

**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF NANDI**

**DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**

---

---

**COUNTY FISCAL STRATEGY PAPER  
(CFSP)**

---

---

**“ACHIEVING SUSTAINABLE AND ALL INCLUSIVE SOCIO-  
ECONOMIC TRANSFORMATION- THE BIG 4 AGENDA”.**

**FEBRUARY 2019**

Nandi County Fiscal Strategy Paper 2019

**To obtain copies of the document, please contact**

Department of Finance and Economic Planning

Nandi County

County Headquarters Building

P.O BOX 802-30300

KAPSABET, KENYA

The document is also available on the official county website [www.nandi.go.ke](http://www.nandi.go.ke)

## FOREWORD

One of the key steps in the county budget cycle is the preparation of the County Fiscal Strategy Paper (CFSP). This is an annual planning document that shows the various fiscal strategies that the County Government of Nandi intends to employ in the development of the County's Financial Year 2019/2020 budget and the Medium Term expenditure projections. The paper therefore, links county plans and policies to Budgeting which is the main objective of the Medium Term Expenditure Framework.

The County priorities and goals outlined herein are informed by the County Integrated Development Plan (2018-2022) and the Governor's Manifesto. This is enunciated in the 2019/2020 Annual Development Plan with emphasis on investment in; Accessible to quality health care, Infrastructural development, education, agriculture and cooperative development, growth and employment creation, youth and social protection as well as promotion of tourism and culture hence meeting the government's overall objective of improving the livelihoods of its citizens.

In the 2019/2020 financial year and over the medium term, the county's sources of revenue will be; equitable share, conditional grants and local revenue collections. The County Government proposes a series of measures to increase revenue and balance its fiscal spending. This will focus on strengthening the potential it is endowed with to stimulate economic growth and development. The paper therefore, puts into perspective how the county anticipates expending its scarce resources in the period under review.

The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. In order to attain this, strict adherence to the Public Finance Management Act 2012, greater transparency, effectiveness and monitoring will be ensured in all the county levels.

It is my expectation that this CFSP will be useful in enhancing strategic objectives for development in the county and thus contribute towards the realization of the Transformative Agenda of a balanced growth and development across the county.



**CPA, ALFRED LAGAT**  
**CEC MEMBER FOR FINANCE AND ECONOMIC PLANNING**

### **ACKNOWLEDGEMENT**

The 2019 Nandi County Fiscal Strategy Paper is part of the county government's effort to ensure effective linkages between policies, plans and budgets. It provides an essential resource envelope and presents the fiscal framework for the 2019/2020 budget and subsequent budgets falling within the Medium Term Expenditure Framework. The document is expected to improve the understanding on how public finances are spent, shared and shape the discussion on economic and development matters in the County as we move towards attaining economic prosperity for all the people of Nandi. The interventions identified herein are meant to strategically address the specific challenges faced by the people of Nandi. The 2019 fiscal strategy paper lays a solid foundation to foster the envisaged Socio -Economic Transformation of the county.

The preparation of this document entailed a highly participatory and consultative process of the relevant stakeholders. I wish to acknowledge the department of Finance and Economic planning staff for the dedication, synergies and commitment in ensuring that this document is prepared and submitted timely as per the provisions of the Public Finance Management Act, 2012. I'm particularly grateful to the CEC Member for Finance and Economic Planning for his overall leadership and direction in the execution of this task. Special gratitude also goes to the County Budget and Economic Forum (CBEF) led by the chairperson, H.E the Governor for the valuable input that immensely informed this document as well ALL Chief officers who coordinated their departments in identifying the strategic priorities that guides these ceilings allocations. The tireless effort of the core team at the county budget and economic planning units towards this course who spent their invaluable time in putting together this document won't go unmentioned. It is therefore my sincere hope that this plan will greatly transform the lives of the Nandi residents.

It is also my sincere prayer that the Almighty God will grant us the opportunity and resources to implement the envisioned programs and activities in this strategy paper.



**FELIX SAMBU**  
**CHIEF OFFICER, ECONOMIC PLANNING**

## **ABBREVIATIONS AND ACRONYMS**

<b>CIDP</b>	<b>County intergrated development plan</b>
<b>ADP</b>	<b>Annual development plan</b>
<b>CFSP</b>	<b>County fiscal strategy paper</b>
<b>MTP</b>	<b>Medium Term Plan</b>
<b>MTEF</b>	<b>Medium Term Expenditure Framework</b>
<b>CRF</b>	<b>County Revenue Fund</b>
<b>CBEF</b>	<b>County Budget Economic Forum</b>
<b>CEC</b>	<b>County Executive Committee</b>
<b>CA</b>	<b>County Assembly</b>

Table of Contents

<b>REPUBLIC OF KENYA</b> .....	i
<b>COUNTY GOVERNMENT OF NANDI</b> .....	i
<b>DEPARTMENT OF FINANCE AND ECONOMIC PLANNING</b> .....	i
<b>CHAPTER ONE</b> .....	1
1.1 INTRODUCTION.....	1
1.2 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCAL STRATEGY PAPER.....	1
1.3 RATIONALE FOR COUNTY FISCAL STRATEGY PAPER.....	2
1.4 COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES.....	2
1.5 OUTLINE OF THE COUNTY FISCAL STRATEGY PAPER FY 2019/2020. ....	3
<b>CHAPTER TWO</b> .....	4
2.1 REVIEW OF RECENT ECONOMIC PERFORMANCE .....	4
2.1.1 Global and Regional Economic Development .....	4
2.1.2 National Economic Developments.....	5
2.1.3 County Economic Situation .....	7
2.2 ECONOMIC OUTLOOK .....	12
2.2.1 National Outlook.....	12
2.2.3 County Economic Outlook.....	12
REVIEW OF PERFORMANCE OF BUDGET FOR FY 2017/2018 AND 2018/2019 AS AT 31 <sup>ST</sup> DECEMBER 2018.....	15
PERFORMANCE OF BUDGET FOR FY 2017/2018 .....	15
<b>CHAPTER THREE:</b> .....	20
3.1 MEDIUM TERM STRATEGIC PRIORITIES .....	20
<b>CHAPTER FOUR</b> .....	23

FISCAL POLICY AND BUDGET FRAMEWORK .....	23
CHAPTER FIVE .....	26
MEDIUM TERM EXPENDITURE FRAMEWORK .....	26
Revenue Projections .....	26
Expenditures .....	27
CONCLUSION .....	31

## **CHAPTER ONE**

### **1.1 INTRODUCTION**

This sixth Nandi County Fiscal Strategy Paper identifies the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for Financial Year 2019/2020 and over the Medium Term. The policy document will continue to enhance Programme Based Budgeting (PBB) which is result oriented in management of County Development Initiatives. Economic policies, structural reforms as well as sector-based expenditure programmes that the county government intends to implement in the medium term are also outlined in the document. In order to achieve the broad goal of the County government's "Transformation agenda" the document has detailed development priorities as articulated in the County Integrated Development Plan (2018-2022), the approved County Annual Development Plan (2019-2020) and the Medium Term Plan III (2018-2022). The paper is also aligned to the national policies and objectives outlined in the 2019 Budget Policy Statement.

The proposed fiscal framework will ensure continued fiscal discipline and provide support for sustained growth, broad-based development and employment growth that benefit all. The purpose of this paper therefore, is to guide county departments, stakeholders and the general public to understand the fiscal situation on the proposed budget strategies. It reiterates the ongoing county priority projects, programmes and structural transformation measures to be implemented in the Medium Term.

### **1.2 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCAL STRATEGY PAPER**

This Fiscal Strategy Paper is prepared in accordance with section 117 of the Public Finance Management Act, 2012 which stipulates that:

- a) The County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly, by 28<sup>th</sup> February of each year.
- b) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement
- c) 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.
- d) The County Treasury shall include in its 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.
- e) In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of:
  - i. The Commission on Revenue Allocation (CRA)
  - ii. The Public
  - iii. Any interested persons or groups: and



- iv. Any other forum that is established by legislation
  
- f) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments
- g) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned.
- h) 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 RATIONALE FOR COUNTY FISCAL STRATEGY PAPER**

The basis for preparing the CFSP is to indicate:

- i. The mechanism for aligning the county with the national objectives as contained in the Budget Policy Statement.
- ii. The broad strategic priority areas that will guide the County Government in preparing the Budget for Financial Year 2019/2020.
- iii. Create a mechanism for engaging the public in prioritizing the development programs that meet their needs best.
- iv. Details of departmental ceilings for the medium term expenditure framework (MTEF) period for prudent resource allocation and consistency with the MTEF budgeting approach.
- v. Financial outlook with respect to County Government Revenues, Expenditures and borrowing for the coming Financial Year and over the Medium Term.

**1.4 COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES**

The Constitution of Kenya and the Public Finance Management (PFM) Act, 2012 Section 107 sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of Public Resources;

- i. The County Government’s recurrent expenditure shall not exceed the County government’s Total Revenue
- ii. Over the Medium Term, a minimum of thirty percent of the county government’s budget shall be allocated to the Development expenditure
- iii. The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.
- iv. Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure

- v. The county debt shall be maintained at sustainable level as approved by County Assembly
- vi. The fiscal risks shall be maintained prudently; and
- vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.

### **1.5 OUTLINE OF THE COUNTY FISCAL STRATEGY PAPER FY 2019/2020.**

This County Fiscal strategy Paper is presented in five chapters. Chapter one presents the introduction with an overview, legal basis for the preparation of the CFSP, rationale, county government's fiscal responsibility principles and the paper outline.

Chapter two outlines the recent economic and fiscal developments within which the 2019/2020 budget will be prepared. It further presents an overview of the forward economic and fiscal developments and the macroeconomic outlook covering the global, national and county scenes with respect to the recent developments. Chapter three highlights the County strategic priorities and interventions.

In Chapter Four, the paper presents the fiscal policy and budget framework that will support planned growth over the medium and long term, while continuing to provide sufficient resources to support the county social-economic development.

Chapter Five presents Medium Term expenditure Framework, Resource Envelop, overall spending priorities in relation to strategic priorities and interventions and medium term expenditure base-line ceilings.

## CHAPTER TWO

### RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM POLICY OUTLOOK

#### 2.1 REVIEW OF RECENT ECONOMIC PERFORMANCE

##### 2.1.1 Global and Regional Economic Development

Global growth is projected to remain steady and grow by 3.7 percent in 2018 and 2019 (**Table 1.1**). The leveling-off is driven by the recently announced trade measures, including the tariffs imposed on \$200 billion of US imports from China, closure of output gaps in advanced economies, moderation in trade and investment, and a gradual tightening of financing conditions due to ongoing withdrawal of accommodative monetary policy in advanced economies. Global growth optimism is constrained by rising trade tensions likely to have a negative impact on confidence, asset prices, global trade and investments

**Table 1.1: Global Economic Growth, Percent**

REGION / COUNTRY	ACTUAL	ESTIMATED	PROJECTED
	2017	2018	2019
WORLD	3.7	3.7	3.7
ADVANCED ECONOMIES	2.3	2.4	2.1
USA	2.2	2.9	2.5
EMERGING AND DEVELOPING ECONOMIES	4.7	4.7	4.7
CHINA	6.9	6.6	6.2
INDIA	6.7	7.3	7.4
SUB SAHARAN AFRICA	2.7	3.1	3.8
EAC-5	5.3	5.9	6.3
KENYA	4.9	6.0	6.2

*Source: October 2018 WEO; \*Projections by the National Treasury*

Growth in the East African Community (EAC) region is estimated to rise to 5.9 percent in 2018 from 5.3 percent in 2017. This growth is driven by a rebound in agricultural activity on the backdrop of favorable weather conditions and a pickup in private sector credit growth. In 2019, economic growth is projected to increase to 6.3 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

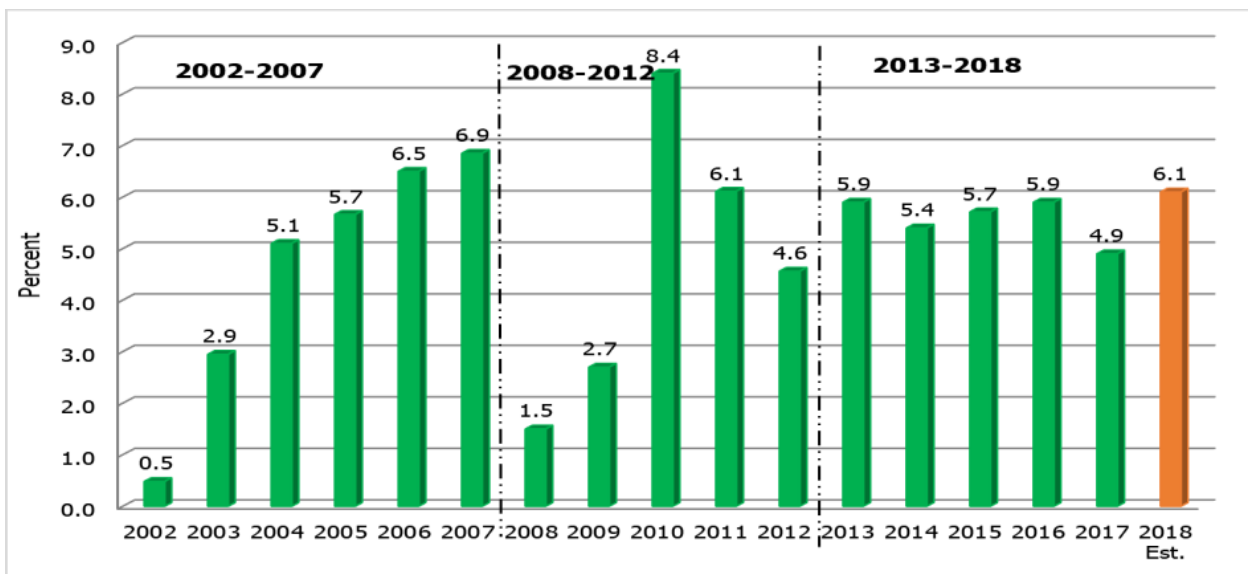
### 2.1.2 National Economic Developments

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

Economic activities in the country picked up in 2018, after the slowdown in 2017, reflecting improved rains, better business sentiment and easing of political uncertainty.

The value of goods and services produced raised Per Capita Income from Ksh 113,539 in 2013 to an estimated Ksh 190,521 in 2018, a 67.8 percent increase. This enabled generation of around 840,000 new jobs per year in the period 2013-2018 up from 656,500 new jobs per year in the period 2008-2012.

#### Trends in Kenya's Economic Growth Rates, Percent

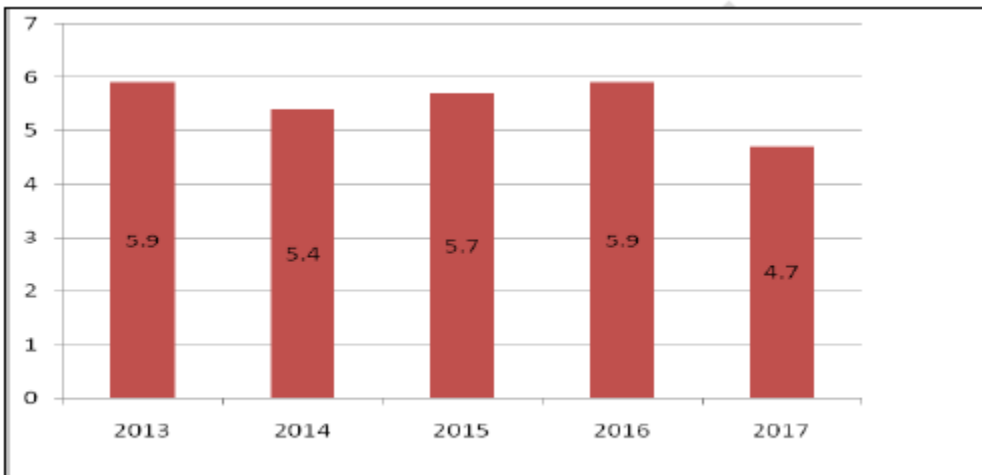


*Source of Data: Kenya National Bureau of Statistic*

#### *Gross Domestic Product Growth rates*

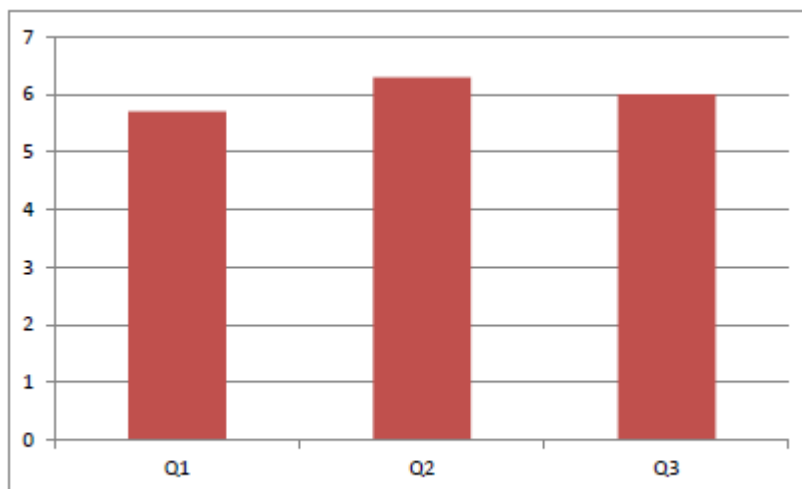
The economy grew by 5.8 percent, 6.2 percent and 6.0 percent in the first, second and third quarters of 2018 respectively, up from 4.7 percent in similar quarters in 2017. Growth for the first three quarters of 2018 averaged 6.0 percent and is projected to grow by 6.0 percent in 2018 up from 4.9 percent in 2017. This growth is supported by a strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector.

### *Gross Domestic Product Growth rates*



*Source: KNBS Economic Survey, 2018 Report*

### *Quarterly GDP Growth rates*



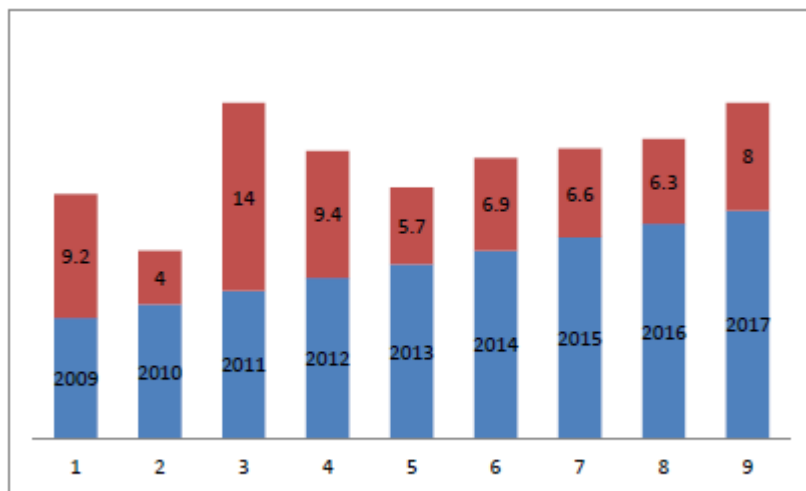
*Source: KNBS Quarterly GDP Reports*

### *Inflation Rate*

Inflation rate was highly volatile in the period 2008-2012 and averaged 10.6 percent compared to the period 2003-2007 when it averaged 8.5 percent. The sharp increase in inflation rate in the year 2008 to 2010 was occasioned by internal shocks (post-elections disruptions and unfavorable weather conditions) and external shocks (high crude oil prices and global financial crisis). The tightening of monetary policy, together with an easing in global food and fuel prices, saw the levels of inflation come under control in 2012

Inflation has been low, stable and within the government target range of 5+/-2.5 percent in the period 2013 to 2018 (averaging 6.4 percent) as a result of prudent monetary and fiscal policies. The inflationary pressure witnessed in 2017 due to drought that affected food prices eased in 2018 supported by improved weather conditions that resulted in lower food prices.

**Yearly Inflation rates**



Source: KNBS Economic Survey, 2018 Report

**2.1.3 County Economic Situation**

According to Economic Survey, 2018 (KNBS), the poverty index for Nandi County was 36.0% down from 47.4% in 2009. This is lower than the national average of 36%. The reduction in poverty levels is attributed to devolution with initiatives in terms of programmes and projects by the county government as key contributors. Other areas that have tremendously experienced growth include the construction industry, infrastructure, hospitality sector, agriculture, health and retail trade. The private sector on the other hand contributes to the economy by partnering with the county in provision of goods and services.

**Major Initiatives implemented by the county government for the period 2017/2018-2018/2019.**

The county government has in its second planning period implemented various development initiatives across departments that are geared towards economic empowerment and sustainable growth of residents.

**Agriculture and Co-operative Development**

- The county government has continuously revived cooperative societies in the county by providing technical advice and capacity building on cooperative management. In collaboration with the National Government and other stakeholders, the government has supported dairy co-operative societies by providing them with 41 milk coolers with a daily milk capacity of 127,000 litres. In addition, 69 fully equipped AI kits have been distributed to active Dairy Co-operatives Societies in the county to improve production.

- Farm Mechanization is key in ensuring sustainable farming and high yields. The county government has acquired three tractors, a disc plough, a forage harvester and a hay baler stationed at Kaimosi Farmers Training Centre (FTC) to train farmers on mechanization.
- To reduce pests, diseases and consequently promote production, the county renovated 59 cattle dips across the county and supplied 5,650 liters of acaricides to over 187 cattle dips across the county.
- The government has also distributed over 9,000 coffee seedlings and trained farmers on marketing strategies, financing, trading, export logistics and market intelligence
- Carried out major renovations at Kapsabet slaughterhouse to improve services.

### **Impact**

Due to these initiatives, there has been a significant increase in modern farming techniques by farmers resulting in increased productivity, food security and improved livelihoods of the residents.

### **Health and Sanitation**

- Ensuring a steady supply of drugs and non-pharmaceuticals in all the health facilities in the county.
- Major construction, renovation and equipping undertaken at Kapsabet Referral Hospital including the setting up of an oxygen plant, Medical Resonance and Imaging (MRI) and increase of the newborn nursery capacity.
- Purchased two 385 KVA stand-by generator that will ensure a steady supply of power to Kapsabet Referral hospital and Nandi Hills sub-County hospital.
- Dispensaries across the county have been renovated and equipped.
- The county has two specialists; a radiologist and a family medicine under the Cuban expatriates exchange program.
- To address the staff shortage in the health sector, the county has employed additional health workers in various cadres. This includes 50 nurses, 60 clinical officers, 10 medical officers and two specialists among others.
- Acquisition of ambulances to improve referral services
- In collaboration with Nutrition International, “Linda Mama” programme, conducted community advocacy on Nutrition for children under five .
- A Joint Project Steering Committee has been created to oversee the implementation of the universal health care programme in the county.

### **Impact**

The expansion of infrastructure in various health facilities and employment of more health workers in the county has increased access to quality health care. Acquisition of standby generators has ensured steady power supply and uninterrupted service delivery in the facilities. The “Linda Mama” programme has created awareness to residents on nutrition and is expected to make the county nutrition secure. Skilled deliveries in the county has improved from 37.8% in 2017 to 42.9% in 2018 while Infant Mortality and Maternal mortality has dropped to below 39 per 100,000 live births and 362 per 100,000 live births respectively .

## **Administration, Public Service and e-Government**

- Conferment of Kapsabet town to a Municipality status with a Municipal Board and manager.
- Improved and rehabilitated pavements, parking bays and bus park in Nandi Hills town.
- Improved the drainage systems of Kapsabet Municipality and Nandi Hills town.
- Rehabilitated Kapsabet Bus Park as well as beautified Mosoriot Urban Centre.
- Constructed a number of boda boda shades including Kiropket, Kapkobis, Baraton University, Meswo, Water Supply, Himaki, Lessos, Kaptumo, Mosoriot, Kobujoi, and Itigo Centres as well as Nandi Hills town.
- Undertook a human resource audit in regards to the staff establishment of casual workers which led to their proper placement and identification of capacity gaps.
- To ensure an effective and efficient work force, the county rolled out performance contracting by signing Contracts in three levels i.e between the governor and the CEC Members, between the CEC Members and the Chief Officers and the Chief officers and directors.
- Rolled out the Nandi County Internship Program by offering 200 internship opportunities to youths across various professions.
- Through the Kenya Devolution Support Program (KDSP), developed Human Resource policies.
- The county upgraded the revenue collection system, developed an Asset Inventory Management System platform and developed the Suppliers Portal for the county.
- Constructed ICT Centres in Kapsabet town
- In collaboration with the Ministry of Information and Communications, trained over 2,000 youths on online opportunities under the Ajira Program.
- In partnership with Computer for Schools Kenya, the county established and equipped computer labs in all the 14 Vocational Training Centres.

### **Impact**

As a result of major investments in urban infrastructure a robust growth has been realized in the jua kali sector, transport sector and retail trade. Further, the internship programme has offered opportunities to the youth to prepare them for job opportunities in the market. The county supplier system has allowed for continuous pre qualification of suppliers and promotes transparency and accountability in service delivery.

## **Trade, Investment and Industrial Development,**

- In partnership with Meru greens and SNV Netherlands Organization, the county has constructed a 10 Metric ton cold room storage facility for horticulture farmers at Kibiok Market in Nandi Hills Sub-County and also 1,500 farmers have been contracted to produce French beans. Out of these 214,976 Kilograms have been exported and Kshs. 8,599,040 income realized in the county.
- Through the partnership with SNV and Meru Greens The county rolled out Capacity Building programmers for 800 young entrepreneurs to strengthen cottage industries. Focus being on ceramics, brick making, yoghurt making among others.
- The County is a member of two economic blocs i.e the Lake Region Economic Bloc and North Rift Economic Bloc with Nandi identified as the leader for the Trade and Investment pillar in LREB.

### **Impact**

The initiatives have improved market accessibility and increased incomes and local revenues. The economic blocs will give the county the opportunity to pull resources together towards development of the tourism



circuits, value addition processes and optimize on their respective county niche products. The engagement of both international and local stakeholders through Public Private Partnerships will promote economic growth of the county as a trade and investment hub.

### **Transport and Infrastructure**

- The county has acquired road machinery comprising of a low loader, two excavators, two drum rollers, four backhoes, 18 tipper Lorries and a fuel tanker.
- Graded 781.5kms, graveled 273kms and dozed 220kms of roads across all the six sub counties in addition to opening up 360 km of road.
- Installed a total of 540 culverts for proper drainage and constructed 10 box culverts and 3 footbridges and several ongoing across the county.

### **Impact**

Investment initiatives in the road sector have increased connectivity and improved accessibility with most of the roads improved to motor able condition. The initiatives have catalyzed sustainable road works and general county economic growth.

### **Education and Vocational Training**

- The county has recruited 400 ECDE mentors and renewed contracts for 767 ECDE mentors.
- Ongoing Construction of 60 ECDE centers; two in each of the 30 wards.
- Disbursed bursaries amounting to over KShs.100 million to students in Secondary, Colleges, Universities, Tertiary Institutions and Special Needs category with over ... beneficiaries
- In partnership with Kenya Literature Bureau (KLB), efforts are in place to ensure quality learning in ECDE Centres and VTCs through the continuous distribution of Kenya Institute of Curriculum Development (KICD) approved Instructional materials. The county distributed instructional learning materials to all 800 ECDE Centres and 12 VTCs across the County.
- The county also completed the construction of VTCs that had been neglected.

### **Impact**

There has been increased access to quality basic and technical training in the county and as a result employment creation. The county bursary scheme has increased accessibility to education by the beneficiaries.

### **Lands, Environment and Natural Resources**

- The county administration with support from the County Legal Office has been able to prepare numerous claims in form of petitions that have since been presented before the National Land Commission.
- Through the Directorate of Physical Planning, the county initiated the process of developing the Nandi County Spatial Plan.
- The county is on average at 80% completion of water projects which are intended to serve approximately 16,000 households across the county.
- In partnership with the Water Sector Trust Fund, the county implemented Cheptil, Kimng'oror and Lelmokwo water projects.
- The department constructed four solar-powered water projects namely Kaplamai in Emgwen Sub-County, Chepsogor in Chesumei Sub-county, Potopoto in Tindiret Sub-County and Kimong in Mosop Sub-County.
- The county acquired two drilling rigs to tap into the abundant underground water.

- In order to increase vegetation cover and enhance environmental conservation, the county government planted 785,600 exotic and indigenous trees countywide in partnership with the Kenya Forestry Service, the Greenbelt Movement, Eastern Produce Kenya Limited and Siret OEP Company Limited. The trees have been planted in Gazetted forests, schools, dispensaries and the Kibirong Wetlands.
- In partnership with National Environmental Management Authority, the government protected and conserved catchment areas, cleared eucalyptus trees from approximately 60% of riparian lands within the County.
- In partnership with the Green Belt Movement, the county developed Nandi County Climate Change Action Plan, Draft Wetlands Management and Climate Change Policy and gazetted the County Environment Committee.

### **Impact**

The development of a county spatial plan will provide basis to address development challenges within the County.

### **Tourism, Culture and Social Welfare**

- Design works for the development of Chepkiit water falls tourist site has been prepared with priority on fencing, construction of a ticket office, walk ways, security barriers, information centre, and water points among other basic facilities in Mlango old town.
- In partnership with Kenya Wild Life Service, the county invested in protecting the ecosystem and the antelope species that are threatened with extinction due to human-wildlife conflict.
- The county initiated the process of signing an MOU with National Museums of Kenya on cultural preservation and development. The MOU will pave way for close collaboration between the County and National Museums in the area of culture including exchange of information, material and personnel for cultural development.
- The Social Welfare Sector partnered with National Council for Persons Living with Disabilities to provide assistive devices including special seats, tough-rider wheelchairs, tricycles and business wheelchairs to 60 PWDs.
- 96 PWDS and women groups were issued with sewing machines to enhance their socio- economic empowerment.
- The Sector also assisted in coordinating the UN Women and 150 PWD Workshops on Access to Government Procurement Opportunities (AGPO).

### **Impact**

The investment in the tourism sites will tap into the county tourism potential and increase revenue levels. The provision of assistive devices and sewing devices bridges the socio-economic parity among the marginalized groups in the community.

### **Sports, Youth Affairs and Arts**

- To boost morale and offer better training facilities for the athletes, the county is constructing a modern training camp that with a 200 bed capacity.
- The county government is collaborating with the national government in ensuring the completion of the Kipchoge Keino Stadium, and improvement of nandi Hills, Kaptumo and Maraba sporting facilities.
- In collaboration with the Youth Enterprise Development Fund, the county signed a Memorandum of Understanding for Local Purchase/Supply Order financing.

## **Impact**

Upon completion, the initiatives will promote social cohesion, nurture talent and promote the participation of youth in development activities. The ripple economic gains from the KYCSA games were strongly felt across all the sectors including hospitality and retail trade.

## **2.2 ECONOMIC OUTLOOK**

### **2.2.1 National Outlook**

Kenya's economic growth prospects for the FY 2019/20 and over the medium term take into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. The projections accommodate the strategic objectives of the Government as outlined in the Third Medium Term Plan (2018-2022) of Vision 2030.

Real GDP is projected to expand by 6.1 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23. This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

The outlook, therefore points to a continued coordination of monetary and fiscal policies for overall macroeconomic stability which will support robust growth, lower fiscal deficits, contain inflation within the target range and a gradual improvement in the current account balance. In addition, measures being undertaken by the Government under "The Big Four" Plan to boost the manufacturing sector; enhance food security and nutrition; build affordable housing; and achieve Universal Health Coverage are expected to enhance growth, create jobs and promote inclusive growth.

### **2.2.3 County Economic Outlook**

#### **Enhancing food and Nutrition Security**

The government will continue to implement measures in the agriculture sector in order to ensure food and nutrition security. All policies under the agriculture department have been aligned towards increasing food production and booting smallholder productivity. During the Financial year 2019/2020 and over the medium term, the focus will be on construction of more milk cooling structures and installing milk cooling plants in addition to investing more on the construction of a county milk processing plant. This will mitigate loses, promote production, value addition and household proceeds from milk. The county also intends to continue constructing and renovating more cattle dips across the County. This is to complement the initiatives aimed at controlling livestock diseases. To boost fish farming, the government intends to establish County fish hatchery at Kaimosi ATC with a capacity of 600,000 fingerlings.

### **Quality and affordable Health Care**

In the health sector, the government will continue to prioritize programmes and projects that are geared towards provision of universal health care for all. Focus will be on the construction to completion and operationalization of the Mother and Child Health complex (MCH). To increase the uptake of NHIF, the county intends to roll out a massive NHIF enrollment program targeting 200,000 households to enable residents access specialized services from accredited facilities as a sustainable approach to achieving Universal Health Care. The government will also continue constructing, renovating and equipping the remaining dispensaries and health Centres hence reducing the distance covered to nearest health facility to the desired less than 5km as per World Health Organizations. In order to address shortage of staff in the health sector, the county will continue employing additional health workers in various cadres.

### **Enhancing Service Delivery**

The government will in the FY 2019/2020 and over the medium term, continues to focus on sustaining a conducive business environment for investment and job creation by providing better and quality services to the residents. This is as a result of up grading of Kapsabet town to a municipality status with a board of Management. Focus will be on physical infrastructure of the municipality with priority on proper refuse collection and solid waste management services, address water and sanitation challenges, construct and maintain urban roads and associated infrastructure, construct and maintain walkways and other non-motorized transport infrastructure.

The county through the municipality will also construct and maintain street lights, construct and maintain a fully equipped fire station with firefighting services and a disaster management unit.

As part of the Big 4 Agenda, the county signed a Memorandum of Understanding with the Ministry Transport, Housing and Urban Development through the State Department of Housing and Urban Development that will see the implementation of affordable housing that will counter the problem of housing in Kapsabet Municipality and other urban areas within the county, with a target of 2,000 units by 2022.

### **Promoting Trade and Creating Job Opportunities**

In achieving high economic growth rate and improving the living standards of a people, public and private sector plays an important role. To support trade and manufacturing sector, the government intends to establish EPZ industrial parks in Chemase after signing of an MOU with Export Processing Zones Authority (EPZA). The establishment of this EPZ will go a long way in creating employment and improving the infrastructure development. The government will continue with the next phase of ensuring that the textile apparel unit and a leather processing plant is established and equipped. The project will be implemented in collaboration with Rivatex East Africa Limited and include tailoring units.

### **Investing in Infrastructure**

To further expand the road network, the county will prioritize establishment of a county workshop unit that will be used for maintenance of county machines. This will reduce theft of spares and quality provision of quality and timely repair services. The county will continue setting aside funds for acquisition of equipment coupled with prudent management hence offering a lasting solution to the problems experienced in the transport sector. More funds will also be directed to the acquisition, installation of culverts and footbridges for proper drainage in county roads.

### **Investing in Quality Education**

The government will continue to invest in expanding access to Basic and Technical training education. To improve infrastructure and access to education, the county will continue constructing and equipping ECDE centers in addition to increasing funds towards the bursary kitty to be disbursed to needy and deserving students in Secondary, Colleges, Universities, Tertiary Institutions and Special Needs category. As the manufacturing sector grows, new job opportunities that require deeper skills and knowledge will be required. To meet this demand, the county in collaboration with the ministry of education will in the medium term channel more resources to vocational training centres in the county.

### **Promoting Environmental Conservation and Water Supply**

The government remains committed in its agenda of providing clean, safe and sustainable environment and adequate drinking water to every resident. The focus will be on completing ongoing projects while initiating new ones with greater impact. More emphasis will be placed on construction of solar powered water projects while putting into use the available drilling rig to harness underground water. The county also intends to complete the development of the County Spatial Plan to provide a framework for planning and land use.

**REVIEW OF PERFORMANCE OF BUDGET FOR FY 2017/2018 AND 2018/2019 AS AT 31<sup>ST</sup>  
DECEMBER 2018  
PERFORMANCE OF BUDGET FOR FY 2017/2018**

**Locally Collected Revenue**

In the FY 2017/2018, local revenue was Kshs 197 million. This fell short of the revised budget estimates of Kshs 385 million. This was highly occasioned by the uncollected cess revenue and the unfavorable electioneering period.

Local Revenue Collection 2017/2018

**Table 1**

<b>NANDI COUNTY REVENUE REPORT FOR THE FY 2017-2018</b>						
	<b>EST FY 17/18</b>	<b>FIRST QUARTER</b>	<b>SECOND QUARTER</b>	<b>THIRD QUARTER</b>	<b>4TH QUARTER</b>	<b>TOTAL</b>
<b>REVENUE SOURCE</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>		<b>KSH</b>
Business Permits	36,070,090	4,066,368	2,218,487	16,286,348.00	6,565,818.00	29,137,021.00
liquor licensing	12,000,000	-	-	-	5,337,000.00	5,337,000.00
Plot rents	5,050,160	170,010	670,639	464,572.00	240,885.00	1,546,106.00
Land Rates	48,220,000	1,129,097	739,312	3,710,669.00	2,698,109.00	8,277,187.00
House and Stalls Rent	3,500,000	1,285,727	2,057,298	1,831,347.00	1,874,563.00	7,048,935.00
Parking Fees	45,563,190	2,722,420	9,105,818	9,622,570.00	10,225,283.00	31,676,091.00
Market Fees	15,440,640	2,530,928	2,291,255	2,661,824.00	2,906,266.00	10,390,273.00
Cess	85,600,000	310,613	747,412	1,068,340.00	1,016,370.00	3,142,735.00
Health and Sanitation	82,220,000	1,485,040	6,898,947	31,067,167.00	22,948,435.00	62,399,589.00
Kiborgok Tea Proceeds	18,726,696	2,465,838	6,248,937	8,080,792.30	821,062.00	17,616,629.30
Slaughter Fees	632,000	19,700	320,900	205,700.00	250,490.00	796,790.00
Sewerage and water	680,000	27,345	154,856	398,485.00	65,430.00	646,116.00
Agriculture	9,000,000	1,239,332	1,837,394	803,300.00	2,027,999.00	5,908,025.00
Trade Fair	2,000,000	-	-	-	-	-
Cattle Dips/Veterinary	6,500,000	565,825	1,869,698	387,515.00	1,853,030.00	4,676,068.00
Miscellaneous	14,235,883	2,087,815	2,357,170	1,128,655.00	3,714,678.00	9,288,318.00
<b>TOTAL COLLECTIONS</b>	<b>385,438,659</b>	<b>20,106,058</b>	<b>37,518,123</b>	<b>77,717,284.30</b>	<b>62,545,418.00</b>	<b>197,886,883.30</b>

## **National Government Revenue**

Revenue from the National Government consisted of equitable shareable revenue of 5.023 billion and total Conditional grants of Kshs 357.8 million. The summary of transfers from the National Government including conditional grants is highlighted in table 2

**Table 2: National Government Revenue 2017/2018**

<b>Revenue Source</b>	<b>Amount</b>
Equitable shareable revenue	5,023,690,277
Proceeds from domestic and foreign grants	161,963,208
Transfers from other government entities	195,845,363

## **County Expenditures for previous FY 2017/2018**

Total expenditure was 5.071 billion against a revised target of 7.554 billion representing an under spending of 33 percent deviation from the revised budget). Overall absorption rate was 67 percent with a percentage of 86 percent and 14 percent for recurrent and development expenditure respectively.

## **PERFORMANCE OF BUDGET FOR FY 2018/2019 AS AT 31<sup>ST</sup> DECEMBER 2018**

### **Implementation of 2018/2019 Budget and Emerging Fiscal Challenges.**

The implementation of budget for FY 2018/19 started smoothly despite uncertainty in release of funds from the national government due to late approval of County Disbursement schedule. Most spending during the first quarter was majorly recurrent in nature with employee cost taking a bigger percentage.

Challenges in the adherence to the budget plan continue to hamper smooth implementation of the FY 2018/19 budget. The revenue collection prospect in FY 2018/19 is promising. The data provided up to end of second quarter in December 2018 is KES 83 million.

Some of the notable challenges faced in the implementation of the County Projects and programmes include;

- High expectation from the Public for development;
- Expanding wage bill which limits funds meant for development;
- Delays in disbursement of funds from the National government;
- Inadequate financial resources;
- Low domestic revenue collection;
- Inadequate policy and legal framework;
- Inadequate technical staff;

**Revenue performance for 2018/19**

The county exchequer disbursements for the first half of the FY 2018/2019 was Kshs 3,259,684,312. On the other hand, own source revenue performance during first half of the year was KSHS.**83,374,234**



**Table 3 : NANDI COUNTY REVENUE REPORT- FY 2018/2019**

<b>NANDI COUNTY REVENUE REPORT FY 2018-2019</b>								
		<b>FIRST QUARTER</b>			<b>SECOND QUARTER</b>			
<b>FY 2018/19 BUDGET EST.</b>		<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>Total</b>
<b>REVENUE SOURCE</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>	<b>KSH</b>
Business Permits	36,430,791	1,690,700	1,127,048	675,464	1,476,760	266,300	75,400	5,311,672
liquor licensing	12,120,000	1,029,000	508,000	136,000	50,000	697,200	347,500	2,767,700
Plot rents	5,100,662	152,275	53,970	53,440	83,438	75,355	38,510	456,988
Land Rates	48,702,200	547,189	5,884,283	559,483	503,855	393,484	395,418	8,283,712
House and Stalls Rent	3,535,000	556,401	503,600	477,900	370,800	636,705	589,880	3,135,286
Parking Fees	46,018,822	2,121,941	2,175,958	2,590,010	3,038,123	2,522,090	2,683,027	15,131,149
Market Fees	15,595,046	1,212,873	1,114,450	1,277,154	1,349,508	1,159,113	1,141,915	7,255,013
Cess	156,456,200	338,420	912,296	395,219	507,920	1,712,585	232,739	4,099,179
Health and Sanitation	83,042,200	3,160,190	2,070,770	1,739,060	2,114,240	1,357,000	884,950	11,326,210
Kiborgok Tea Proceeds	18,913,963	311,690	208,353	71,223	11,931,978	155,253	-	12,678,497
Slaughter Fees	638,320	47,255	300	900	11,620	7,120	6,400	73,595
Sewerage and water	686,800	181,000	7,000	26,610	55,100	60,780	41,890	372,380
Agriculture	9,090,000	1,791,854	105,017	479,491	132,542	223,300	-	2,732,204
Trade Fair	2,020,000	-	-	-	-	-	-	-
Cattle Dips/Veterinary	6,565,000	204,600	274,540	280,750	618,100	573,500	424,600	2,376,090
Miscellaneous	14,378,242	545,603	1,132,136	2,591,534	1,518,543	759,082	827,661	7,374,559
<b>TOTAL COLLECTIONS</b>	<b>459,293,246</b>	<b>13,890,991</b>	<b>16,077,721</b>	<b>11,354,238</b>	<b>23,762,527</b>	<b>10,598,867</b>	<b>7,689,890</b>	<b>83,374,234</b>

### **Expenditure Performance for 2018/19**

Despite the delayed start in the implementation of the budget, the County still expects to fully implement its programmes and projects as planned. The expenditure for the first half of the year was Kshs. 2,917,575,627. This includes transfers to the County Assembly.

Recurrent expenditure amounted to Kshs. 2,050,988,922 while Development expenditure was Kshs. 866,586,706.

### **Revised budgets**

In the course of the budget implementation during the first half of the financial year 2018/2019 several challenges have emerged. Key among them is: Insufficient budget for some programmes resulting from payment of pending bills, delays in exchequer releases by the National Treasury and continued expenditure demands from departments.

In view of the financial constraints from revenue and emerging expenditure pressures, a supplementary budget for FY year 2018/2019 reflecting these changes has already been submitted to the county assembly and approved.

Adjustments to the 2018/2019 budget has taken into account actual performance of expenditure and absorption capacity for the remainder of the financial year. Due to resource constraints, the County Government will continue to rationalize and reprioritize development and operational expenditures in order to spend within the budget.

## **CHAPTER THREE:**

### **3.1 MEDIUM TERM STRATEGIC PRIORITIES**

This policy document shall be based on the strategies and priorities outlined herein which are guided by the County Integrated Development Plan (CIDP) and the Annual Development Plan (ADP) and are aimed at accelerating growth, employment creation, poverty reduction, improvement of social welfare and security. These include:

- i) Increased investment in healthcare services; to ease accessibility of quality health care.
- ii) Boost agricultural productivity and cooperative development; to ensure food security and overall poverty reduction.
- iii) Infrastructural developments in Roads, investment in Early Childhood Development Education and other educational facilities.
- iv) Provision of safe and clean water for use
- v) Supporting Investment and Trade for wealth and employment creation aimed at creating jobs and improving the overall economic growth.
- vi) Youth empowerment programmes to ensure a conducive environment for entrepreneurial initiatives.
- vii) Tourism and Environmental development, amongst other priorities.

#### **Strategic Priority I: Investing in quality and accessible health care**

A healthy population is essential for higher productivity and sustained long term development of the county. The county government intends to enable access to modern and well-equipped health facilities with well trained and motivated health personnel.

The strategy is to expand and modernize Kapsabet County Referral hospital with all essential drugs and non-pharmaceuticals with specialized equipment necessary to handle all health related cases. As a flagship project, the county will place priority on the construction to completion and operationalizing the Mother and Child Health Complex. Towards the realization of this, Joint Project Steering Committee has been constituted to oversee the implementation of the project.

Over the medium term, the county government will continue to Rehabilitate, expand and fully equip all the sub-county hospitals and health centres. The county will adequately stock the facilities with requisite drugs, increase the number of ambulances, establish maternity wings as well as have Kapsabet and Nandi hills morgue fitted with facilities necessary to handle relevant cases. This will reduce the radius of access to health care facilities to the desired less than 5km as per World Health Organizations.

For a sustainable approach to achieving Universal Health Care and as a priority , the county intends to roll a massive NHIF enrollment program targeting 200,000 households to enable residents access specialized services from accredited facilities.

## **Strategic Priority II: Boost Agricultural Productivity and Cooperative Development**

The Agricultural sector is the backbone of the County's economic growth, employment creation and poverty reduction. The sector contributes about 80% of the County's economic production and contains multiple linkages with other key sectors such as manufacturing, wholesale and retail, transport and distribution and other service-related sectors.

The objective of the sector is to improve livelihoods of the people of Nandi County. As a priority the county will enhance research and extension links, Promote value addition and agro-processing initiatives through cottage industries and establishment of aggregation centers for crop production.

Establishment of a milk processing plant remains top priority, the county allocated substantial amount in the 2018/19 budget to the project and as an ongoing flagship project, more allocations will be made to the program in the 2019/20 budget. Carrying out disease surveillance and vaccinations, Construction /rehabilitation of dips, Establishment of County Cooperative Development fund, Promoting Cooperatives ventures including inputs, marketing, manufacturing and value addition, Promoting savings and financial services are some of the strategies that will be put in place to achieve the priority.

In unlocking agricultural productivity among small-holder and livestock farmers the County will continue with the provision of subsidized AI services, Livestock disease control, provision of research and extension services, wide application of appropriate technology and mechanization of agriculture to achieve the highest levels of production.

## **Strategic Priority III: Infrastructural development**

Infrastructural development is geared towards expansion of trade within and across the county borders as well as expanding business opportunities, agriculture, employment and development of ICT infrastructure.

The county will scale up investment in infrastructure by upgrading and conducting routine maintenance of existing road, opening up of new roads and construction of bridges and footbridges which aims to significantly reduce the cost of doing business in the county. The medium term investment in road upgrade throughout the county will be aligned to support agriculture by linking farmers to markets.

As a priority, the county will invest substantial amount in purchase as well as hire of roadwork machinery and equipment so as to ensure quality, sustainable and cost effective road works. It will also establish culverts and cabro making unit for making Cabro stones and bricks thus reducing the cost of construction and increased infrastructural durability.

Over the medium term and as a priority, the county will continue investing in sports infrastructure and diversify its talent potential to include other sports and arts. In order to consolidate and strengthen its position as a sports hub, focus will be towards ensuring speedy completion of the Modern training camp at Kapsabet together with Nandi Hills and Kaptumo stadia. In collaboration with the National government, the counties will also fast track completion of Kipchoge Keino stadium.

The county street lighting will be done in all major urban areas as a strategy to promote commerce coupled with security. In addition, efficient waste management system will be put in place as well as proper drainage and sewer lines especially in Kapsabet town and other urban areas.

The county will also focus on stimulating tourism in the county by allocating more funds to the development of tourism sites. The sector will provide incredible opportunities in job creation and revenue enhancement.

#### **Strategic Priority IV: Provision of safe and clean water**

To increase access to safe drinking water, the county will continue investing in developing, commissioning and improving major and all ongoing water projects across the county in addition to conserving water catchment areas by protecting springs, water bodies and afforestation. In order to enhance environmental sustainability, the government will implement various projects that are aimed at rehabilitating dams, protecting springs, restoring wetlands and riparian ecosystems. To strengthen land regulations, a county land policy will be formulated and all natural resources within the county mapped. A county spatial plan will be prepared to provide a framework for land use in addition to mainstreaming climate change in all county programmes.

#### **Strategic Priority V: Trade and investment development.**

In achieving high economic growth rate and improving the living standards of her residents, the government intends to create conducive business environment to improve economic developments and support Small and Medium Enterprises (SMEs). Legislations are being put in place to allow businesses operate in lawful engagements, by deepening structural and governance reforms to encourage innovation, investment, growth and expansion of economic and employment opportunities in the county. Structural reforms aimed at improving efficiency and effectiveness of public service delivery facilitates private sector growth. In addition specific measures will be undertaken to provide incentives to both local and international investors in order to position Nandi County as the premier investment hub in the country and within the Lake Region Economic Bloc (LREB) and North Rift Economic Bloc (NOREB).

#### **Strategic Priority VI: Deepening Public Financial Management Reforms**

The County continues to receive its equitable share and local revenues. It is imperative that devolution achieves the objectives of better service delivery and rapid local economic development as well as job creation in line with the Vision 2030. However, this can only be realized if accountability and fiscal discipline in the use of devolved resources are entrenched and macroeconomic environment remains stable.

To improve on the local revenue ratios, measures will be put to expand the revenue base and seal possible leakages. Focus will be on continuous upgrading of the revenue system, improving service delivery at revenue collection points and carrying out a valuation role for ratings. The county will also ensure automation of all procurement processes for effectiveness in the workflow. Monitoring and evaluation of projects will therefore be key in ensuring that service delivery is improved, value for money is realized and lessons documented to improve future policy.

The government is set to undertake civic education on various legislations to create public awareness on existing Bills and enacted Acts by the County Assembly. Further, the County government intends to carry out consultative forums/ effective public participation towards prioritization of government programmes and projects.

## **CHAPTER FOUR**

### **FISCAL POLICY AND BUDGET FRAMEWORK**

#### **Overview**

The budget submissions by county departments will critically be reviewed with a view to remove any non-priority expenditures and shift the savings to the priority programmes. The fiscal policy strategy will focus on the county government's priority programs and projects contained in the Third Medium Term Plan (2018-2022), County Integrated Development Plan (2018-2022), and the priorities contained in the Annual Development Plan for the fiscal year 2019/2020.

Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure. The County is committed to standardize the recurrent expenditure and devote more resources to development. Nevertheless, as a prudent fiscal policy over the medium term, the County's borrowings shall be used only for the purpose of financing development and not for recurrent expenditure.

#### **Fiscal Policy**

Fiscal policy will continue to support poverty reduction efforts while undertaking the functions of county government within a context of sustainable public financing. The fiscal policy will therefore focus on: strengthening internal revenue collection; containing growth of total expenditures while ensuring a shift in the composition of expenditure from recurrent to capital expenditures and ensuring a significant shift in resource allocation towards county priority social and economic sectors.

#### **Fiscal risks shall be managed prudently.**

The County Government also takes into account the fiscal risks arising from contingent liabilities, liquidity risk arising from failure to actualize local revenue targets and high county wage bill on the total budget. The County government continues to put measures in place to enhance revenue collection, majorly through automation and widening of revenue base. The County will observe the fiscal rules set out in the PFM law and County Assembly regulations so as to entrench fiscal discipline.

#### **Fiscal Reforms**

The County Government will continue pursuing its policy objectives within the financial context established by fiscal responsibility principles. The progress made in the context of strategic priorities will continue to be regularly reviewed to establish the parameters for the Budget, with a continued focus on the level of expenditure on County

development and the reduction of debt levels. The 2019/2020 budget will operate under tight fiscal conditions, with any new policies needing to be offset by savings in other areas. The fiscal policy will be geared towards:

- (i) Enhancing revenue administration and efficiency in collection, by formulating revenue administration regulations and reviewing fees, levies and charges legislations in order to simplify and modernize them.
- (ii) Expenditure efficiency and effective implementation of budget programs through enforcement of cost benchmarks for all projects and consumables. There will further be enforcement of expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources in the County Government; Project planning and management as well as engagement on Public Private Partnership will be strengthened.

**On the revenue front**, the County Government is expected to institute corrective measures to reverse the loss of revenue from local sources. These measures will include:

- (i) Strengthening internal control systems, building capacity as well as restructuring to ensure qualified personnel for maximum output.
- (ii) Strengthening and equipping County inspectorate unit to enforce all streams.
- (iii) Enhancing cooperation and support from other departments to improve infrastructure and service delivery.
- (iv) Improve on automation of the revenue collection system.
- (v) Identify and close all revenue leakages to enhance revenue collection e.g. using anti-counterfeit records which are secure and continuous monitoring of revenue stream targets.

**On the expenditure front**, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened. This will incorporate full implementation of IFMIS; a Human Resource model for Personnel Management; a Fleet Management System for the monitoring of the County motor vehicles and fuel. It is therefore imperative to continue restructuring expenditure systems to ensure efficiency and create fiscal space required to fund the county needs.

#### **Adherence to Fiscal Responsibility Principles**

The county government recognizes that the fiscal stance it takes today will have implications into the future. Therefore, the county government will ensure adherence to fiscal responsibility principles provided under section 107(2) of the PFM Act. The respect and observance of these fiscal rules set out in the PFM law and its regulations is important and necessary to entrench fiscal discipline.

#### **Deficit Financing**

The County Government is taking all measures to ensure there is balance between the resources available and the priorities and programmes identified for implementation. The county expenditures are limited to county estimates that balances off with the sum total of internal revenue collection, share of the national revenue and conditional

grants. Therefore, over the medium term, the County Government will not borrow so that domestic borrowing does not crowd out the private sector given the need to increase private investment to accelerate economic expansion.

### **Budget Framework for FY 2019/2020**

The 2019/2020 budget framework is set against the background of ADP and the MTEF. The National BPS projects improved performance across all sectors of the economy. Therefore, allocations from the National Government to the County Government are projected to be on the increase.

### **Revenue projections**

The FY 2019/2020 budget revenue targets inflow is projected at Kshs 5.68 billion which will be inclusive of Kshs 376.8 million own revenue and Kshs 5.239 billion with Appropriation-in-Aid (Conditional Grants excluded). The performance of own revenue will be underpinned by effective administration and enforcement of the finance bill.

### **Expenditure projections**

Total expenditure for the FY 2019/2020 is projected at Kshs 6.25 billion from the estimated Kshs 8.3 billion in the FY 2018/2019 budget. Recurrent expenditures are expected to amount to Kshs 4.5 billion as compared to Kshs 5.1 billion in the 2018/2019 FY budget. Expenditure ceilings on goods and services for Departments/Ministries amount to Kshs 1.4 billion in the FY 2019/20. The ceiling for development expenditures amounts to Kshs a.17 billion in the FY 2019/2020. Most of the outlays are expected to support health equipment and infrastructure development, roads infrastructure, water connectivity, ECDE classrooms construction and Youth and women empowerment.



## CHAPTER FIVE

### MEDIUM TERM EXPENDITURE FRAMEWORK

#### Resource Envelope

The resource envelope available for allocation among the spending agencies is based on the updated medium term fiscal framework.

The fiscal year 2019/2020 present a momentous opportunity to the County to complete and operationalize most of the projects it has been undertaking. Therefore, the ceilings for the different departments of the County have been dictated by the need to complete ongoing projects rather than the priority needs.

However, those departments with complete and operationalized projects will focus on new and prioritized projects as per the priorities in the County Integrated Development plan (2018- 2022) and the governors Manifesto.

#### Revenue Projections

The County's sources of revenue include:

- **Equitable share**

The equitable share is an unconditional allocation to the County Governments from the revenue generated by the National Government as provided for by the constitution. The County is fully responsible for these funds and is directly accountable to the County Assembly on how the resources under her control are spent. Equitable share from the National Government is estimated at **Kshs. 5,239,000,000** during the FY 2019/2020.

- **Conditional and Unconditional grants:**

These may be given as additional allocations from the National Government's share to which the National Government may or may not attach conditions in the FY 2019/2020. We anticipate receiving DANIDA funds, free maternal health care, and compensation of user fee, county emergency fund, Road maintenance levy fund, Kenya Urban Support Programme fund and Kenya Devolution Support Programme fund.

- **Own revenues**

The County own revenue is projected at **Kshs376 million**. This is based on the current trend of revenue collection and other revenue measures to be instituted. Total revenue available to fund the expenditure is therefore projected at **Kshs5.615 billion** in FY 2019/2020 increasing to **Kshs6.56 billion** and **Kshs 6.69** in FY 2020/2021 and FY 2021/2022 respectively.

**Expenditures**

**Recurrent expenditures**

**4,537,319,178** is projected to be spent on Recurrent Expenditures in the FY 2019/2020 and **1,078,510,655** on development translating to 80.8% and 19.2% respectively.

**Development expenditures**

Total development expenditures shall account for 19.2 percent in FY 2019-2020. These expenditures will go towards implementation of the county development programs as indicated earlier. The outturn below provides the projected County Resource Envelope for FY 2019-2020 and subsequent years.

**Table 4: Revenue resource envelope**

**RESOURCE ENVELOPE 2019-2020  
MEDIUM TERM FISCAL FRAMEWORK FY 2018/19 to 2020/21**

CODE	REVENUE ITEMS	Printed			Medium Term Projections	
		Estimates	2017/2018	2018-2019	Supp 2018-19	2019-2020
<b>1</b>	<b>Total Anticipated Revenue</b>	<b>6,706,963,981</b>	<b>8,184,241,450</b>	<b>8,396,471,093</b>	<b>5,615,829,833</b>	<b>6,492,837,968</b>
1.1	<b>Local Revenue</b>	<b>385,438,659</b>	<b>459,293,246</b>	<b>459,293,246</b>	<b>376,829,833</b>	<b>384,366,430</b>
1520100	Land Rates	46,220,000	46,682,200	46,682,200	23,807,922	24,284,080
1520500	Plot Rent/House rent	5,050,160	5,100,662	5,100,662	1,560,802	1,592,018
1420328	Single Business Permits	36,070,090	36,430,791	36,430,791	29,727,525	30,322,076
1420328	Loiquor Licensing	12,000,000	12,120,000	12,120,000	5,439,456	5,548,245
1420405	Market Fees	15,440,640	15,595,046	15,595,046	10,657,655	10,870,808
1330405	Agriculture	9,000,000	9,090,000	9,090,000	6,119,388	6,241,776
1420345	Cess	85,600,000	156,456,200	156,456,200	156,456,200	159,585,324
1420507	Kiborgok Tea Proceeds	18,726,696	18,913,963	18,913,963	18,134,708	18,497,402
1580401	Slaughter Fees	632,000	638,320	638,320	820,369	836,776
1550105	Kiosks & stalls	3,500,000	3,535,000	3,535,000	7,247,457	7,392,406
1550000	Trade Fair	2,000,000	2,020,000	2,020,000	2,060,400	2,101,608
1420404	Parking Fees	45,563,190	46,018,822	46,018,822	32,388,047	33,035,808
1450100	Vetenary	6,500,000	6,565,000	6,565,000	4,754,373	4,849,460
1580100	Health and Sanitation	82,220,000	83,042,200	83,042,200	64,374,313	65,661,800
1420403	Sewerage and Water	680,000	686,800	686,800	665,509	678,819
1530000	Advertising	4,200,000	4,242,000	4,242,000	2,812,446	2,868,695
1530000	Physical Planning	2,000,000	2,020,000	2,020,000	1,339,260	1,366,045
1530000	Weights % Measures	3,000,000	3,030,000	3,030,000	2,008,890	2,049,068
1530000	Tourism and Co-op Development	1,400,000	1,414,000	1,414,000	1,442,280	1,471,126
1530000	Hire of Exhauster	2,200,000	2,222,000	2,222,000	1,473,186	1,502,650
1530000	OTHER FEES	3,435,883	3,470,242	3,470,242	3,539,647	3,610,440
<b>1.2</b>	<b>GOVERNMENT FUNDING</b>	<b>5,899,375,051</b>	<b>6,923,292,680</b>	<b>6,729,469,670</b>	<b>5,239,000,000</b>	<b>5,500,950,000</b>
1.2.1	CRF Fund Balances	795,575,051	1,553,892,680	1,360,069,670		

1.2.2	CRA EQUITABLE SHARES	5,103,800,000	5,369,400,000	5,369,400,000	5,239,000,000	5,500,950,000
					-	-
<b>1.3 Conditional allocations from NG</b>		<b>249,969,192</b>	<b>196,712,989</b>	<b>495,712,989</b>	<b>206,548,638</b>	<b>216,876,070</b>
1.3.1	CHFS -County Health Facility Supplies	-		299,000,000	-	-
1.3.2	COMPENSATION OF USER FEE	18,086,363	18,086,363	18,086,363	18,086,363	18,990,681
1.3.3	RMLF	202,600,435	141,371,626	141,371,626	151,830,656	159,422,189
1.3.4	Development of Youth Polytechnics	29,282,394	37,255,000	37,255,000	32,793,298	34,432,963
					-	-
<b>1.4 Conditional Allocations from Development partners</b>		<b>172,181,079</b>	<b>604,942,535</b>	<b>711,995,189</b>	<b>372,043,303</b>	<b>390,645,468</b>
1.4.1	DANIDA -HSPS3	13,728,999	17,111,250	17,111,250	17,966,813	18,865,153
1.4.2	KDSP - World Bank	41,606,801	44,551,044	44,551,044	46,778,596	49,117,526
1.4.3	W.B -Transforming of Health Systems	66,845,279	97,229,498	97,229,498	102,090,973	107,195,522
1.4.4	W B. -National Agricultural and rural growth project	50,000,000	140,435,163	140,435,163	147,456,921	154,829,767
1.4.5	NARGP 2017-2018	-	55,000,000	55,000,000	57,750,000	60,637,500
1.4.6	Kenya Urban Support project (KUSP)		88,615,580	177,231,700		
1.4.7	European Union Water Tower Programme		72,000,000	80,000,000		
1.4.8	W.B. - Urban Institutional Grant (UIG)		50,000,000	41,200,000		
1.4.9	Food and Agriculture Organization		40,000,000	40,000,000		
1.4.10	ASDSP			19,236,534		
					-	-
1.5.1	LEASING OF MEDICAL EQUIPMENT	95,744,681	200,000,000	200,000,000	131,914,894	138,510,639
1.5.2	Ford Foundation			5,600,000		

The shareable resource is net of conditional grants since their functions are specific  
\*Conditional allocations from the National Government and the foreign development partners has not been considered in the resource envelope for purpose of sharing among the departments.

**Table 5: Budget ceilings 2019/2020**

<b>SUMMARY OF COMPENSATION TO EMPLOYEES, OTHER RECURRENT EXPENDITURES AND DEVELOPMENT</b>						
<b>VOTE TITLE</b>	<b>Personnel Costs</b>	<b>Rec</b>	<b>Maintenance</b>	<b>Development</b>	<b>TOTAL</b>	<b>%</b>
	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>		
COUNTY EXECUTIVE	133,412,305	244,173,688	5,600,000	30,780,655	413,966,648	7.4
FINANCE AND ECONOMIC PLANNING	180,596,533	162,597,786	3,050,000	31,550,000	377,794,319	7.0
ADMINISTRATION, PUBLIC SERVICE AND e-Government	284,456,563	33,977,232	2,930,000	51,600,000	372,963,795	6.6
HEALTH AND SANITATION	1,622,975,952	370,388,806	7,455,000	146,800,000	2,147,619,758	38.2
AGRICULTURE AND CO-OPERATIVES DEVELOPMENT	224,943,959	25,941,739	1,123,000	150,000,000	402,008,698	7.2
TOURISM, CULTURE AND SOCIAL WELFARE	25,054,635	12,681,375	608,000	28,000,000	66,344,010	1.2
SPORTS, YOUTH AFFAIRS AND ARTS	40,719,081	13,696,500	1,100,000	72,800,000	128,315,581	2.3
EDUCATION AND VOCATIONAL TRAINING	172,627,473	72,396,766	200,000	119,280,000	364,504,239	6.5
LANDS, ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE	58,404,251	21,925,000	1,000,000	117,600,000	198,929,251	3.5
ROADS, TRANSPORT AND INFRASTRUCTURE	52,469,010	35,034,600	26,280,000	160,250,000	274,033,610	4.9
TRADE AND INDUSTRIAL DEVELOPMENT	33,897,658	11,808,227	864,500	39,000,000	85,570,386	1.5
PUBLIC SERVICE AND LABOUR	20,119,559	7,530,000	650,000		28,299,559	0.5
COUNTY ASSEMBLY	291,127,081	328,474,536	5,028,366	130,850,000	755,479,983	13.2
<b>TOTALS</b>	<b>3,140,804,057</b>	<b>1,340,626,255</b>	<b>55,888,866</b>	<b>1,078,510,655</b>	<b>5,615,829,833</b>	<b>100.0</b>
<b>Percentage Allocation</b>	<b>56</b>	<b>23.8</b>	<b>1.0</b>	<b>19.2</b>	<b>100.0</b>	

**\*Conditional allocations shall be budgeted by the line departments as shall be allocated through the county allocation of revenue act 2019.**

## **CONCLUSION**

The fiscal framework presented in this paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness, efficiency and economy in public financial management in order to ensure fiscal discipline. However, on addressing the development needs of the people of Nandi, emphasis shall be on the priorities as laid out in the C.I.D.P for both short term and Medium Term expenditure/planning framework.

Budgetary resources are usually limited, thus it is imperative that departments prioritize their programmes within the available resources to ensure utilization of public funds is in line with county government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programmes.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document.

Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including County Government Departments, civil Society, Communities, County Assembly and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.