the sector plans to implement the following interventions.

i. Collaborate with state agencies, and other partners to strengthen capacities of various stakeholders and community to combat harmful practices that breed gender based violence.
ii. Collaborate with other relevant agencies in identification, registration, resource mobilization and implementation of programmes and interventions targeting of the vulnerable persons
iii. Collaborate with national government and other stakeholders in implementing the Anti-FGM Act.
iv. Promote sports, arts, music, culture and cohesion through development of infrastructure such as stadiums, arenas, theatres and incubation centres and social halls.
v. Organising sports tournaments, cultural events, exhibitions and talents shows.
vi. Build linkages with other Ministries, and NGOs that work with people with disabilities to strengthen families, deliver assistive devices, reduce barriers to access and provide vocational training.
vii. Awareness creation, counselling programmes and rehabilitation services for the youth

3.5 Structural Reforms to Facilitate Growth

3.5.1 Revenue collection

The county has set a revenue target of KShs. 1.006 billion representing about 1.03% of 2019 Gross County Product. In the medium term, we aim to reach 2% of GCP. To sustain the revenue growth, the County Revenue Board will continue with a complete takeover of all revenue collection from line departments, accelerate the automation of revenue collections, broaden of the tax base and update the records and valuation rolls for all towns.

3.5.2 Improving the standard of financial governance, management and reporting

The Government continues to target an unqualified audit opinion. The benefits of compliance include: granting the citizens value for money, raising the confidence of suppliers, lenders and investors to bridge the funding gaps. The Government will continue implementing e-procurement, lowering the payable days to a target of 14 days, and link the performance management system with IFMIS for timely reporting. Further the Government will strengthen the audit department to undertake its functions effectively. In its effort to ensure efficiency and effectiveness of public spending, the Government will continue to strengthen expenditure control through necessary fiscal measures and prudent public financial management reforms. The Government will focus on implementation and completion of ongoing priority projects and programmes as set out in the budget. The Government will also adhere to strict project timelines and budgets through ground inspection of projects and robust public engagements.

3.5.3 Alternative financing mechanism to finance flagship projects

The Public Finance Management Act (PFMA) 2012 provides legal framework for borrowing powers to the county governments. The PFM Act section 140(i) States that a County Executive Committee member for finance may, on behalf of the county government, raise a loan for that Government's purposes, only if the loan and the terms and conditions for the loan are set out in writing.

a) Laikipia county government will embrace borrowing as a financing mechanism through issuance of a KShs 1.247 billion Bond from the private sector to finance its flagship projects. Once finalized the development bond will attract a minimum investment of KShs 50,000 per unit with no maximum limit. The interest rate on the investment will be higher than the fixed deposit rate payable every six months.

b) The County will enhance the already existing leasing model that has already borne significant benefits in the county. The key achievements of the Leasing Programme include:

- Average cost per graveled Km under contract is KShs. 1.2 million vs cost of KShs 604,000 per graveled km under leasing program.
- Faster rate of work. Contracted 583.9 Km (Graded) and 370.35 Km (graveled) in three years vs 647.81 Km (graded) and 274.1 Km (graveled) in one year and three months of leasing programme
- Control of quality due to full time supervision by specific dedicated staff unlike contracted road works.
- Cost saving achieved especial on purchase of gravel FY 2019 /2020 which is KShs 10,880,000 worth of murram cost was saved. In the FY 2020/2021, as at January 2021, the cost savings in gravel is at KShs 9,719,857.50
- Water for production - 22 farmers have benefitted from water pans after gravel excavation on farms. 9 water pans are self- generating while 13, are reservoirs for storm water collection.
- Public Private Partnership to gravel 12 Km resulted to a resource mobilization of 803 Equipment hours.
- Turnaround time: Three months of procurement work totally eliminated in leasing unlike contracted roads. The average time taken to complete 1 km of road is 3-4 days.

The County is finalizing on the leasing of garbage equipments to improve on refuse collection in addition to other equipment for boreholes drilling and rehabilitation.

3.5.4 Public Private Partnership

In order to upscale realization of development objectives the county will continue to pursue opportunities under the PPP framework. The targeted projects are mainly in water, housing and trade. The specific projects under consideration will include:

a) Water for production: Nanyuki water Bulk (Kahurura) dam, Nyahururu (Pesi) Dam, Isiolo Dam (located at the Crocodile Jaw site on the Isiolo – Laikipia Counties boundary) and the Rumuruti Dam
b) Housing: putting up of housing facilities at Nyahururu, Nanyuki and Rumuruti with the key partner being the County Pension Fund
c) Manufacturing: Creation of the Rumuruti Special Economic Zone and the proposed Rumuruti airstrip
d) Energy: The Liquefied Petroleum Gas (LPG) handling, storage and bottling facilities at Nanyuki
e) Trade markets at Nyahururu and Nanyuki
f) Upgrading of Nyahururu and Nanyuki sewer lines by the water companies

3.5.5 Partnership with National Government agencies

The national Government is addressing various projects in Water and sanitation, health, roads, irrigation, trade and special economic zones. The engagement will be enhanced for the county to benefit from the national government programmes.

3.6 Risks to the Outlook

A number of risks associated to the outlook may pose uncertainties thus influencing key decisions on increase or decrease of the fiscal forecasts. The risks to the economic outlook for 2021/22 and the medium-term include:

(a) Persistence of COVID-19 pandemic

Risks from the global economies relate to the persistence of the COVID-19 pandemic, required lockdowns, voluntary social distancing and its effect on consumption. The ability of laid off workers securing employment in other sectors, rising operating cost to make work places more hygienic and safe, reconfiguration of disrupted global supply chains, extent of cross-border spill overs occasioned by weaker external demand and funding shortfalls.

On the domestic front, risks will emanate from weaker external demand, reduced tourist arrivals and containment measures due the COVID-19 pandemic. In addition, the economy will be exposed to risks arising from public expenditure pressures and particularly wage related recurrent expenditures The national Government in collaboration with the county government and other stakeholders will continually monitor these risks and take appropriate monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy.

(b) Natural Disasters and Man-made Hazards

Laikipia County is prone to both natural and human inflicted hazards. Losses resulting from these disasters can be economic, environmental and social, reducing the coping abilities of the affected population and increase vulnerability to recurring disasters. In year 2020 rains surpassed the expected average in some parts such as Laikipia west and east. However, the forecast of below-average short rains and long rains in 2021 are expected to lead to short-lived pasture and water regeneration, and gradual declines in livestock body conditions and production, limiting household access to food and income. This implies the need for government preparedness to support livelihoods in areas that are likely to be affected.

(c)Technological Risk

Information Communication Technology (ICT) remains a key sector for the achievement of the development agenda in both the national and county government. The outbreak of the COVID-19 pandemic underscored the need for digital transactions. Specifically, the total value of mobile transactions remained at 3.078T nationally despite the income effects of the pandemic. The sector plays a catalytic role in enhancing productivity and lowering the cost of achieving financial intermediation, e-commerce and governance.

Digital government continues to be an important focus for government. Roll out of the different e-government applications such as IFMIS, GHRIS, IPPD, i-Tax, e-procurement, e-citizen services and iCOMs are important indicators of the significance of technological innovations. However, these present both benefits and risks. Disruption of mobile services due to infrastructural challenges or cybercrime and fraud could result in a significant loss of potential Government revenue, customer deposits and market confidence.

To mitigate against such threats, the county and national government and other stakeholders will continuously sensitize all users on the importance of enhancing cyber security and prioritizing the implementation of cyber security policies

(d) Changes in Macroeconomic Assumptions

Macroeconomic variables play a key role in the formulation of the budget. Kenya's economic growth was projected to slow down to a growth rate of 0.6 percent in 2020 on account of COVID-19 pandemic and pick up to a growth of 6.4 percent in 2021. Inflation rate is expected at 5.0 percent which is within the Government target range. The economy is expected to remain competitive in the external market with the exchange rate against major currencies remaining stable even amid the COVID-19 pandemic. Due to the uncertainties in the economy since the onset of the pandemic, the unexpected changes in these outcomes may lead to lower local revenue collections and increased expenditure. However, the national government in collaboration with county governments will monitor the above risks and take appropriate measures to safeguard macroeconomic stability.

(e) Budget Allocations and Revenue Enhancement

A stable economic performance will translate to increased revenues for the county as the law requires the division of revenues between the Counties and the National Government to be at least 15 per cent of the audited financial accounts of the national government. However, public expenditure pressures, especially recurrent expenditures, continue to pose fiscal risk to the County Governments. Looking ahead, the county government will continue mitigating internal risks. These risks include delays in passage of the finance related bills, labour unrest by the unionized members, court cases on revenue collections, weak implementation of large development projects and competing political environment which would adversely affect the outcomes of development expenditures. On the recurrent expenditures, consistent cost management and increased efficiency will be nurtured to facilitate service delivery. Expenditure management will be strengthened with enhanced use of the Integrated Financial Management Information System (IFMIS), automated revenue collection systems and e-procurement across the county.

CHAPTER FOUR
FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2021/22 AND THE MEDIUM-TERM

4.1 Introduction
This section details the fiscal framework, projections of county revenue, recurrent and development expenditures and the overall deficit and its financing for the FY 2021/2022.

4.2 The Fiscal Framework
The fiscal framework for the FY2021/22 Budget is based on the County Government's policy priorities and macroeconomic policy framework. The County Government will ensure that public spending leads to high quality outcomes which are sustainable and affordable while encouraging efficiency in allocation of resources and observing the concept of value for money with a view to promoting sustainability and affordability.

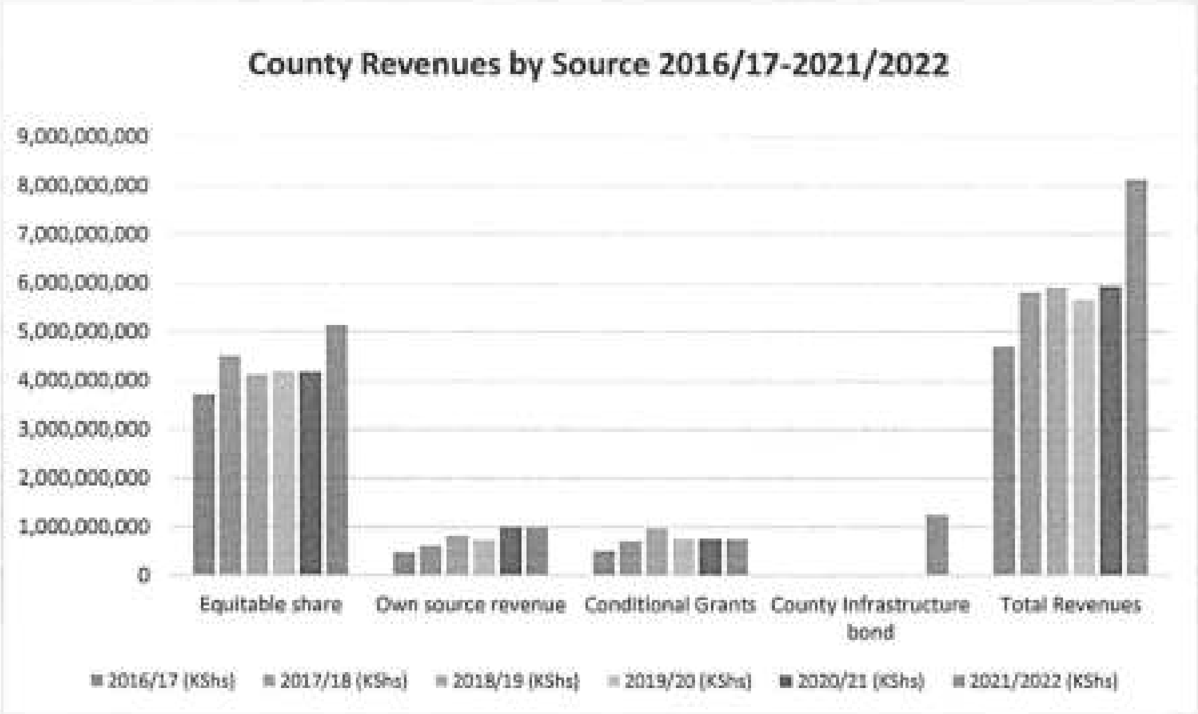
4.3 County Revenues
The 2021 Budget Policy Statement which was prepared in accordance with Section 25 of the PFM Act, 2012, sets out the division of county governments' share of revenue among the counties for FY 2021/22. Laikipia County with an allocation ratio of 1.32 will receive equitable share amounting to KShs. 5,136,265,679 as compared to KShs 4,177,800,000 for financial year 2020/2021 an increment of KShs 958,465,679 or 23 %. The 2021/22 allocation includes the following conditional grants converted to Equitable Share (Road Maintenance Levy Fund, Level, 5 Hospitals, Compensation for user fees forgone and Rehabilitation of Village Polytechnics). In addition, the County government will get conditional allocations of KShs 153,297,872 for leasing of medical equipment and other loans and grants amounting to KShs.594, 808,504. The total conditional grants will amount to KShs.748, 106,376 against a 2020/2021 allocation of KShs 752,523,849 recording a decline of KShs 4,417,473 or 0.6%. The total revenues expected from the national government for the FY 2021/22 will therefore amount to KShs. 5,884,372,056. Own source revenue target stands at KShs. 1.006 billion against a similar target in 2020/2021. In addition, the County targets to mobilize KShs 1.247 billion through the issuance of the County Infrastructure Bond. Therefore, the total expected revenue for F/Y 2021/22 is KShs 8,137,999,410.
Table 1 shows the overall county revenue performances by source since FY 2016/17.

Table 1: Summary of County Revenues in 2016/17-2021/22

Revenue source	2016/17 (KShs)	2017/18 (KShs)	2018/19 (KShs)	2019/20 (KShs)	2020/21 (KShs)	2021/2022 (KShs)
Equitable share	3,722,107,267	4,499,800,000	4,113,400,000	4,177,800,000	4,177,800,000	5,136,265,679
Own source revenue	468,756,513	608,463,784	815,770,157	727,957,756	1,006,000,000*	1,006,000,000*
Conditional Grants	507,618,416	706,695,720	970,789,487	759,018,574	752,523,849	748,106,376
County Infrastructure bond						1,247,627,355
Total Revenues	**4,698,482,196**	**5,814,959,504**	**5,899,959,644**	**5,664,776,330**	**5,936,323,849**	**8,137,999,410**

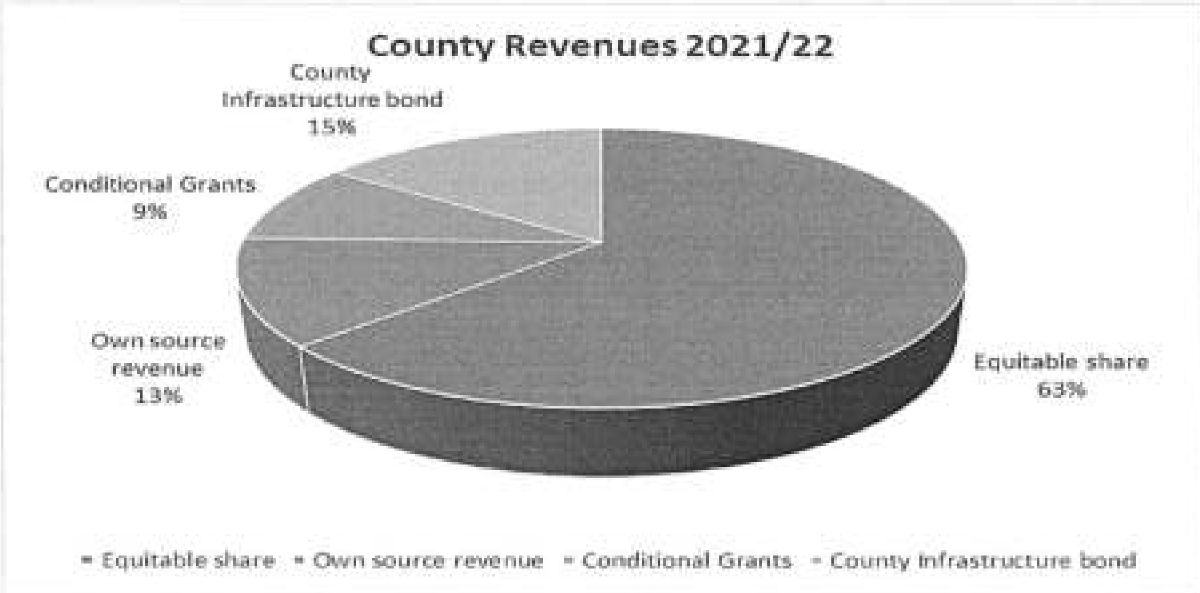
* indicates projections

Figure 2 County Revenues Trends for 2016/17-2021/2022



From the foregoing, equitable share remains the major source of county revenues. In 2021/2022, it constitutes 63% of the total revenue compared to the County Infrastructure Bond, Own Source Revenue and conditional grants at 15%, 13% and 9% respectively as depicted in the following figure.

Figure 3: County Revenues in 2021/2022 by Source



4.4 Expenditure Projections

Departmental funding should first prioritize completion of ongoing projects and payment of any pending bills for completed or ongoing works. Expenditure plans must be aligned to the National and County goals and objectives as outlined in the draft Budget policy statement 2021, the COVID 19- social economic re-engineering recovery strategy, County Integrated Development Plan (2018-2022), County Fiscal Strategy Paper (CFSP) 2021 and the Annual Development Plan 2020. Departments will have to rationalize and prioritize their expenditure programs in the FY 2021/22 and medium term to focus mainly on these strategic interventions and projects that are captured in these planning frameworks. Eventually, county expenditure has to be geared towards enhanced service delivery that supports social development, job creation through economic recovery, growth and transformation within the County through the stimulus program, innovation and Enterprise Development Program, legislative and institutional reforms, enhancing ICT capacity for business competitiveness and efficiency, promoting human capital development, exploiting livestock production among others. Overall, the 2021/2022 annual expenditure is projected at KShs 6,890,372,055

4.4.1 Expenditure from sharable revenues

In 2021/22, County overall expenditures supported by shareable revenues are projected at KShs. 6,142,265,679 compared to the budget expenditure allocations in 2020/2021 of KShs. 5,183,800,000 (exclusive of conditional grants and debt funded Infrastructure Bond Programs). This represents a growth of KShs 958,465,679 or 18.5 %.

4.4.2 Expenditure on grants

Grants planned to be expended in the FY 2021/2022 amounts to KShs. 748,106,376 against a 2020/2021 allocation of KShs 752,523,849 recording a decline of KShs 4,417,473 or 0.6 %. This comprises of the non- receivable grant of KShs 153,297,872 for the lease of medical equipments and KShs 594,808,504 for other grants.

4.5 Development Expenditure

To ensure that the county complies with the fiscal responsibility principles, the development expenditures across departments for 2021/2022 FY (exclusive of grants) are projected at KShs 2,777,461,745 representing 37.6% of the total expenditure. The main areas of investments will be road Infrastructure improvements, water infrastructure and reticulation, manufacturing and industrial development, agriculture and livestock production, land and urban planning, trade and markets infrastructure and county health infrastructure improvement.

4.6 Recurrent Expenditure

Recurrent expenditure is projected at KShs. 4,612,431,289 representing 62.4 % of total revenues (exclusive of grants). Personnel emoluments (inclusive of County Assembly salaries, CHV stipends, ECDE teachers and Insurance) have been estimated at KShs 3,364,128,488 representing 72.9% of the recurrent budget and 45.5 % of the total expenditure budget (exclusive of grants) and 41.3% inclusive of the grants (exclusive of the non-receivables grants). The major spending departments include; Health services, County Administration, County Assembly, Finance and Planning, Education sports and social services and agriculture livestock and fisheries.

4.7 County Fiscal Policy Statement

Over the medium term, the Government will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication, adoption of ICT in service provision, creation of employment opportunities through business enhancement models and support to manufacturing and mining.

There is need for strategies and long term plans for sustainable economic activities which are critical in order to provide budgetary room for expenditures which are deemed a priority. It is expected that the wage adjustments for government departments be met within the departmental ceilings. The expenditure ceilings for sectors/departments are hereby determined by funding the non-discretionary expenditures then setting aside allocation for the goods and services that are critical to the Government transformative agenda and key priorities as the starting point. Later, the ceilings are reduced in order to take into account the one-off expenditures in 2021/22. After this, an adjustment factor is applied to take into account the recorded growth in revenues.

The PFM Act prescribes a global standard where wages and benefits of public officers should not exceed 35% of the County's total revenue while the projected expenditure for 2021/22 stands at 45.5% hence the need for continued staff reforms to attain this target.

In line with the objective of adequate resource allocation towards development expenses and the need to ensure realization of critical frameworks (infrastructure, trade, health, water, education and agriculture), the uptake of development and recurrent expenditures is to be maintained at 100%. These expenditures are expected to motivate private sector investments that will create employment as well as remove limitations for increased growth. The absorption capacity of project funds is expected to increase due to continuous improvement in budget planning and approval, procurement planning processes thus resulting in a higher investment level in infrastructure activities.

The Emergency Fund provision will be provided for in the 2021/2022 budget in line with the Emergency Fund requirements of up to 2% of total government revenue as per Section 113 of the PFM Act 2012. This fund is established as a result of challenges of climate change and other unforeseen shocks. In an attempt to boost revenue, the county will concentrate on the implementation of various revenue enhancement initiatives including land value capture, updating of the valuation roll through the Laikipia County Revenue Board. The implementation therefore, will supplement the other sources of revenues that the county has minor or no authority over.

4.8 Overall Deficit and Financing

In an attempt to ensure budgetary discipline, the 2021 BPS highly encourages the County governments not to include deficits in their budgets in 2021/22 and the medium term without having an understandable and pragmatic plan of how the financial shortfall will be funded. Following the approval and execution of KShs 1.247 billion borrowing in FY 2021/22, the county will set aside KShs 72,828,375 towards the first interest repayment plan for the Infrastructure Bond.

The county budget in the 2021/22 fiscal year shall therefore be financed through remittance from the national government, grants from development partners, revenues generated from local sources such as land rates, cess, business permits, and parking fees among other sources and the proceeds from the infrastructure Bond.

CHAPTER FIVE
RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

5.1 Introduction

This chapter gives details on the resource envelop, budgetary requirements and deficit financing. This is informed by the national objectives and goals as outlined in the 2021 Budget Policy Statement and the set out resource sharing guidelines.

According to Articles 201, 202 and 203 of the Constitution of Kenya 2010, revenue raised nationally is shared equitably among the two levels of governments and among county governments to enable them provides services and performs the functions assigned to them under the Fourth Schedule of the Constitution. The equitable division of revenue between the two levels of government takes into account the criteria specified in Article 203 of the Constitution. It is a requirement that, not less than 15% of all revenue collected by the national government be allocated to the county governments as sharable revenue.

The receipts from the national government under the equitable share has been done using the third basis formula, which was considered and approved by Parliament in September, 2020. The third formula takes into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iii) Urban Index (5%); (iv) Poverty Index (14%); (v) Land Area Index (8%); (vi) Roads Index (8%), and; (vii) Basic Share index (20%). Application of the Third Basis was on condition that the formula's implementation was to be preceded by a KShs 53.5 billion increase in the Counties' equitable revenue share, which has been achieved. On the other hand, the additional conditional allocation to be received have been distributed based on their objectives, criteria for selecting beneficiary Counties and distribution formula.

Laikipia County will receive KShs 5,136,265,679 translating to 1.32% of the County Governments' equitable share allocation ratio. In addition, the County will receive conditional grants totaling KShs 748,106,376 in support of key areas including; leasing of medical equipment, road maintenance, vocational training centres infrastructure and compensation for user fees forgone.

The following criteria will serve as a guide for allocating resources:

(i) Payment of all outstanding pending bills that are payable.

(ii) Linkage of the programmes with the objectives of Annual Development Plan;

(iii) The need to promote job creation and addresses poverty reduction;

(iv) Degree to which the programme is addressing the core mandate of the sector

(v) Expected outputs and outcomes from a programme;

(vi) Cost effectiveness and sustainability of the programme;

(vii) Financing of 2020/2021 on-going projects

(viii) The need to ensure continuous current service levels are maintained

5.2 Sector Priorities and Ceilings

This section provides the sector priorities and ceilings for the MTEF period ensuring continuity in resource allocation from the last financial year consistent with the MTEF budgeting approach. The ceilings comprise of expenditures to be made for pending bills as first charges and for strategic interventions. as informed by programmes defined in the CIDP 2018-2022 and ADP 2021/22 and their respective outputs. The sector priorities and respective ceilings for recurrent and development expenditures across all the departments is as follows:

5.2.1 Public Service, County Administration and ICT

Through the integration in performance management through the Integrated County Operations Management System (IComs), the government will be able to conduct monitoring, evaluation and reporting on overall staff performance. It is through the IComs that implementation of specific activities informing various projects and tracking key performance indicators. Annual work plans and the implementation of specific activities under the ESP will be captured in the IComs as a means to inform pace of progress of various programmes and projects and contribute to a strong and sustainable county results-oriented M&E system. The M&E reports together with the County Statistical Abstract will be used to inform decision making at all levels of the county including the legislature.

Administrative operations will be strengthened up to the ward levels and the staff motivated towards effective delivery of devolved functions. Initiatives in improving governance will be prioritized including: support to operations of Town Committees, government e-services, community leaders' meetings and citizen forums. Towards ensuring a peaceful county, prioritized initiatives include; inter-county peace initiatives, street lighting and community policing.

Disaster risk reduction strategies will also be promoted towards increased resilience of the local communities. The County Public Service Board will also ensure that staff rationalisation is undertaken; employees maintain high standards of skills, knowledge, competence and attitudes in serving the citizenry. The Department will closely work with National Government agencies in enhancing service delivery. Inter and intra-county government relations will also be supported across departments. The department also shoulders the insurance and other regulatory requirements for the county. Further, the legal department and the office of the governor are also housed in this department.

In order to realize the prioritized programmes in the sector a total of KShs. 700,411,205 is allocated in 2021/22 with KShs. 271,794,697 being recurrent expenditure and KShs 377,473,648 for personnel emolument and an amount of KShs. 51,142,860 for development expenditure representing 9.5% of the total expenditures.

Laikipia County Public Service Board (LCPSB) continues to operate as an entity with its recurrent and development votes being managed by the entity's secretary as the accounting officer. LCPSB will therefore be allocated a total of KShs 46,030,451 which constitutes a recurrent expenditure of KShs 8,000,000 with KShs 27,530,451 for salaries and development expenditure of KShs 10,500,000 representing 0.6% of the total expenditures.

5.2.2 Finance, Economic Planning and Enterprise Development

The Finance and Economic Planning and Enterprise Development sector is charged with the responsibility of ensuring prudent, financial managements of financial resources, formulating fiscal economic and policies to facilitate socio-economic development, resource mobilization and control of public finance resource. For the sector to achieve its mandate in FY2021/2022 it will have to strengthen policy formulation, planning, budgeting and implementation of the CIDP 2018-2022 to enhance evidence based decision making for socio-economic development through conducting feasibility studies, economic surveys and improve on tracking of the implementation of the development policies, strategies and programmes. Through the automation of asset management, efficient and effective budget formulation and control, ensuring financial standards, principles and guidelines are adhered appropriately; the sector will be able to achieve its stated mandates. The county government is looking forward to floating its 1st Laikipia County Infrastructure Bond of KShs. 1.247 billion hence this sector has the responsibility of managing this process Programmes will continue to guide public financial management in supporting strategic interventions. Continued strengthening of IFMIS in procurement, payrolls, budgeting and financial management in the Treasury operations will receive significant support. Support to integrated planning, budgeting, audit, sectoral planning, and monitoring and evaluation is also key in the department's expenditure. The department focus is to have clean books of accounts hence the department will continue to support its internal audit department through capacity enhancement and compliance assessment. Regular audits will be undertaken in all the departments and the county entities. Asset management activities will also be enhanced including maintaining and updating the asset register. The department will continue conducting the supplier development to enhance procurement processes and procedures.

Communication within the county is paramount as it is an effective way of sending and receiving information therefore the sector has continued to embrace technology based communication in order to enhance service delivery.

The department is expected to put more effort in promoting industrialization through harnessing innovation enabling environment for business, mobilization of resources for investments. This will drive the economy towards value addition into agro products and coming up with brand products Laikipia beef and leather among others.

The industrialization sector through manufacturing is one of the top three sectors that contribute 0.8% to the Laikipia County Product (GCP). The main manufactured items in the county are furniture, food products, and textile and fabricated metal items. The establishments engaged in industrial processing across the county are involved in grain milling, milk plants and alcoholic drinks.

Through the established Laikipia county business stimulus fund, MSE's are given a boost financially to sustain and operate their businesses. The stimulus facility has mobilized KShs 3.3 billion which will be disbursed as loans and will be managed through interest sharing and credit guarantee schemes with commercial banks. This scheme has a risk-sharing facility where the county government will buy down the cost of debt by paying 5% of the interest cost as an incentive to the lenders to provide credit to higher-risk borrowers. This stimulus fund will, through the Laikipia Innovation and Enterprise Program, train business development officers to help the businesses unlock their full potential by strengthening the link between curricula and practical skill sets, hand-hold at least 5,000 businesses to access credit from the partner financial institutions within the county, provide additional worksite and related infrastructure to facilitate development of adequate and well-equipped worksites and also strengthen partnerships with institutions for advisory, finance, market access and certification.

This sector is allocated a total of KShs. 391,281,886 in 2021/22 comprising of KShs 133,152,801 being recurrent expenditure with 85,411,894 being salaries and KShs.172, 717,191 as development expenditure representing 5.3% of the total expenditures.

5.2.3 Laikipia County Development Authority

The authority was formed through Laikipia County Development Authority Act (2014), establishing an institutional framework for coordination and promotion of county development and for connected purposes. The LCDA/B has been tasked to creating an attractive investment environment and has further developed five pillars to anchor its operations as below,

a) Brand Laikipia
b) Competitive Business Environment
c) Flagship investment projects
d) Flagship social investment projects
e) Organizational effectiveness

To this end, the government will support the entity in its agenda by initially supporting its development and operations budget.

The LCDA will be allocated a total of KShs 20,500,000 in 2021/2022 of which KShs 8,500,000 is recurrent expenditure while KShs 12,000,000 is development expenditure to help the entity build on its balance sheet for sustainability representing 0.3% of the total expenditure.

5.2.4 Laikipia County Revenue Board

Enhanced revenue collection through efficient and effective revenue collection system and increased enforcement and compliance is part of the strategy that will be adopted. The County government formed an independent revenue collecting body as stipulated in the Laikipia County Revenue Board Act, 2014. This was intended to streamline the operations of the Board in order to ensure effectiveness and efficiency in revenue administration.

Section 4(2) states that the Board shall be a body corporate with perpetual succession and a common seal and shall in its corporate name be capable of;

a) Taking, purchasing or otherwise acquiring, holding, charging of disposing of movable and property
b) Borrowing money or making investments
c) Entering into contracts and
d) Doing or performing all other acts or things for the proper performance of its functions under the Act.

In order to maximize on revenue collection, support will be accorded in enhancing own sources of revenue through widening of the tax base, integration of ICT in revenue collection, staff facilitation and training and other use of goods and services. Further, the entity will continue improve on its ICT infrastructure.

2 this sector is allocated a total of KShs. 135,117,080 with KShs. 35,000,000 being expenditure, KShs 69,517,080 for salaries and KShs. 30,600,000 as development e representing 1.8% of the total expenditures.

ical Services and Public Health

the covid-19 pandemic, the health sector implemented various interventions including more in preventive and public health.to name but a few; more county health personnel loyed, establishment of isolation centres and mass testing of Covid-19. The sector has programs to alleviate both the curative and preventive effects of Covid-19. The health s at attaining the highest possible health standards in a manner responsive to the needs by supporting provision of equitable, affordable and quality health and related the highest attainable standards. Prioritized Programmes are geared towards improved health service delivery at all levels, essential medical supplies and healthcare ure. Priority is also factored for increased health insurance coverage (universal health — UHC), introduction of tele-medicine, referral and ambulance services and expansion of rvices in guiding the allocation of resources in this sector. The sector will continue to quipping all levels of health facilities, consistent supply of required commodities, quality ns of level 5 & level 4 hospitals, digitizing service procedures and services, culture pacity building of health workers up to community levels, and additional staffing.

clude improving reproductive, maternal, neonatal, child and adolescent Health H) through increased immunization, improved nutrition, increased access to family ervices and improved quality of health services; ending AIDS, TB, Malaria and NCDs as ealth threat by 2030 through cost effective and transformative prevention interventions. ion with the national government and development partners will also be enhanced on ure for referral hospitals, specialized equipment and technical support.

the prioritized programmes, the sector is allocated a total of KShs. 2,470,377,355 in ith KShs394,031,965 being recurrent expenditure, KShs. 1,871,684,749 in salaries and 660,641 as development expenditure representing 33% of the total expenditures.

total allocation for the sector, Nanyuki Teaching and Referral Hospital is allocated KShs 33 of which KShs 111,757,133 will be used as recurrent expenditure while KShs 0 will fund development expenditure representing 2.2% of the total expenditure.

n, Nyahururu Teaching and Referral Hospital is allocated KShs 140,699,071 of which 699,071 will be used as recurrent expenditure while KShs 45,000,000 will fund nt expenditure. This represents 1.9 % of the total expenditure

culture, Livestock, Irrigation and Fisheries Development Sector

major sector in supporting livelihoods and accelerating economic growth through food security; income generation; employment and wealth creation. The sector also s significantly to socioeconomic growth and development through forward and backward ith other priority sectors. The County Government prioritizes food security, market d value addition initiatives through enhanced production mechanisms targeting: t management & facilities (warehouses, coolers) cereals, disease control and surveillance, rovement, fodder production and storage, subsidized farm inputs, contract farming, vector control, farm water harvesting, expansion of irrigation dams, enhanced extension services, water and soil conservation and fisheries.

To realize the prioritized Programmes, the sector is allocated a total of KShs 264,212,977 in 2021/22 with KShs. 18,708,016 being recurrent expenditure, KShs. 184,206,657 being salaries and KShs 61,298,304 as development expenditure representing 3.6 % of the total expenditure.

5.2.7 Lands, Housing and Urban Development

This sector aims at sustaining and expanding cost-effective public utility infrastructure facilities and services in the areas of road transport infrastructure, roads maintenance, spatial planning, survey and mapping, town planning, land governance management and urban development. Implementation of programs under this sector will greatly enhance the commercial and productive activities in the dominant rural areas of the county; to this end the leasing program has been envisaged to be the backbone of road infrastructure development. This will also be made possible through the annuity program which uses labor-based and local resource-based approaches for road development and maintenance where technically and economically feasible. Collaboration with the national government and development partners will also be enhanced on road infrastructure improvement, urban development, land governance, energy distribution and housing development. The government further, recognizes the role infrastructure has in accessing social amenities like health centres, schools, and markets among others. For this reason, the government will deliberately invest heavily in infrastructure to bring services closer to people. This ultimately will play a great role in improving the Human Development Index – access to information, health and markets. With the rising cases of respiratory diseases, the sector will implement programmes aimed at an increasing household access to clean energy sources and technologies for cooking as a way to mitigate against the risks involved with the cases. The Smart Town Initiative will be accelerated for completion and introduction of more urban centers into the programme. Expansion and improvement of infrastructure for Non-Motorized Transport (NMT) in urban areas and along roads with Heavy-high speed traffic will promote sustainable mobility options and enhance road safety for all road users. There is need for continued collaboration with the Kenya Railways and LAPSSET Corridor Development Authority to build rail transport infrastructure and support auxiliary services as a transport and logistics alternative to roads, enhance the realization of economic benefits from the Thika-Nanyuki railway to the economy of the county in the areas of tourism promotion, transport and hospitality and support the growth of a logistics hub in Nanyuki supported by the growing infrastructure development and market in the CEREB and the Northern Frontier. Appropriate building technology will be availed for use by the public in house construction and improvement across every sub county, develop and implement a property and business addressing system to facilitate access to finance for business and adoption of e-commerce.

In order to realize the prioritized programs, the sector is allocated a total of KShs. 1,785,110,977 in 2021/22 with KShs. 21,036,268 being recurrent expenditure, KShs. 72,766,068 as salaries and KShs. 1,691,308,641 as development expenditure representing 24.2 % of the total expenditure.

5.2.8 Education and Social Services

Education and training is instrumental for transformative development. Expansion of access to education and training is at the heart of the Government's commitment to our children's future. In this regard, increased resources will be geared towards priority programs on: school infrastructural development at ECDE Centres and vocational training centers. Capacities building and payment of salaries of ECDE teachers and vocational trainers have been factored. In addition, provision of specialized equipment, training materials and increased water access has been factored. Scholarships and bursaries have been factored to ensure seamless transition of primary to secondary education and beyond. To ensure sustainable livelihood business incubation and innovation project will be initiated in vocational centers. In sports and talent promotion, training facilities have been factored to be developed, rehabilitated, renovated as well as creating partnership to enhance and promote talent amongst youths. To enhance social protection, the sector will embark on empowerment support services to persons living with disabilities and infrastructural support at children rehabilitation and rescue centres. Annual socio-cultural events, youth and women empowerment programs will be supported in collaboration with the national government agencies.

This sector in collaboration with the health authorities shall establish the safety of the school buildings and their surroundings and also ensure adequate provision of public health, water and sanitation facilities and promote monitoring and addressing psychosocial well beings for all as well as educating them on how to mitigate the spread of the covid-19 both within learning institutions and at community level.

With rising cases of teenage pregnancies and gender-based violence issues, the county will collaborate with state agencies and other partners to strengthen capacities of various stakeholders; political leadership within the county, religious leader. Women's groups and community leader to counter harmful practices that breed gender based violence and who are able to carry advocacy messages and contribute strongly to changing harmful and retrogressive practices. There will be creation of toll-free and SMS number help lines to facilitate reporting of GBV cases and designate gender safe spaces, preferably County Referral Hospitals, to provide accommodation for GBV survivors and create spaces to be used as recovery centers.

Towards realizing the prioritized Programmes, the sector is allocated a total of KShs. 463,749,722 in 2021/21 with KShs. 85,177,793 being recurrent expenditure, KShs. 250,599,015 being personnel emoluments and KShs127,972,914 as development expenditure, representing 6.3 % of the total expenditure.

5.2.9 Trade, Tourism and Co-operatives Development Sector

This sector aims at creating employment opportunities and wealth creation for poverty reduction, through promotion of trade, co-operative development and sustainable tourism. The county government prioritizes strengthening the Co-operative revolving fund, construction and expansion of market structures and business parks, boosting the business capacity of co-operative societies, expanding financial inclusion through SACCOs and marketing of Laikipia as a tourist destination.

The tourism sector will enforce sanitation and hygiene standards in all accommodation facilities and tourist attraction sites in line with the national guidelines, address emerging issues of human encroachment to wildlife containment and climate change and will further conduct research and mapping of all tourism sites while expanding the tourist products to include cultural and community centers, amusement parks, animal orphanages and sanctuaries, sports tourism, agro-tourism, bird and camping sites and art. Resources will be allocated for the investment and rehabilitation of tourism-supporting infrastructure that will include cultural information centre, sports stadia, museum, theater and art gallery, modernized venues and roads leading to sites which are impassable during bad weather. The sector will leverage on opportunities availed by the Nanyuki and Ol-Lentille airstrips and Isiolo International airport in terms of facilitating transportation of tourists, passengers and cargo and promote the county as a tourist destination through the Twende Laikipia Initiative in collaboration with players in the hospitality industry.

The sector is allocated a total of KShs. 112,072,375 in 2021/22 with KShs. 16,215,450 being recurrent expenditure, KShs. 41,856,925 for salaries and KShs. 54,000,000 as development expenditure, representing 1.5 % of the total expenditure.

5.2.10 Water, Environment and Natural Resources Sector

A master plan for water enhancement will guide the short term, medium term and long term needs in the county spending. Dominant rural areas have been prioritized through construction and rehabilitation of water supply sources (dams, boreholes, springs, storage tanks) as well as establishment of new water schemes in identified clusters. Wildlife-human conflict mitigation initiatives will be addressed through electric fences, community patrols and strengthening resource user associations. Solid waste and drainage management will also get increased funding to address the existing gaps towards ensuring a safe and a secure environment through acquisition of dumpsites, cemeteries and garbage collection trucks. Interventions on climate change adaptation and mitigation, disaster reduction, increasing community resilience and livelihoods will also be addressed in 2021/22 and medium term. Collaboration with the national government and development partners will also be enhanced on rangeland, wetland and forestry protection activities, establishing mega dams and irrigation schemes, expansion of sewer infrastructure, sensitization programs on environment and natural resource conservation and management.

Towards realizing the prioritized programs, the sector is allocated a total of KShs. 443,159,928 in 2021/22 with KShs. 23,019,589 being recurrent expenditure, KShs 124,879,145 for salaries and KShs. 295,261,194 as development expenditure representing 6.0 % of the total expenditure

5.2.11 Rumuruti Municipality

This sector is the formal headquarters of Laikipia County and is centrally located and thus easily accessible from all parts of Laikipia County. Rumuruti's population has grown from 32,993 in 2009 to a projected population of 42,585 in 2021. Most of the population is below the age of 35. The rate of population growth is expected to rise owing to the status as County Headquarters, the construction of the Nyahururu — Maralal highway, and the growing integration of Northern Kenya to the rest of the country, in which Rumuruti acts as gateway The Municipality is home of cultural diversity with majority of the inhabitants ranging from the Samburu, Kikuyu, Kalenjin and other communities. Rumuruti has a mixed economy based mainly on trade, agriculture, transport and services with livestock as the municipality's economic mainstay.

The sector is allocated a total of KShs. 21,000,000 in 2021/22 with KShs. 5,000,000 being recurrent expenditure and KShs. 16,000,000 as development expenditure representing 6.0 % of the total expenditure.

5.2.12 Legislative Services

The legislative services and oversight roles shall continue to be the main spending items as well as promotion of issue based transformative agenda. In 2021/2022, the County Assembly is allocated a total of KShs. 536,869,078 with KShs. 228,666,222 being recurrent expenditure, KShs. 258,202,856 for personnel emoluments and KShs. 50,000,000 as development expenditure representing 6.0 % of the total expenditure.

5.3 Challenges/ Opportunities to be addressed

The following challenges and respective recommendations are highlighted:

Revenue

Enhancement of collection of own source revenue to ensure more funding goes to development will be supported as well as strengthening of this will be achieved through the automation of revenue collection systems, expanding tax base, the issue of valuation roll, incorporate revenue as a performance target. External resource mobilization through partnerships and collaborations with MDAs, development partners and Public Private Partnerships will be embraced towards an increased county resource envelope.

Staff matters

There has been occurrence of spending pressures that have persistently taken place mainly on the recruitment of new staff and even the working space becoming insufficient for the people working and the new staff being recruited. The government will therefore need to focus on providing the staff with the necessary equipment's needed and working spaces to facilitate their work performance.

Weather patterns

Weather patterns play a major role in the economic development of our county Laikipia, especially in the agricultural sector. Therefore, unpredictable weather patterns as a result of climate changes may cause the county to record poor economic performance that is if, it is not clearly mitigated to deal with this challenge. It is important for the county to deal with this challenge by acquiring information from the Early Warning System building resilience through the climate smart technologies and practices. It is also important to create awareness to the residents of the county so that they can be able to plan their various economic activities, for example, farmers can be able to plan what their next plantation will be. This will clearly bring positive returns in terms of economic performance of the county.

Budget Funding

The delay in the release of Exchequers and the pending bills to the county, have continued to negatively affect budget implementation. The County Government, through the County treasury shall ensure that there are properly supported and timely submissions of exchequer requests and realistic allocation of funds to prioritized programs in short term and medium term.

Procurement

Procurement processes have been cited as delaying most of the projects, leading to upward revision of costs. Development of bills of quantities on time and adherence to Public Procurement and Disposal Act, 2015 will ensure timely implementation of programs. In addition, timely preparation and implementation of Annual Procurement Plans through e-procurement will ensure achievement of departmental priorities.

Citizen engagement

Adherence to the requirements on public participation in governance and development has received improved performance. The county government has already institutionalized public participation to enhance stakeholder's engagements. Nevertheless, there is need to embrace and document best practices in broadening citizenry inputs in policies, budget making and implementation of programs /projects.

APPENDIX

Table 2: Priority /non-discretionary allocations

Items Descriptions	Recurrent in KShs	Development in KShs	Total in KShs
Total revenues			**8,137,999,410**
Less grants (Receivable and Non-Receivable)			748,106,376
Non Receivable Grants (Leasing of Medical Equipments)		153,297,872	153,297,872
Receivable Grants			**594,808,504**
Total Revenues (Exclusive of total Grants)			**7,389,893,034**
Total Sharable revenue			
Bond interest for the first 6 months		72,828,375	
County Assembly	228,666,222	50,000,000	
County assembly salaries	258,202,856		
Insurance	170,000,000		
Salaries-Executive	3,033,925,632		
Salaries-ECDE Teachers	72,000,000		
Stipend for CHVs	23,000,000		
Lease Rentals	0	280,000,000	
Subsidies to Small business	0	30,000,000	
Sub total	**3,785,794,710**	**586,126,247**	**4,371,920,957**
Other allocations without Grants (2021/2022)	826,636,579	2,191,335,498	3,017,972,077
Total Allocations without Grants	**4,612,431,289**	**2,777,461,745**	**7,389,893,034**
Grants (Receivable Grants)	61,867,262	532,941,242	594,808,504
Total Allocations with Receivable Grants	**4,674,298,551**	**3,310,402,987**	**7,984,701,538**

Table 3: Projected Resources Envelope 2021/22 - 2023/ 24

Source	2021-2022	2022-2023	2023-2024
Equitable share	5,136,265,679	5,649,892,247	6,214,881,472
Own source	1,006,000,000	1,320,000,000	1,452,000,000
County Infrastructure Bond	1,247,627,355	-	-
Total income	**7,389,893,034**	**6,969,892,247**	**7,666,881,472**
Development	2,777,461,745	2,439,462,286	3,066,752,589
Recurrent	4,612,431,289	4,530,429,961	4,600,128,883

Table 4: Personnel Emoluments Projections 2021/22

Department	Salary	Percentage
Public Service and County Administration	377,473,648	11.2
County Public Service Board	27,530,451	0.8
Finance, Economic Planning and Enterprise	85,411,894	2.5
Laikipia County Revenue Board	69,517,080	2.1
Health	1,871,684,749	55.6
Agriculture, Livestock and Fisheries	184,206,657	5.5
Land, Housing and Urban Development	72,766,068	2.2
Education and Social Services	250,599,015	7.4
Trade, Tourism, and Co-operatives	41,856,925	1.2
Water, Environment and Natural Resources	124,879,145	3.7
County Executive Total	**3,105,925,632**	**92.3**
County Assembly	258,202,856	7.7
Total	**3,364,128,488**	**100**

Table 5: Departmental Ceilings 2021-2022 (inclusive of personnel emoluments)

Sectors	Development	Recurrent	Salaries	Total Recurrent	Total	%
Public Service and County Administration	51,142,860	271,794,697	377,473,648	649,268,345	700,411,205	9.5
County Public Service Board	10,500,000	8,000,000	27,530,451	35,530,451	46,030,451	0.6
Finance, Economic Planning and Enterprise Development	172,717,191	133,152,801	85,411,894	218,564,695	391,281,886	5.3
Laikipia County Revenue Board	30,600,000	35,000,000	69,517,080	104,517,080	135,117,080	1.8
Laikipia County Development Authority	12,000,000	8,500,000	-	8,500,000	20,500,000	0.3
Health	110,660,641	186,575,761	1,871,684,749	2,058,260,510	2,168,921,151	29.3
Nanyuki Teaching and Referral Hospital	49,000,000	111,757,133	-	111,757,133	160,757,133	2.2
Nyahururu Teaching and Referral Hospital	45,000,000	95,699,071	-	95,699,071	140,699,071	1.9
Agriculture, Livestock and Fisheries	61,298,304	18,708,016	184,206,657	202,914,673	264,212,977	3.6
Land, Housing and Urban Development	1,691,308,641	21,036,268	72,766,068	93,802,336	1,785,110,977	24.2
Education and Social Services	127,972,914	85,177,793	250,599,015	335,776,808	463,749,722	6.3
Trade, Tourism and Co-operatives Development	54,000,000	16,215,450	41,856,925	58,072,375	112,072,375	1.5
Water, Environment and Natural Resources	295,261,194	23,019,589	124,879,145	147,898,734	443,159,928	6.0
Rumuruti Municipality	16,000,000	5,000,000	-	5,000,000	21,000,000	0.3
County Assembly	50,000,000	228,666,222	258,202,856	486,869,078	536,869,078	7.3
Total	**2,777,461,745**	**1,248,302,801**	**3,364,128,488**	**4,612,431,289**	**7,389,893,034**	**100**

Table 6: Sector Ceilings 2022/2023

Departments	Development	Recurrent	Salaries	Total recurrent	Total projections
County Administration	69,751,757	324,148,983	358,599,966	682,748,949	752,500,706
County Public Service Board	11,550,000	11,000,000	26,153,928	37,153,928	48,703,928
Finance, Planning and Development	400,745,277	124,168,081	85,411,894	209,579,975	610,325,252
Laikipia County Development Authority	33,660,000	48,500,000	0	48,500,000	82,160,000
Laikipia County Revenue Board	33,200,000	12,350,000	64,517,080	76,867,080	110,067,080
Health	113,926,705	145,933,337	1,778,100,512	1,924,033,849	2,037,960,554
Nanyuki Teaching and Referral Hospital	35,200,000	121,932,846	0	121,932,846	157,132,846
Nyahururu Teaching and Referral Hospital	34,100,000	104,268,978	0	104,268,978	138,368,978
Agriculture	147,428,134	30,578,818	174,996,324	205,575,142	353,003,276
Land, Urban Development	939,185,749	39,839,895	69,127,765	108,967,660	1,048,153,409
Education and Social Services	146,873,969	93,295,572	169,669,064	262,964,636	409,838,605
Trade, Tourism Development and Co-op	142,900,000	30,036,995	37,017,630	67,054,625	209,954,625
Water, Environment and Natural Resources	223,340,695	29,821,548	118,635,188	148,456,736	371,797,431
Rumuruti Municipality	37,600,000	15,500,000	0	15,500,000	53,100,000
Assembly	70,000,000	271,532,844	245,292,713	516,825,557	586,825,557
Total	**2,439,462,286**	**1,402,907,897**	**3,127,522,064**	**4,530,429,961**	**6,969,892,247**

Table 7: Sector Ceilings 2023/2024

Departments	Development	Recurrent	Salaries	Total recurrent	Total projections
County Administration	101,882,861	374,508,392	358,599,966	733,108,358	834,991,219
County Public Service Board	32,705,000	12,880,798	26,153,928	39,034,726	71,739,726
Finance, Planning and Development	470,819,804	141,885,592	85,411,894	227,297,486	698,117,290
Laikipia County Development Authority	52,026,000	45,082,791	0	45,082,791	97,108,791
Laikipia County Revenue Board	19,520,000	10,948,678	64,517,080	75,465,758	94,985,758
Health	72,007,522	159,175,436	1,778,100,512	1,937,275,948	2,009,283,470
Nanyuki Teaching and Referral Hospital	58,720,000	131,071,303	0	131,071,303	189,791,303
Nyahururu Teaching and Referral Hospital	57,510,000	110,387,238	0	110,387,238	167,897,238
Agriculture	174,170,947	24,097,417	174,996,324	199,093,741	373,264,688
Land, Urban Development	1,083,104,324	23,232,152	69,127,765	92,359,917	1,175,464,241
Education and Social Services	261,561,366	91,682,673	169,669,064	261,351,737	522,913,103
Trade, Tourism Development and Co-op	147,190,000	23,462,953	37,017,630	60,480,583	207,670,583
Water, Environment and Natural Resources	345,674,765	23,210,668	118,635,188	141,845,856	487,520,621
Rumuruti Municipality	49,360,000	6,440,399	0	6,440,399	55,800,399
Assembly	140,500,000	294,540,330	245,292,713	539,833,043	680,333,043
Total	**3,066,752,589**	**1,472,606,820**	**3,127,522,064**	**4,600,128,884**	**7,666,881,473**

Table 8: Conditional Grants 2019/2020 and 2020/2021

	2019/2020 (KShs)	2020/21 (KShs)	2021/21 (KShs)
Conditional Grants from National Government			
User fee forgone	9,968,208	9,968,208	
Lease of medical equipment's	131,914,894	132,021,277	153,297,872
Road Maintenance Levy Fund	118,589,625	143,385,638	
Vocational Training Center	31,908,298	18,319,894	
Sub total	**292,381,025**	**303,695,017**	**153,297,872**
Loans and grants from development partners			
Transforming Health Systems for Universal Care Project	35,000,000	90610649	
Kenya Climate Smart Agriculture Project	131,027,150	236,105,200	
Kenya Devolution Support Project level 1	30,000,000	45,000,000	
Kenya Urban Support Project(Urban Dev. Grant)	50,000,000	0	
DANIDA Grant	12,281,250	11880000	
EU IDEAS	21,345,341	15626168	
Agricultural Sector Development Support Programme	16,625,223	12916815	
Kenya Urban Support Project (Urban Institutional Grant)	8,800,000	0	
Ministry of Health COVID Grant		36,690,000	
Other Loans and grants	0	0	594,808,504
KDSP level 2 investment grant	161,558,585	0	
Sub total	**466,637,549**	**448,828,832**	**594,808,504**
Total Grants	**759,018,574**	**752,523,849**	**748,106,376**

Table 9: Summary of Issues from the 2021 CFSP Public Participation Meetings

SECTOR	PROPOSALS
Health	• Provision of medical equipments (X-ray, ICU) • Upgrading of dispensaries to health centres • Construction and equipping of new dispensaries • Recruitment of more staff at the dispensaries • Establishment of laboratory services • Provision of essential drugs and supplies • Enhancement of ambulance services • Provision of NHIF subsidies to the needy
Infrastructure	• Grading and gravelling of roads with proper drainages • Opening up of new roads • Construction of Bridges • Reclamation of public land: • Implementation of smart town initiatives • Development of spatial plan
Education	• Improvement of sports facilities and community halls • Support to county sports team • Construction and equipping of ECDEs • Training of youth- on driving and ICT • Recruitment of staff for ECDES
Trade	• Construction of New markets and Market stalls • Provision of loans to businesses • Rehabilitation of tourist sites
Water	• Construction of sewerage lines • Drilling and equipping of New boreholes • Eradication of invasive species • Desilting of dams • Rehabilitation of boreholes • Expansion of garbage collection • Training on environment management • Expansion of water pipelines/supply
Administration	• Provision of firefighting equipments • Expansion of street lighting to curb insecurity • Rehabilitation of hydrants • Training of firefighting staff
Agriculture	• Stocking of dams with fingerlings • Improved access and provision of subsidized farm inputs • Expansion of extension services and training of farmers • Rehabilitation of cattle dips, crutches, livestock markets, slaughter houses • Expansion of vaccination programme and livestock traceability
Finance	• Training on enterprise development to business