

**COUNTY GOVERNMENT OF NANDI**



**NANDI COUNTY ASSEMBLY  
SECOND ASSEMBLY, FOURTH SESSION**

**REPORT**

**OF THE**

**COUNTY BUDGET AND APPROPRIATIONS COMMITTEE**

**THE NANDI COUNTY FISCAL STRATEGY PAPER 2020**

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**MARCH, 2020.**

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**1.0 PREFACE**

**Mr. Speaker Sir,**

On behalf of the Members of the Budget and Appropriations Committee, and as per the requirement of Section 117 (6) of the Public Finance Management Act 2012 and Standing Order 189(3); it is with great pleasure that I present to this House the Committee’s report on the County Fiscal Strategy Paper (CFSP) 2020.

**Mr. Speaker Sir,**

The 2020/2021 County Fiscal Strategy Paper (CFSP) is the seventh to be prepared since the inception of Nandi County Government. The theme of this year’s CFSP is ***“Achieving Sustainable and Inclusive Socio-Economic Transformation-The Big 4 Agenda”***.

The County priorities in the 2020/2021 fiscal year are: Investing in healthy service delivery; to ease accessibility of quality Health Care; Boost Agriculture productivity and Cooperative Development to ensure food security and overall poverty reduction, Continued investment in Infrastructure; infrastructural developments in ECDE and other educational facilities; Provision of safe and clean Water for use; Supporting Investment and Trade for wealth and employment creation aimed at creating jobs and improving the overall economic growth, Sports and Youth Empowerment and Tourism Development- Identifying and developing existing tourist attraction sites.

**Mr. Speaker Sir,**

The County Fiscal Strategy Paper, 2020 is aligned to the national government’s “Big Four Agenda” as outlined in the 2020 Budget Policy Statement. The Big Four Agenda entails putting a roof over more Kenyans’ heads, availing quality health care, ensuring that no one goes hungry and creating jobs through expansion of the manufacturing sector.

## **2.0 MANDATE OF THE COMMITTEE**

**Mr. Speaker Sir,**

The Committee on Budget and Appropriations is constituted pursuant to the provisions of Standing Order No. 189 which states that:

- 1) *There shall be a select Committee to be known as the County Budget and Appropriations Committee;*
- 2) *The Committee shall consist of a chairperson, and not more than ten other Members; and*
- 3) ***The functions of the Committee shall be to-***
  - a) *Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;*
  - b) *Discuss and review the estimates and make recommendations to the County Assembly;*
  - c) *Examine the County Fiscal Strategy Paper presented to the County Assembly;*
  - d) *Examine Bills related to the county budget, including Appropriations Bills; and*
  - e) *Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.*

## **3.0 LEGAL FRAMEWORK**

Section 117 of the Public Finance Management Act states as follows;

- (1) *The County Treasury shall prepare and submit to the 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 the 28th February of each year.*
- (2) *The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.*
- (3) *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.*
- (4) *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.*
- (5) *In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —*
  - (a) *the Commission on Revenue Allocation;*
  - (b) *the public;*
  - (c) *any interested persons or groups; and*
  - (d) *any other forum that is established by legislation.*
- (6) *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.*
- (7) *The County Treasury shall consider any recommendations made by the county assembly when finalising the budget proposal for the financial year concerned.*
- (8) *The County Treasury shall publish and publicise the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.*

#### **4.0 COMMITTEE MEMBERSHIP**

**Mr. Speaker Sir,**

As currently constituted, the Budget and Appropriations Committee comprises of the following Honorable Members:

- |                           |   |                  |
|---------------------------|---|------------------|
| a) Hon. Walter Kiplagat   | - | Chairperson      |
| b) Hon. Rael Rotich       | - | Vice Chairperson |
| c) Hon. Dr. Paul Sanga    | - | Member           |
| d) Hon. Robert Kirwa      | - | Member           |
| e) Hon. Nancy Chemutai    | - | Member           |
| f) Hon. Margaret Nyauntu  | - | Member           |
| g) Hon. Januarius Kerring | - | Member           |

#### **5.0 ACKNOWLEDGEMENT**

The Committee wishes to thank the Office of the Speaker and the Clerk of the County Assembly for the support the two offices have always extended to the Committee. It is through this support that the committee has been able to effectively fulfill its legal mandate. The Committee is largely indebted to all Members of County Assembly, the general public and all stakeholders who participated and gave inputs towards the development of this report on the 2020/2021 Fiscal Strategy Paper.

Further, the Committee acknowledges and commends the Committee Secretariat for the meticulous technical review and analysis of the Fiscal Strategy Paper. The secretariat's technical inputs illuminated the entire process of reviewing the 2020/2021 County Fiscal Strategy Paper.

**Mr. Speaker Sir,**

It is therefore my pleasant undertaking, on behalf of the Budget & Appropriations Committee, to table this report and recommend it to the House for adoption.

Sign.....

Date.....

**Hon. Walter Kiplagat**

**Chairperson, Committee on Budget and Appropriation**

We, honorable members of the committee on Budget & Appropriation, do hereby affix our signatures to this report to affirm our approval and confirm its accuracy, validity and authenticity:-

No.	Name	Position	Date	Signature
1	Hon. Walter Kiplagat	Chairperson	.....	.....
2	Hon. Rael Rotich	Vice Chairperson	.....	.....
3	Hon. Margaret Nyauntu	Member	.....	.....
4	Hon. Nancy Chemutai	Member	.....	.....
5	Hon. Robert Kirwa	Member	.....	.....
6	Hon. Dr. Paul Sanga	Member	.....	.....
7	Hon. Januarious Kerring	Member	.....	.....

## **6.0 OVERVIEW OF THE COUNTY FISCAL STRATEGY PAPER, 2020.**

**Mr. Speaker Sir,**

The County Fiscal Strategy Paper (CFSP) is a policy document that specifies the broad strategic priorities and policy goals that will guide the county government in preparing its budget. The

CFSP aligns the County objectives to the national objectives. These objectives are set out in the National Government's Budget Policy Statement. The County Fiscal Strategy paper outlines the financial outlook of a County Government; including revenues, expenditures and borrowing for the next financial year and over the medium term.

The strategic priorities in the CFSP are derived from the National and County Government plans such as Vision 2030, Medium Term Plans, Annual Development Plan (ADP)/County Integrated Development Plan (CIDP), Departmental Strategic plans among others.

**Mr. Speaker Sir,**

The County Fiscal Strategy paper is linked to the Annual Development Plan which is an extract from the County Integrated Development Plan. The CIDP provides strategic policy information for the development of the CFSP and helps in linking the County budget to the County development agenda. To achieve this, the County Integrated Development Plan has to be developed and disseminated to all stakeholders, including the County Assembly.

**Mr. Speaker Sir,**

The analysis of the 2019 CFSP is guided by:

- (a) Adherence to the legal requirement under Section 117 and 107(a) of the Public Finance and Management Act 2012, and Sections 25-27 of the Public Finance and Management (County Governments) Regulation 2015;
- (b) Relationship of the CFSP to other policy documents; and
- (c) Priority and accurate allocation of adequate resources to various departments

**Mr. Speaker Sir,**

In adherence to the legal framework for approving the County Fiscal Strategy Paper, 2020 the following is a brief highlight on what the law requires to be done, what was done, and committee recommendations thereto:



1. **Requirement of the law on Timeliness for Submission of the CFSP to the County**

**Assembly:** Section 117(1) of the Public Finance and Management Act 2012 requires the CFSP to be submitted to the County Assembly by 28<sup>th</sup> of February, each year.

**What was done:** On 28<sup>th</sup> February 2020, the CEC Member in charge of Finance and Economic Planning submitted Nandi County Fiscal Strategy Paper 2020.

**Recommendation by the Committee:** The CEC Member in charge of Finance and Economic Planning should endeavor to continue submitting the document within the legal timeframe. This will pave way for timely preparation of subsequent budget documents.

2. **Failure to provide highlights on Potential risks:** Section 25(2) of the Public Finance and Management Regulations 2015 requires the County Executive Committee Member to include in the County Fiscal Strategy Paper a statement of fiscal risks, outlining the potential policy decisions and key areas of uncertainty that may have material effect on the fiscal outlook.

**Mr. Speaker Sir,** the committee notes that the CECM Finance stated the following fiscal risks that shall be managed prudently in the 2020/2021 CFSP :

;

- ✓ Failure to actualize local revenue target;
- ✓ Ballooning wage bill that will impact negatively on development expenditure.

**Mr. Speaker Sir,** the committee recommends that the CEC Member in charge of Finance and Economic Planning develops and avails to this House the strategies and policies that will be used to address the above risks. These includes automation and widening of revenue base to enhance revenue collection and adhering to fiscal rules set out in the PFM law and the County Assembly regulations.

**Mr. Speaker Sir,** our County does not plan in isolation without considering global and National Economic and Fiscal trends.

Available statistics demonstrate that Kenya's economy grew at an average of 5.6 percent per year in 2019. This average growth underperformed the average growth rate of 6.0 percent in the period 2018. In 2020, the Economy of Kenya is projected to be 6.1%. The value of goods and services produced therefore raised the per capita income from Ksh 113,539 in 2013 to an estimated Ksh 202,859 in 2019. The economy generated an average of 831,000 new jobs per year in the period 2013 - 2018 up from 656,500 jobs per year in the period 2008-2012. However, uncertainty associated with elections, coupled with the effects of adverse weather conditions slowed down the performance of the economy in 2017. As a result, the economy is estimated to grow by 6.1 percent in 2020, which is upward from the estimated growth of 5.7 % in 2019. This growth is supported by strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector.

**Mr. Speaker Sir,** The committee observes that the 2020/2021 CFSP provides national statistical data (on economic growth and main sector affecting growth, the Big Four plan, inflation, exchange rates, interest rate, foreign exchange market and ease of doing business) that are all important in understanding the country performance. In future it will be of great importance for the CFSP to provide county based statistics that will aid in county planning.

In addition, there is need to highlight the strategies in place for implementation of the Big Four Agenda in Nandi County owing to the fact that health and agriculture are devolved functions, and there exists a Department of Administrative, Public Service and e-Government in the County that is mandated to provide shelter. Of significance, robust strategies need to be put in place to seal leakages in local revenue collection, and creation of conducive environment for private sector growth. In fact the private sector employs at least 80% of workforce in Kenya. By creating employment, the county contributes to the big four aspiration of employment creation through expansion of manufacturing sector by private players.

**Mr. Speaker sir,** when we align our county development agenda to the National development agenda, the County harmoniously develops with the Country and leverages on benefits of

National development through sharing of strategies and ring fenced resources, such as conditional grants from National Government to implement the Big Four Agenda in Nandi County.

## **7.0 2019/2020 FISCAL PERFORMANCE AND POLICY OUTLOOK**

### **7.1 County Revenue Performance For 2019/2020 Financial Year**

**Mr. Speaker Sir,**

In the 2019/2020 Financial Year, Nandi County Government envisioned to spend a total of Ksh. **8,513,458,432**. Revenue streams that were **expected** to fund the county budget include: Cash Balances from financial year 2019/2020 that was amounting to Ksh. 1,604,294,705; Equitable Share amounting to Ksh.5,348,850,000, Conditional allocation from National Government of Ksh. 202,710,317, Conditional Allocations from Development partners Ksh. 727,703,206 and Locally Collected Revenue of Ksh. 628,818,024.

#### **Committee Observations**

**Mr. Speaker Sir,**

The Committee made the following observations:

##### **7.1.1 Local Revenue**

In the first a half of the 2019/2020 financial year, Local Revenue target was Kshs 314,409,012, the county managed to collect Ksh 100,975,937 which represent 32.1% of the target. This collection is quite high compared to Kshs. 83,374,234 that was collected in the first a half of 2018/2019 financial year.

As stated in previous CFSP Committee reports, revenue over-estimation contributes to higher expenditure demands from county departments. This often leads to revision of expenditure plans within the financial year. Already in the current financial year, preliminary Local Revenue Performance for the First Half of the year indicates an underperformance by Ksh. 213,433,075.

**Mr. Speaker Sir,**

Low revenue collections could result to budget deficit, which will result to pending bills.

**Mr. Speaker Sir,**

Higher revenue performance is an important factor to the implementation of CFSP expenditure plans. The committee recommends operationalization of specific measures, with timelines to ensure achievement of local revenue targets. The County needs to implement previous Budget and Appropriation Committee recommendations on ways of improving local revenue collections.

### **7.2 Analysis of County Expenditure for the financial year 2019/2020**

**Mr. Speaker Sir;**

The CECM Finance did not highlight the actual expenditure as at 1<sup>st</sup> half of the financial year 2019/2020 in the CFPS -2020.

### **7.3 Absorption Rate**

**Mr. Speaker Sir,**

The committee notes that the CEC Member in charge of Finance and Economic Planning did not submit development performance for each department therefore it is not possible to compute the absorption rate per department. The actual development expenditure per department vis-à-vis the expected 50% development target as at 31<sup>st</sup> December 2019, 1<sup>st</sup> half of FY 2019/2020, informs computation of absorption rate in a particular department.

**Mr. Speaker,**

Tracking County project implementation progress is within the oversight mandate of the County Assembly.



## 8.0 MEDIUM TERM EXPENDITURE FRAMEWORK (2020/2021)

### 8.1 Resource Envelope

**Mr. Speaker Sir,**

In the CFSP submitted, and for purposes of budgeting for the financial year 2020/2021 the County expects to receive **Ksh. 5,402,600,000** from Equitable Share and a total of **Kshs. 206,793,049** as conditional grants from the National Government. In addition, the County expects to raise **Ksh. 397,404,353** locally.

However, in its findings from the 2020 Budget Policy Statement, the Committee noted the following conflicting disclosure in the Conditional grants and loans;

S/No.	Grants/Loans	BPS 2020 Revenue Allocation for Nandi County (Kshs)	CFSP 2020 Allocation (Kshs)	Deviation In (Ksh.)
<b>A</b>	<b>Grants Contained in the CARA, 2020</b>			
1	Leasing of Medical Equipment	132,021,277	148,936,170	-16,914,893
2	Rehabilitation of Village Polytechnics	27,919,894	28,341,170	-421,276

**Mr. Speaker Sir,**

The Committee further established that the CEC Member responsible for Finance failed to disclose all the allocations in form of loans and grants from the Development Partners. From the Controller of Budget Report based on BPS 2020, the Committee recommends the following allocations from the Development Partners tallying to Total of Ksh.

433,775,389 . Therefore the total estimated revenue as recommended by the committee is Ksh. 6,637,594,068 in page 26 of this report.

Table below shows the comparative resource envelope for 2019/2020 and 2020/2021 financial years.

: Proposed Resource Envelope For Financial Year 2019/2020

<b>REVENUE SOURCES: Conditional Loans and Grants</b>	<b>REVISED ESTIMATES</b>	<b>CFSP ESTIMATE AS PER COUNTY TREASURY</b>	<b>COMMITTEE FINDINGS IN LINE WITH BPS 2020</b>
	<b>2019/2020</b>	<b>2020/2021</b>	<b>2020/2021</b>
Unspent Balances	1,604,294,705	-	
Equitable share	5,348,850,000	5,402,600,000	5,380,500,000
DANIDA( Universal Healthcare in Devolved System Program) HSPS3	16,031,200	-	-
World Bank grant (KDSP)	30,000,000	-	-
NARGIP 2019-2020	343,929,300	-	-
Compensation user fee forgone	18,086,363	18,086,363	18,086,363
Roads maintenance levy fund(RMLF)	151,830,656	160,365,516	160,365,516
World Bank grant – Transformation of Health Systems	46,342,186	-	-
Development of youth polytechnics	32,793,298	28,341,170	27,919,894
Leasing of Medical Equipment	131,914,894	148,936,170	132,021,277

Kenya Urban Supp Project(KUSP)	177,231,700	-	-
European Union Water Tower Programme	80,000,000	-	-
W.B-Urban Institutional Grant (UIG)	8,800,000	-	-
Food and Agriculture Organization	-	-	-
County Health Facility Supplies-CHFS	-	-	-
ASDSP	16,507,785	-	-
Local revenue	628,818,024	397,404,353	397,404,353
Other loans and Grants as per the 2020 BPS.	-	-	433,775,389
<b>TOTAL</b>	<b>8,635,430,111</b>	<b>6,155,733,572</b>	<b>6,550,072,792</b>

### 8.1.1 Equitable share

**Mr. Speaker Sir,**

This is a rightful share to every County Government as stipulated in Article 202(1) of the Constitution of Kenya 2010. The equitable share for the County increased perennially from Ksh. 5,348,850,000 in FY 2019/2020 to Ksh 5,380,500,000 in FY 2020/2021 representing a 0.5% increment. Table below shows equitable share estimates for FY 2019/2020-2020/2021:



Equitable share Trend since 2017/2018 to 2019/2020

Year	2017/2018	2018/2019	2019/2020	2020/2021
Printed	5,103,800,000	5,369,400,000	5,348,850,000	5,380,500,000
Variance	-	265,600,000	(20,550,000)	31,650,000
% Change		5%	(5.1)%	0.5%

Source; County Treasury

### 8.1.2 Local Revenue

Mr. Speaker Sir,

The County projects to collect Ksh. 397,404,353 in 2020/2021 financial year. This is a decrease of 37% from the 2019/2020 projections. The local revenue trend shows that the county has not been able to achieve its set targets as shown below.

Local Revenue Trend since 2016/2017 to 2019/2020

Year	Printed Estimates	Revised/Targets Estimates	Achieved	Deviation from the Target	% performance
2016/2017	362,283,894	362,283,894	112,264,140	(250,019,754)	31%
2017/2018	385,438,659	385,438,659	197,886,883	(187,551,776)	51.3%
2018/2019	459,293,246	459,293,246	286,235,013	(173,058,233)	62.3%
2019/2020	459,293,246	628,818,024	-	-	-
<b>Totals</b>	<b>1,666,309,405</b>	<b>1,835,833,823</b>	<b>596,386,036</b>	<b>(610,629,763)</b>	-

Source: Controller of Budget Report

### **Committee observation**

**Mr. Speaker Sir,**

Based on historical trends as shown in table above, the current local revenue forecast is unrealistic, unless the county executive puts in place ingenious methods of improving local revenue collection. The unrealistic revenue forecast contravenes section 107(2)(g) of PFM Act 2012 on reasonable degree of predictability. The county needs to come up with practical and achievable local revenue targets by using scientific methods of revenue forecasts. The Committee proposes that the CECM in charge of Finance and Economic Planning consults the National Treasury and the Kenya Revenue Authority on realistic local revenue prediction methods for credible predictions. This will be in the spirit of the inter-dependence of County and National Government as pronounced by the Constitution of Kenya 2010.

### **8.2 Expenditure Ceilings FY 2020/2021**

**Mr. Speaker Sir,**

It is worth noting the CECM responsible for Finance **did not give abreakdown of the Expenditures per Department** from the start of the FY 2020/2021 (1<sup>st</sup> July 2019) to the end of 1<sup>st</sup> half of the financial year, 31<sup>st</sup> December, 2019. The breakdown would have informed the calculation of departmental absorption rate and therefore appropriate projections of the departmental ceilings.

The projections indicated in the CFSP cannot be relied upon since the committee cannot ascertain what informed the projected figures.

**Mr. Speaker Sir,**

From the CFSP 2020/2021, the committee noted that the indicated total budget for the FY 2020/2021 is **Ksh.6,006,797,402**. The County executive proposes to spend

**Ksh.1,088,875,351** for development and **Ksh.4,917,922,033** for recurrent purposes translating to 18% and 82% respectively.

**Mr. Speaker Sir,**

The Committee makes the following observations on the proposed County ceilings:

1. **County Assembly Ceiling:** Section 117(5) of PFMA Act, requires the County Treasury to seek and take into account the views of the Commission of Revenue Allocation and other stakeholders in setting the ceiling for County Executive and County Assembly. The Committee however notes that the Assembly did not participate in giving views on the ceiling, and that submissions made by CRA were not considered in setting the assembly ceiling.

2. **Wages and Benefit Bill:**

**Mr. Speaker Sir,** with regard to personnel emoluments, the committee observed that the CFSP, 2019 has proposed Ksh. 3,819,224,270 as ceilings for personnel emolument representing 64% of the total expenditure. The wage bill is above the 35% threshold which contravenes section 25 of PFM Act.

Considering the growing fiscal risks associated with uncontrolled expenditure on personal emoluments, the National Treasury as on the basis of Section 46 (3)(c) of the PFM Act 2012 directs all concerned counties to prepare and submit action plans, including timelines, towards achieving sustainable wage bill.

3. **Development Ceilings:**

**Mr. Speaker Sir,**

I wish to also point out that despite it being clearly spelt out in Section 26(6) of the PFM (County Governments) Regulations 2015, the provision that the ceiling for development expenditure and personnel emoluments shall be approved by the County Assembly and shall be binding over the next two budget years, this has not been complied with. Indeed, expenditure projections for any budget item relating to the medium term are rarely taken into account.

**Mr. Speaker Sir,**

The importance of the Medium Term Expenditure Framework is that it determines the fiscal space available to a spending agency over the medium term which ensures predictability of resources thereby allowing the spending agency to simply focus on results. It is this committee's submission therefore that preset limits for the medium term should be regarded and should be the starting point for budgeting in any subsequent years. If the budget disregards medium term decisions especially those enshrined in law, then it will not be effective.

**9.0 COMPLIANCE OF THE COUNTY GOVERNMENT OF NANDI CFSP 2020 WITH THE PFM ACT 117 (5)**

**Mr. Speaker Sir,**

The PFM Act 117(5) is expressive that;

In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views

of;

- (a) The Commission on Revenue Allocation;
- (b) The public;
- (c) Any interested persons or groups; and
- (d) Any other forum that is established by legislation.

**Mr. Speaker Sir,**

While it appears in Pg. 2 that the relevant Chief Officer acknowledged that there were comments from CEC Members, CBEF, Departmental sector working groups, Chief Officers, Directors, Technical Staff and external stakeholders, no evidence has been provided of the following;

- (a) correspondences between the County Treasury and the Commission on Revenue Allocation,
- (b) call (s) or invitation(s) for attendance, minutes and attendance register of the public participation exercises conducted by the County Executive,

- (c) Minutes, proceedings and resolutions of the County Budget Economic Forum as further contemplated PFM Act Section 137.
- (d) Minutes of deliberation or proceedings of the CEC Members, County Treasury, etc.

However, the CECM Finance responded to the above via a letter dated 5<sup>th</sup> March, 2020 Ref CG/NDI/FIN/7/9(b)VOL.II/160.

**Mr. Speaker Sir,**

The County Fiscal Strategy Paper was formulated without taking due regard to the recommendations of the Commission on Revenue Allocation as required under the stated section. Example noted is that the CFSP 2020/2021 the total anticipated revenue for FY 2020/2021 is Ksh. 6,006,797,402. A total of Ksh. 148,936,170 allocation (being conditional allocation from the Development partners) has not been summed up together with the total anticipated revenue. In addition the committee noted that there is non-disclosure of some funds from Development partners as Grants and Loans which sums to Kshs. 433,775,389.

The committee established from the Approved Budget Policy Statement 2020 by the National Assembly that County Government of Nandi anticipates Kshs. 6,152,668,438 as total revenue exclusive of the projected local revenue of Ksh. 397,404,353.

#### **10.0 LINK BETWEEN THE 2020 CFSP AND THE NATIONAL PLANS & OTHER POLICIES**

**Mr. Speaker Sir,**

The CEC Member has in narration mentioned that the CFSP 2020 is aligned to the National Policies and objectives. However the CFSP has not related the county government of Nandi Plans and Policies to National Government Policies; Vision 2030 and Big 4 Agenda as expressed in the Theme of the CFSP 2019, Sustainable Development Goals (SDGs) and Agenda 2063 etc.

It has not highlighted how the County's Medium Term Plans are linked and correlated to the National Government's 2020 Budget Policy Statement (BPS) which broadly outlines programs and policies that reflect the concerns of Kenyans and are anchored under the Medium Term Plan III of the Kenya Vision 2030.

**Mr. Speaker Sir,**

The CEC Member responsible for Finance has in addition mentioned the National Economic Outlook and the County Economic Outlook but has not related the two, and how changes in one results to transformation of the other.

#### **11.0 ERRORS IN THE CFSP 2020**

**Mr. Speaker Sir,**

The Committee noted that the figure (**Ksh. 148,936,170**) being allocation for Leasing of Medical Equipment as a conditional allocation from Development partners were not added to the total anticipated revenue for the FY 2020/2021. These errors results to inaccurate budgeting.

#### **12.0 OTHER FINDINGS**

1. Conditional allocations for leasing of medical equipment and CRF Balances was not included in the total anticipated revenue. The Closing Balance for 2019/2020 or the Opening Balance for 2020/2021 is automatically retained by the Finance Department to offset the pending bills while the conditional allocations for leasing of medical equipment are automatically deducted before disbursement.
2. The Challenges advanced by the CECM Finance are contradictory such as expanding wage bill which limits funds meant for development and inadequate technical staff.
3. There's a great disparity between the projected revenue collection which is Kshs. 628,818,024 and the actual collections of Ksh. 100,975,939 for the 1<sup>st</sup> half FY 2019/2020 which represents only 16.1% of the projected revenue. The CECM has not explained how 83.9% will be collected in the 2<sup>nd</sup> half of the financial year yet the financial year is almost coming to an end.
4. The report shows Budgeting of the Tea Cess as a locally collected revenue yet there is no evidence of remittance of the same.
5. The document lacks affirmation of ownership by, or consultation with the County Executive Committee as well as the resolution(s) of their meeting(s).

6. There is no evidence that the county treasury published or publicized the CFSP Paper within seven days after its submission to the County Assembly as provided in Section 117 (h) of the PFM Act.
7. While the CFSP, 2020 is an improvement in terms of being indicative of the figures of projects or programs implemented and in some cases, geographical description of the projects or works done, many other descriptions indicated are a little ambiguous, for instance, while describing the progress report of departments;
  - a.) In Page 14, there is an indicated that there is ongoing construction of 30 cooling structures with daily milk capacity of 127,000 liters. Locations have not been identified as appropriate.
  - b.) In Page 15, there is an indication of 6 new cattle dips to being constructed in locations not identified,
  - c.) Neither a descriptive distinction is given nor is a list of majority projects located within KCRH from among the 68 projects in FY 2017/2018 given in an appendix to the report of the Department for Health and Sanitation (Page 15 of the CFSP).
  - d.) Neither the completed 16 projects nor a distinctive description of the 79 projects reported to be under specific stages of construction was made under Department for Health and Sanitation in FY 2018/2019 as expected been identified in an appendix to the CFSP to facilitate a better discussion.
8. While past allocation for bursary has been assessed in Page 19 to have been successfully disbursed to the tune of KShs. 60 million in FY 2018/2019, it is very unclear whether there shall be similar allocation(s).

This is the same for other funds like disaster and emergency fund (s), enterprise funds etc.
9. The CEC Member has provided a financial outlook anticipated in terms of;
  - County Revenues whose trend appears improving to KShs. 286,235,013 in FY 2018/2019 after nose dive from KShs. 244, 729,757 in FY 2016/2017 to KShs. 197, 886,883 in FY 2017/2018. The half year analysis presented per month in Page 26 shows improvement in half year periods to December.

However, the matter of pending bills which in itself hasn't been sufficiently been addressed continues to pose a challenge in the implementation of county budgets.

### **13.0 RECOMMENDATIONS**

**Mr. Speaker Sir,**

The Committee urges this House to adopt this report with the following resolutions;

1. **That**, a total of **Kshs.6,550,072,782** is hereby proposed by the committee as the expenditure for the financial year 2020/2021 having taken into consideration **Kshs. 433,775,389** being conditional allocation from Development partners and **Ksh 206,371,773** being conditional allocation from National Government According to the Approved Budget Policy Statement 2020.
2. The CEC Member for Finance and Economic Planning should implement the Nandi County Community Development Act, 2018 approved by the County Assembly for his implementation. The County Executive shall further ensure that the funds appropriated by the County Assembly each year in accordance with the Community Development Act 2018. The CECM Finance in the budget estimates FY 2020/2021 should be allocated at least Ksh. 300 Million for the Development Fund where each ward will benefit at least Ksh. 10 Million (to be utilized based on the needs of each respective ward).
3. The CEC Member has not satisfactorily specified how the County Government will achieve 100% revenue collection. Therefore the committee recommends that the CECM should formulate an action plan that will put measures that will maximize revenue collection.
4. That the unrealistic Revenue forecast contravenes section 107(2) (g) of PFM Act 2012 on reasonable degree of predictability. The CECM should come up with practical and achievable local revenue targets by using scientific methods of revenue forecasts.
5. That the CECM Finance should not include CRF Balances in the calculation of a minimum 30% of Development Expenditure since the Closing Balance for 2019/2020 or the Opening Balance for 2020/2021 is automatically retained by the Finance Department as the funds already committed.
6. Under the County Government Fiscal Responsibility Principle, the committee noted the CECM contravened section 25 of the PFM Regulations by proposing **64%** of the total recurrent expenditure in FY 2019/2020 be allocated for personal emoluments. Therefore



the committee recommends that the CECM should adhere to the **35%** ceiling for the wages and benefits as specified by the law.

7. Further to recommendation (5) above, the National Treasury, on the basis of Section 46 (3)(c) of the PFM Act 2012, directs all concerned counties to prepare and submit action plans, including timelines, towards achieving sustainable wage bill. The Committee therefore recommends the CECM responsible for Finance to prepare the aforementioned action plans, submit to the National Treasury and copy the same to the County Assembly for consideration.
8. The committee further noted that the CECM contravened Section 107 (2)(b) of the PFM Act by proposing **18%** of the total budget in FY 2019/2020 be allocated for development expenditure and **82%** for recurrent expenditure. It therefore a resolution of this committee that the CECM should adhere to a minimum of **30%** of the county government's allocation on the development expenditure as it is expressive in the law.
9. That going forward, documents and reports submitted to the County Assembly should reflect the true position of the county, free from errors;
10. That the CECM provide the action plan on reduction of Personnel Emoluments (PE) to attain the recommended Fiscal Responsibility Principles.
11. That the County Treasury should publish and publicize the CFSP Paper within seven days after it has been submitted to the County Assembly as provided in PFM Act 117(h).
12. That the CECM Finance should submit an annexure of affirmation of ownership by, or consultation with the County Executive Committee as well as the resolution(s) of the meeting(s).
13. That once approved by this House, these recommendations together with the **Committee's Recommended Departmental Expenditure** (in the table below) should form the basis for the 2019/2020 financial year budget.

The recommendation (13) is informed by the following committee's directives:

- i. the interdepartmental allocation transfers shall be made from the County's Treasury allocation only, for both recurrent and development expenditures;
- ii. the Conditional allocations from the National Government and other Development partners shall not be transferrable among departments. They shall only be allocated for intended projects in their respective departments;

iii. only recurrent allocations meant for Operations cost be transferrable as recommended. Allocations for Personnel cost and Maintenance shall not be transferrable among departments.

14. The 1<sup>st</sup> priority for CRF balance arising from operations of 2019/2020 financial year shall be an allocation of Ksh. 65 million to development expenditure of County Assembly.

15. The County Treasury to consider the following recommendations on **Table Showing Recommended Ceilings** (in page 25) when finalizing the budget proposal for the financial year 2019/2020:





COMMITTEES' RECOMMENDED DEPARTMENTALEXPENDITURE								
Department	Treasury Proposal		Committee Recommendations					
	REC as Proposed by County Treasury	DEV as Proposed by County Treasury	Percentage	Compensation to Employees	Operations and Maintenance	Recurrent Ceilings	Development Ceilings	TOTAL
County Assembly	661,635,672	65,000,000	12.1	350,887,437	310,748,235	661,635,672	165,000,000	826,635,672
County Executive	382,383,927	35,000,000	7.4	250,540,239	131,843,668	382,383,927	30,000,000	412,383,927
Finance and Economic Planning.	379,731,387	10,000,000	7	291,905,005	87,826,382	379,731,387	10,000,000	389,731,387
Agriculture and Cooperative Development	252,008,698	110,000,000	7.2	269,071,860	13,174,739	252,008,698	110,000,000	392,246,599
Lands, Environment and Natural Resources	81,329,251	117,600,00	3.5	58,869,811	15,500,000	81,329,251	112,600,000	214,369,811
Education & Vocational Training	245,224,239	125,272,499	6.5	174,003,545	72,146,766	245,224,239	115,272,499	361,422,810
Health and Sanitation	2,196,910,348	170,000,000	38.2	1,817,356,093	379,554,255	2,196,910,348	302,021,277	2,498,931,625
Tourism, Culture and Social	33,478,715	15,000,000	1.2	26,517,072	6,961,643	33,478,715	15,000,000	48,478,715

Welfare								
Roads, Transport and Infrastructure	94,551,224	260,365,516	4.9	52,887,258	44,663,966	94,551,224	260,365,516	354,916,740
Trade and Industrial Development	51,348.285	60,000,000	1.5	34,167,868	7,180,417	51,348.285	60,000,000	101,348,285
Public Service and Labour	28,959,939	-	0.5	20,279,939	8,680,000	28,959,939	-	28,959,939
Sports, Youth's Affairs and Arts	49,154,437	38,237,354	2.3	41,043,667	8,110,770	49,154,437	33,237,354	82,391,791
Administration, Public Service and E- government	447,001,378	55,000,000	6.6	431,964,476	15,306,902	447,001,378	45,000,000	492,001,378
Conditional Grants							433,775,389	433,775,389
<b>TOTAL</b>	<b>4,917,923,033</b>	<b>1,088,874,369</b>		<b>3,779,355,068</b>	<b>1,388,515,121</b>	<b>4,945,322,033</b>	<b>1,692,272,035</b>	<b>6,637,594,068</b>
Percentage to Total Expenditure	82%	18%	100%	3,819,224,270	1,126,097,763	<b>74.5%</b>	<b>25.5%</b>	<b>100%</b>



**TABLE SHOWING RECOMMENDED CEILINGS**

<b>RECOMMENDED CEILINGS</b>		
	<b>RECOMMENDED RECURRENT CEILINGS</b>	<b>RECOMMENDED DEVELOPMENT CEILINGS</b>
County Assembly	Should not be more than KShs. 661,635,672	Should not be less than KShs. 165,000,000
County Executive	Should not be more than KShs. 382,383,927	Should not be less than KShs. 30,000,000
Finance and Economic Planning.	Should not be more than KShs. 379,731,387	Should not be less than KShs. 10,000,000
Agriculture and Cooperative Development	Should not be more than KShs. 252,008,698	Should not be less than KShs. 110,000,000
Lands, Environment and Natural Resources	Should not be more than KShs. 81,329,251	Should not be less than KShs. 112,600,000
Education & Vocational Training	Should not be more than KShs. 245,224,239	Should not be less than KShs. 115,272,499
Health and Sanitation	Should not be more than KShs. 2,196,910,348	Should not be less than KShs. 302,021,277
Tourism, Culture and Social Welfare	Should not be more than KShs. 33,478,715	Should not be less than KShs. 15,000,000
Roads, Transport and Infrastructure	Should not be more than KShs. 94,551,224	Should not be less than KShs. 260,365,516
Trade and Industrial Development	Should not be more than KShs. 51,348,285	Should not be less than KShs. 60,000,000
Public Service and Labour	Should not be more than KShs. 28,959,939	-



Sports, Youth's Affairs and Arts	Should not be more than KShs. 49,154,437	Should not be less than KShs. 33,237,354
Administration, Public Service and E- government	Should not be more than KShs. 447,001,378	Should not be less than KShs. 45,000,000
<b>TOTAL</b>	<b>Should not be more than KShs. 4,945,322,033</b>	<b>Should not be less than KShs. 1,692,272,035</b>
Percentage to Total Expenditure	<b>74.5%</b>	<b>25.5%</b>

**Departmental Recurrent, Development and overall ceilings for 2020/2021 Financial Year**

**14.0 CONFIRMATION**

We, honorable members of the committee on Budget & Appropriation & Finance And Economic Planning, do hereby affix our signatures to this report to affirm our approval and confirm its accuracy, validity and authenticity on this Day..... of March 2020

**Budget and Appropriations**

Name	Designation	Signature
a. Hon. Walter Kiplagat	Chairperson	
b. Hon. Rael Rotich	Vice Chairperson	
c. Hon. Dr. Paul Sanga	Member	
d. Hon. Robert Kirwa	Member	
e. Hon. Nancy Chemutai	Member	
f. Hon. Margaret Nyauntu	Member	
g. Hon. Januarious Kerring	Member	

**15.0 CONCLUSION**

**Mr. Speaker, Sir,** the committee further recommends that the County Fiscal Strategy Paper 2020 be approved by this House with amendments as suggested in the recommendations.

**I beg to move.**

**Sign:.....**

**Hon. Walter Kiplagat Teno**

**CHAIRPERSON, COMMITTEE ON BUDGET AND APPROPRIATION.**

**ANNEXURE 1:**

**MINUTES OF THE JOINT COMMITTEE ON BUDGET AND APPROPRIATION AND FINANCE & ECONOMIC PLANNING MEETING HELD ON THE 17<sup>th</sup> MARCH , 2020 AT THE COMMITTEE ROOMS AT 1:30PM**

**PRESENT**

**Budget Committee Members**

- |                                       |                  |
|---------------------------------------|------------------|
| (1) Hon. Walter Kiplagat.....         | Chairman         |
| (2) Hon. Rael Rotich .....            | Vice Chairperson |
| (3) Hon. Robert Kirwa.....            | Member           |
| (4) Hon. Dr. Paul Sanga.....          | Member           |
| (5) Hon. Januarius Kibet Kerring..... | Member           |
| (6) Hon. Margaret Nyauntu .....       | Member           |
| (7) Hon. Nancy Chemutai .....         | Member           |

**Secretariat**

1. Mutai Daniel – Committee Clerk
2. Aggrey Kibet – Committee Clerk
3. Damaris Maiyo – Hansard Officer

**MIN 1/17/3/2020: PRELIMIARY**

The Budget and Appropriation Chair called the meeting to order and there after requested honorable Margaret Nyauntu to open the meeting with a prayer.

**MIN 2/17/3/2020: ADOPTION OF THE AGENDA**

The agenda of the meeting were read out to members of the Committee and upon a proposal by Hon. Margaret Nyauntu seconded by Hon. Robert Kirwa, they were adopted without amendment.

**MIN 3/17/03/2020: CONFIRMATION OF MINUTES OF THE PREVIOUS MEETINGS**

The minutes of the previous meeting were requested to be confirmed in the next committee meeting

**MIN 4/17/03/2020: ADOPTION OF THE REPORT ON CFSP 2020**

The report was tabled before members for their final review. The Committee Clerk was asked to lead the Committee through the final drafted report prior to adoption. The Committee Clerk read through the report and thereafter welcomed members to deliberate on its recommendations. After a lengthy deliberation the report was adopted upon proposal by Hon. Nancy Jemutai seconded by Hon. Dr. Paul Sanga.

**MIN 5/17/03/2020: ADJOURNMENT**

There being no other business to transact the members adjourned the meeting following proposal by Hon. Margaret Nyauntu seconded by Hon. Robert Kirwa.

We, honorable members of the committee on Budget & Appropriation, do hereby affix our signatures to this report to affirm our approval and confirm its accuracy, validity and authenticity:-

**BUDGET COMMITTEE**

No.	Name	Position	Date	Signature
1.	Hon. Walter Kiplagat	Chairperson		
2.	Hon. Rael Rotich	Vice Chairperson		
3.	Hon. Margaret Nyauntu	Member		
4.	Hon. Nancy Chemutai	Member		

5.	Hon. Robert Kirwa	Member		
6.	Hon. Dr. Paul Sanga	Member		
7.	Hon. Januarious Kerring	Member		