



**COUNTY GOVERNMENT OF NANDI**

**COUNTY TREASURY**

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

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**OCTOBER 2019**

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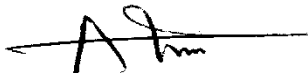
## **FOREWORD**

The 2019 Nandi County Budget Review and Outlook Paper (CBROP), has been prepared in accordance with section 118 of the Public Financial Management Act, 2012 which presents the actual fiscal performance of the FY 2018/2019 financial period as it makes comparisons to the budget appropriations for the same year as well as the updated economic and financial outlook to set out the broad fiscal parameters for preparation of the next budget.

The Public Financial Management Act ushered in a paradigm shift in the budget making process for the National as well as for the County Governments. Apart from introducing reforms in our public financial management system, the PFM Act entrenched financial discipline and fiscal responsibility principles for respective governments which have since been echoed by the adopted county Finance Policy 2017.

This paper is a vital document as it details the fiscal/budgetary outcome for 2018/2019 financial year and how this affects the financial objectives set out in the 2019 County Fiscal Strategy Paper (CFSP). The updated macroeconomic outlook therein also provides us with a basis for revising the 2019/2020 budget in the context of the Supplementary Estimates, in line with the county government's strategic priorities over the medium term. Consequently, the County Fiscal Strategy Paper (CFSP) for 2020 will set ceilings to allocate available resources to departments as well as set expenditure priorities.

Proper linkage between planning, budgeting and tracking of the allocated resources is best addressed by the CBROP as it enhances accountability of public funds as well as feedback which further redirects the policy decisions of the county government in the subsequent resource allocation on the priority sectors through the budgeting process.



**CPA ALFRED K. LAGAT**  
**CECM, FINANCE AND ECONOMIC PLANNING**

## ABBREVIATIONS AND ACRONYMS

CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal strategy Paper
CG	County Government
FY	Fiscal Year
PFMA	Public Financial Management Act
CIDP	County Integrated Development Plan
CADP	County Annual Development Plan
M & E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework

## **LEGAL FRAMEWORK**

The County Budget Review and Outlook Paper is one of the key stages in the preparation of the County annual budget. Its preparation is entrenched in;

-The Constitution of Kenya, 2010 and further in the County Governments Act 2012 which compels County Governments to prepare the plans and that no public funds shall be appropriated outside the approved planning frameworks.

-Public Finance Management Act (PFMA), 2012 section 118 (1) which indicates that a County Treasury shall:

(1) (a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) The CBROP should specify:

(a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) Information on:

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so. After preparation of the Paper by the County Treasury, the County Executive Committee considers the

County Budget Review and Outlook Paper with a view to approving it, with or without amendments, and arranges for the same to be laid before the County Assembly, publishes and publicizes the Paper.

### COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

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

- i. The County Government's recurrent expenditure shall not exceed the County government's Total Revenue
- ii. Over the Medium Term, a minimum of thirty percent of the county government's budget shall be allocated to the Development expenditure
- iii. The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.
- iv. the limit set under paragraph (iii) above, shall not exceed thirty five (35) percent of the county government's total revenue as set out in PFMA regulation 2015;
- v. Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and **not** for recurrent expenditure
- vi. The county debt shall be maintained at sustainable level as approved by County Assembly
- vii. The fiscal risks shall be maintained prudently; and
- viii. 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.

**Comment [H1]:** Mention the provision of PFMA regulations 2015 county gvts-35%

## **OBJECTIVES FOR CBROP**

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

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper(CFSP);
- Any changes in the forecasts compared with the CFSP;
- How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- Providing a basis for revision of the 2018/19 budget estimates as well as set broad fiscal priorities for the next budget and the medium term.

In summary, this CBROP is expected to present a review of the fiscal performance for the previous year in terms of revenues and expenditures.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance. The available key Macro-economic indicators are not currently county specific or sufficiently addressing county specific needs. However, the department of Finance and Economic Planning is in the process of setting up a County Statistics office to bridge the gap in future.

## RECENT ECONOMIC AND FISCAL DEVELOPMENTS

### 1.1 Global and Regional Economic and Fiscal Developments

Global growth is projected to slow down to 3.5 percent in 2019 from an estimated 3.7 percent growth in 2018 (Table 1.1). The slowdown is as a result of weakening growth rate in both the advanced and emerging market economies mainly due to the negative effects of trade tensions between the United States and China.

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

REGION/COUNTRY	Actual	Estimated	Projected
	2017	2018	2019
World	3.8	3.7	3.5
Advanced Economies	2.4	2.3	2.0
Of which: USA	2.2	2.9	2.5
Emerging and Developing Economies	4.7	4.6	4.5
Of which: China	6.9	6.6	6.2
India	6.7	7.3	7.5
Sub-Saharan Africa	2.9	2.9	3.5
Of which: South Africa	1.3	0.8	1.4
Nigeria	0.8	1.9	2.0
EAC-5	5.3	5.9	6.3
Of which: Kenya	4.9	6.0*	6.2*

*EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda*

*Source: January 2019 WEO; \*Projections by the National Treasury*

In advanced economies, growth is expected to ease to 2.0 percent in 2019 from an estimated 2.3 percent in 2018 mainly due to trade tensions between the U.S. and China, Brexit negotiations, the partial shutdown of the U.S. government, and the pace of normalization of monetary policy in the advanced economies.

Among emerging markets and developing economies, growth is expected to decline from an estimated 4.6 percent in 2018 and to 4.5 percent in 2019 reflecting contractions in Argentina and Turkey, as well as the impact of trade actions on China and other Asian economies. However,



India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.

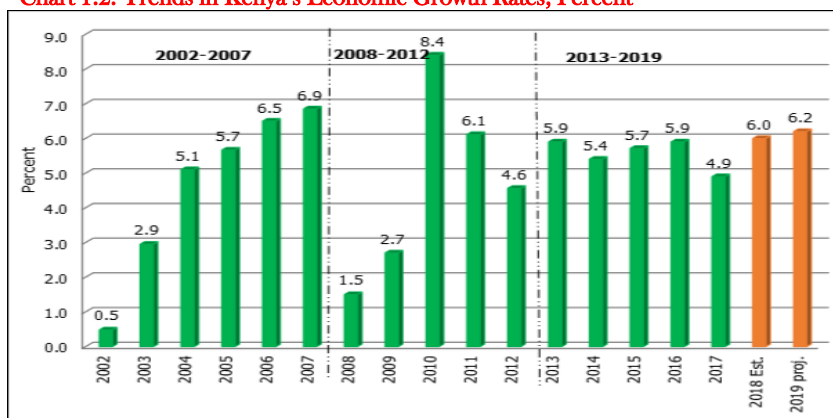
Growth prospects for sub-Saharan Africa continue to strengthen. Growth is expected to improve from 2.9 percent in 2018 to 3.5 percent in 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

Growth in the East African Community (EAC) region is estimated to improve from 5.9 percent in 2018 to 6.3 percent in 2019 supported by a stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

## 1.2 National Economic and Fiscal 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 (2013 to 2017) 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. Growth is projected at 6.2 percent in 2019 from an estimated growth of 6.0 percent in 2018 (**Chart 1.2**).

**Chart 1.2: Trends in Kenya's Economic Growth Rates, Percent**



KNBS, Economic Survey 2019

The rebound in economic activity in 2018 is a reflection of improved weather conditions, resilient service sector, better business environment and easing of political uncertainty. The economy grew by 6.0 percent in the third quarter of 2018 and 6.2 percent in the second quarter of 2018 up from 5.8 percent in the first quarter of 2018, averaging 6.0 percent in the first three quarters of 2018.

In the third quarter of 2018, the economy grew by 6.0 percent compared to a growth of 4.7 percent in a similar quarter in 2017, mainly supported by improved weather conditions which led to increased agricultural production and agro processing activity in the manufacturing sector. In addition, this growth was supported by pickup in activities of accommodation and food services, electricity and water supply and construction sectors which supports the Big Four Agenda objectives.

### ***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 stabilize in 2012.

Inflation was 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.

Month-on-month overall inflation declined to 4.7 percent in January 2019 from 5.7 percent in December 2018 and 4.8 percent in January 2018, owing to a decline in food prices particularly maize, sugar, beans and wheat flour following improved weather conditions and a decline in pump prices of petrol and diesel.

Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and especially its peers such as Nigeria and Ghana whose inflation rates were 11.4 percent and 9.4 percent, respectively in December 2018

### ***Kenya Shilling Exchange Rate***

The Kenya Shilling exchange rate remained broadly stable and competitive against major international currencies. Against the dollar, the exchange rate has been relatively less volatile exchanging at Ksh 101.6 in January 2019 from Ksh 102.9 in January 2018. Against the Euro and the Sterling pound, the Shilling also strengthened to Ksh 115.9 and Ksh 130.8 in January 2019 from Ksh 125.4 and Ksh 141.9 in January 2018, respectively

## **1.3 County Economic and Fiscal Developments**

### **1.3.1 County Economic Developments**

The County relies on the National Government economic data with an assumption that the data generated has the same effect across the counties. Going forward the County in collaboration with the Kenya National Bureau of Statistics (KNBS) plans to develop county based data on macro-economic indicators.

### ***Gross County Product (GCP)***

According to the Economic Survey 2019, the average contribution per county to the total Gross Value Added (GVA) over the period 2013 to 2017 was approximately 2.1 per cent with a standard deviation of 3.2. This indicates a large heterogeneity across counties in their contribution to GDP over that period

Table 1.3.1 (a): Share of GCP by County, 2013 - 2017

County	Per cent					Average
	2013	2014	2015	2016	2017	2013 - 2017
Mombasa	4.8	4.9	4.6	4.6	4.4	4.7
Kwale	1.1	1.1	1.1	1.1	1.1	1.1
Kilifi	1.7	1.6	1.7	1.6	1.6	1.6
Tana River	0.5	0.6	0.4	0.5	0.4	0.5
Lamu	0.4	0.4	0.4	0.4	0.4	0.4
Taita Taveta	0.7	0.7	0.7	0.7	0.7	0.7
Garissa	0.6	0.6	0.6	0.6	0.5	0.6
Wajir	0.6	0.6	0.5	0.5	0.5	0.5
Mandera	0.5	0.5	0.5	0.5	0.5	0.5
Marsabit	0.5	0.5	0.5	0.5	0.5	0.5
Isiolo	0.2	0.2	0.2	0.2	0.2	0.2
Meru	2.8	2.9	3.0	3.0	3.1	2.9
Tharaka Nithi	0.8	0.8	0.8	0.8	0.9	0.8
Embu	1.5	1.4	1.5	1.4	1.4	1.4
Kitui	1.4	1.3	1.5	1.3	1.3	1.4
Machakos	3.4	3.2	3.3	3.2	3.1	3.2
Makueni	1.4	1.4	1.5	1.4	1.3	1.4
Nyandarua	2.1	2.2	2.6	3.0	3.3	2.6
Nyeri	2.0	2.1	2.1	2.2	2.3	2.2
Kirinyaga	1.4	1.4	1.4	1.3	1.3	1.4

Muranga	2.3	2.2	2.3	2.3	2.3	2.3
Kiambu	5.4	5.4	5.5	5.6	5.6	5.5
Turkana	1.2	1.2	1.2	1.1	1.0	1.1
West Pokot	0.7	0.7	0.7	0.7	0.6	0.7
Samburu	0.3	0.3	0.3	0.4	0.4	0.3
Trans Nzoia	1.8	1.8	1.7	1.5	1.6	1.7
Uasin-Gishu	2.4	2.5	2.4	2.3	2.2	2.3
Elgeyo Marakwet	1.3	1.3	1.6	1.9	2.1	1.7
Nandi	1.6	1.6	1.6	1.6	1.6	1.6
Baringo	1.0	1.0	1.1	1.2	1.2	1.1
Laikipia	0.9	0.9	1.0	1.1	1.1	1.0
Nakuru	5.4	5.7	6.0	6.6	6.9	6.1
Narok	2.2	2.1	2.2	2.3	2.4	2.2
Kajiado	1.6	1.5	1.5	1.5	1.4	1.5
Kericho	1.9	1.8	1.9	1.8	1.8	1.8
Bomet	1.7	1.7	1.8	2.0	2.1	1.9
Kakamega	2.4	2.4	2.5	2.4	2.4	2.4
Vihiga	0.8	0.8	0.8	0.8	0.8	0.8
Bungoma	2.1	2.4	2.3	2.3	2.4	2.3
Busia	0.9	1.0	1.0	1.0	1.2	1.0
Siaya	1.0	1.1	1.2	1.2	1.3	1.2
Kisumu	3.2	3.1	2.9	2.8	2.6	2.9
Homa Bay	1.4	1.4	1.4	1.5	1.5	1.4
Migori	1.2	1.3	1.2	1.2	1.3	1.2
Kisii	2.0	2.1	2.1	2.0	2.2	2.1
Nyamira	1.3	1.3	1.3	1.5	1.4	1.4

Nairobi City	23.5	22.7	21.5	20.9	19.8	21.7
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*Share of Gross County Product by Economic Activity, 2017*

**Table 1.3.1 (b):** shows the contribution of each county to Gross Value Added by sector as well as the counties' contribution to GCP in 2017. Nairobi City County contributed the largest share to GDP at 19.8 percent in 2017 followed by Nakuru, Kiambu, and Mombasa counties with shares of 6.9, 5.6, and 4.4 per cent, respectively while Nandi contributed 1.6 shares to GDP. The ranking is largely determined by how much counties contribute to key economic activities. For example, Nyandarua and Elgeyo Marakwet rank high by virtue of their high contribution to agriculture, which is the mainstay of Kenya's economy.

Table 1.3.1 (b): Share of Gross County Product by Economic Activity, 2017

County	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity; water supply	Water supply; waste collection	Construction	Wholesale and retail trade; repair of motor vehicles	Transport and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, technical and support services	Public administration and defence	Education	Human health and social work activities	Other service activities	FISIM	Total
Mombasa	0.1	2.0	7.3	14.6	1.9	8.2	6.0	14.7	22.0	4.9	5.1	6.2	5.2	3.6	1.3	3.6	2.6	7.0	4.4
Kwale	1.4	2.5	0.0	0.5	0.9	0.7	0.8	0.7	11.5	0.8	0.8	1.0	0.3	1.4	1.7	1.2	1.8	0.2	1.1
Kilifi	1.3	5.7	1.3	1.0	2.4	0.5	1.0	1.9	1.9	2.2	1.4	2.5	0.2	2.0	2.9	2.0	3.1	0.5	1.6
Tana River	0.6	0.1	0.0	0.1	3.9	0.0	0.5	0.2	0.1	0.3	0.4	0.1	0.0	0.9	0.5	0.4	0.7	0.1	0.4
Lamu	0.7	0.2	0.0	0.2	0.2	0.0	0.5	0.7	0.4	0.3	0.1	0.2	0.0	0.6	0.3	0.2	0.3	0.1	0.4
Taita Taveta	0.7	1.2	0.0	0.4	0.6	0.5	0.9	0.5	1.9	0.5	0.7	0.7	0.0	1.6	0.8	0.6	0.8	0.2	0.7
Garissa	0.6	1.0	0.2	0.2	0.3	0.3	0.4	0.2	0.2	0.3	0.0	0.4	0.1	2.1	1.1	0.7	1.0	0.1	0.5
Wajir	0.7	0.8	0.0	0.0	0.3	0.6	0.3	0.0	0.1	0.1	0.3	0.1	0.0	1.6	0.6	0.7	1.0	0.0	0.5
Mandera	0.5	0.3	0.0	0.4	0.5	0.6	0.3	0.2	0.2	0.3	0.2	0.5	0.0	1.4	0.8	0.5	1.6	0.0	0.5
Marsabit	0.6	0.1	0.0	0.2	0.4	1.6	0.2	0.1	0.1	0.3	0.1	0.4	0.0	0.9	0.5	0.5	0.7	0.1	0.5
Isiolo	0.1	0.1	0.0	0.1	0.2	0.4	0.3	0.2	0.5	0.2	0.1	0.2	0.0	1.0	0.3	0.2	0.3	0.1	0.2
Meru	4.4	5.4	0.8	0.7	1.9	1.1	1.5	3.2	0.7	1.4	4.3	1.7	0.3	2.6	3.3	2.8	3.3	1.0	3.1
Tharaka	1.4	0.3	0.0	0.1	0.5	0.7	1.1	0.4	0.6	0.6	0.4	0.5	0.0	1.0	1.2	1.5	0.9	0.1	0.9

Nithi																			
Embu	1.4	0.4	0.4	4.6	1.3	1.8	1.2	1.8	0.8	0.8	1.2	0.9	0.0	2.2	1.3	1.9	1.3	0.3	1.4
Kitui	1.5	1.1	0.0	0.7	1.5	0.6	0.8	1.2	0.3	1.1	1.9	1.1	0.0	2.3	3.4	2.8	2.5	0.3	1.3
Machakos	2.0	16.5	6.0	6.4	1.9	3.8	2.8	2.1	1.2	2.8	3.2	4.5	0.1	2.2	3.1	3.5	2.7	0.9	3.1
Makueni	1.7	1.1	0.1	0.3	1.4	1.3	0.9	0.9	0.5	0.8	1.2	0.9	0.0	2.1	3.0	2.3	2.1	0.3	1.3
Nyandarua	7.4	1.2	0.2	0.3	0.8	0.2	0.7	0.7	0.2	0.4	0.9	1.0	0.0	1.4	1.6	1.2	1.5	0.2	3.3
Nyeri	3.3	3.8	0.6	1.2	2.2	0.5	1.2	2.0	2.8	1.9	3.1	2.1	0.2	2.2	1.9	2.6	1.8	0.7	2.3
Kirinyaga	1.5	2.4	1.0	0.6	12.4	0.2	0.8	1.6	0.3	1.0	1.6	0.9	0.0	1.7	1.3	1.7	1.3	0.4	1.3
Muranga	3.1	3.8	1.2	1.2	2.7	1.8	0.7	1.2	0.3	1.2	3.4	1.8	0.0	2.1	2.6	2.0	2.4	0.4	2.3
Kiambu	4.7	7.0	7.7	6.8	4.3	12.2	2.7	4.8	1.3	4.9	7.0	7.4	0.7	4.4	3.7	6.3	4.1	3.2	5.6
Turkana	1.5	0.2	0.0	1.5	0.9	1.0	0.4	1.3	0.6	0.3	0.4	0.4	0.0	1.1	2.0	1.5	2.4	0.1	1.0
West Pokot	0.7	4.8	0.0	0.0	0.8	0.1	0.4	0.7	0.3	0.3	0.5	0.3	0.3	1.3	1.5	0.8	1.4	0.1	0.6
Samburu	0.4	0.1	0.0	0.1	0.3	0.1	0.7	0.2	0.2	0.1	0.2	0.2	0.0	1.0	0.5	0.5	0.6	0.1	0.4
Trans Nzoia	1.8	0.5	0.1	0.6	1.3	0.7	1.5	1.3	1.1	1.8	2.6	1.6	0.0	1.6	2.3	1.8	2.3	0.5	1.6
Uasin-Gishu	2.2	1.2	1.2	0.7	2.3	1.6	3.1	2.9	2.8	1.0	2.8	2.2	1.1	1.9	2.0	3.0	2.5	3.6	2.2
Elgeyo Marakwet	4.5	0.8	0.0	0.1	0.5	0.3	0.6	0.6	0.2	0.5	0.7	1.0	0.0	1.5	1.3	1.0	1.0	0.1	2.1
Nandi	2.5	1.0	0.6	0.3	1.3	0.3	0.7	0.5	0.3	0.7	2.0	0.9	0.0	1.5	2.4	1.5	2.1	0.3	1.6



Baringo	1.9	0.2	0.0	0.3	1.9	0.3	0.8	0.8	0.5	0.8	1.5	0.5	0.0	1.8	1.6	1.0	1.5	0.2	1.2
Laikipia	1.3	0.2	0.1	0.5	1.3	1.2	1.2	1.0	0.9	0.8	1.0	0.9	0.4	1.8	1.1	1.3	1.1	0.3	1.1
Nakuru	10.6	1.0	2.3	26.2	4.6	3.7	2.8	5.1	3.9	3.2	5.0	4.6	0.4	4.3	4.4	5.7	4.4	2.4	6.9
Narok	4.2	0.4	0.3	0.5	1.1	0.3	0.6	0.8	5.8	1.9	2.5	1.3	0.0	2.4	2.2	0.9	2.4	0.4	2.4
Kajiado	0.6	4.8	0.8	2.0	1.3	2.1	1.1	1.3	2.4	2.1	2.9	4.1	0.1	1.5	1.4	2.1	1.9	1.0	1.4
Kericho	2.2	0.3	2.1	0.6	1.2	0.8	1.2	1.0	0.8	1.0	2.6	1.4	0.0	1.8	2.4	2.1	2.1	0.6	1.8
Bomet	4.0	1.1	0.7	0.1	1.0	1.6	0.7	0.4	0.3	0.4	1.2	0.4	0.0	1.2	2.4	1.8	2.0	0.2	2.1
Kakamega	3.4	2.5	1.2	0.7	2.9	0.6	1.3	1.3	1.5	2.2	1.6	1.9	0.1	2.4	5.2	4.3	4.2	0.6	2.4
Vihiga	0.7	2.9	0.1	0.4	0.8	0.9	0.6	0.4	0.6	0.3	1.0	1.1	0.0	1.4	1.8	1.0	1.4	0.2	0.8
Bungoma	3.8	0.5	0.3	0.3	2.1	0.9	1.1	1.7	0.7	1.4	1.6	1.6	0.0	2.6	4.9	2.4	4.1	0.6	2.4
Busia	1.8	0.5	0.0	0.2	1.2	1.2	0.9	0.5	0.4	0.4	0.1	0.7	0.0	1.9	2.3	1.4	1.2	0.2	1.2
Siaya	1.8	1.9	0.0	0.3	1.6	1.0	0.3	0.6	0.7	0.9	1.0	1.1	0.0	1.6	2.6	1.8	2.2	0.2	1.3
Kisumu	1.8	2.8	3.6	2.9	4.3	2.7	4.2	3.3	2.7	1.6	1.4	3.6	1.0	3.2	2.7	2.5	2.5	2.1	2.6
Homa Bay	2.4	0.7	0.1	0.3	1.4	0.4	0.6	1.0	0.3	0.7	0.8	0.8	0.0	2.1	3.4	2.2	2.5	0.3	1.5
Migori	1.4	10.3	0.4	0.3	1.4	0.2	0.6	1.1	0.4	0.8	1.1	1.2	0.0	1.7	3.1	1.9	2.4	0.3	1.3
Kisii	3.0	0.7	0.5	0.8	1.6	1.0	1.2	1.6	0.6	0.5	2.4	1.5	0.1	3.2	3.8	2.8	3.0	0.8	2.2
Nyamira	2.0	2.4	0.8	0.3	0.9	0.6	0.4	0.5	0.4	0.5	1.9	0.8	0.0	1.6	1.7	1.1	1.5	0.2	1.4
Nairobi City	0.1	1.3	57.9	19.1	19.3	38.8	47.5	30.8	24.2	48.5	23.6	30.6	89.1	12.1	4.3	14.1	9.6	68.8	19.8

*KNBS, Economic Survey 2019*

### ***Real per Capita GCP, 2017***

It is imperative to note that counties associated with thriving economic activities such as agriculture, manufacturing, transportation, financial, real estate, wholesale and retail trade, rank high by GCP. This is supported by the proportionate relation between sector contribution to the country's GDP and the County contribution to the GCP. On the other hand, the real per capita GCP is an indicative measure of a county's standard of living. Nandi has increasingly recorded an improved real per capita GCP from 80,368 in 2013 to 121,149 in 2017.

### **Analysis by Broad Sectors of the Economy**

This section highlights development interventions by the county government towards key sectors of the economy that contributes the GCP.

#### **Agriculture and Cooperative Development**

The sector is county's mainstay due to its key contribution to the economy. The county has invested in various agricultural activities including food crops, horticulture, cash crop through value chain programmes and improved animal breeds (subsidized A.I programmes), establishing milk cooling plants at Ward level and revitalization of cooperative sector. By virtue of the high potential of the sector in the county and its sizeable contribution to the GDP, there is need for the county to invest more with focus on key horticultural crops such as vegetables and potatoes and improved animal breed for productivity.

#### **Industry and Construction Activities**

The county is performing comparatively well in the sector with higher prospects due to the ongoing construction of the County milk processing plant, Textile unit and with the conferment of Kapsabet Municipality. Measures to improve trade volume in the departments of Trade, Investment and Industrialization through various initiatives such as opening new markets as well as improved infrastructure in the county are expected to spur growth prospects. In addition, the county is undertaking promotion of agricultural activities through mechanization of agriculture and provision of subsidized Artificial Insemination Services. These initiatives will boost economic growth prospects of the county for the wellbeing of the citizens.

There is however need for partnering and creating an enabling environment for cooperative societies and investors in the areas of manufacturing, crop processing and value addition of products.

#### **Health and Social welfare:**

The Sector contribution to the GDP cannot be gainsaid and it is for this reason that the county has put in place several measures towards quality health standards including construction of new and operationalization of existing health facilities, employment of more skilled health personnel, strengthening referral services and equipping of the facilities with requisite essential drugs and Non pharmaceuticals. As a result skilled deliveries in the county increased from 37.8% in FY 2017/2018 to 44% in 2018/2019 due to the Linda Mama Programme, improved immunization rate from 57.8% in 2017/2018 to 67% in 2018/2019 with a reduction in the infant mortality rate from 43/1000 in 2017/2018 to 39/1000 in 2018/2019. The prospects of the sector are bright with the upcoming construction of new county hospital complex and various sub-county health facilities with technical specialized units. More investment should be geared towards the sector especially on areas of preventive and promotive health care, complete construction of ongoing facilities and operationalization of completed one, staff rationalization and recruitment of technical personnel in specialized fields such as lab technicians and pharmacists for effective service delivery.

#### **Transport and Infrastructure**

The sector is a key enabler to the economic development. The County has invested heavily in the sector through routine maintenance by grading, gravelling and culvert installation, opening up of new roads and construction of bridges and foot bridges. The county target of maintaining 2100Km of road and installing 2200 metres of culverts in FY 2018/2019 was achieved largely due to use of County and hired machines. The government needs to employ more resources in the sector to facilitate trade and ease of movement of goods and services.

## **COUNTY FISCAL PERFORMANCE FOR 2018-2019 F/Y**

This section is meant to review how the actual financial performance for the 2018-2019 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for the financial year, 2018-2019.

### **OVERVIEW**

- As guided by the fiscal responsibility principles entrenched in the PFMA,2012 which requires the county government to exercise prudence and transparency on management of public funds, insight of these the County's revenues and expenditure performance in the previous year's is as follows:
- The fiscal performance in 2018-2019 was generally satisfactory. It's worth noting that the new administration under the leadership of His Excellency Stephen Sang made tremendous efforts towards ensuring inclusion of public in planning and execution of programmes within the County. The County Government was able to run through the county strategic plans in preparation of the financial estimates for the 2018-2019 financial year hence entrenching in its work plans the aspirations and the overall will of its citizens.

Prioritization of resource allocation in the 2019 CBROP is based on the County Integrated Development Plan 2018-2022, which entails broad development policies of the County Government both short term as well as the medium-term priorities identified during the County wide public consultative forums held across the county. These priority programs are executed annually through annual development plans which inform the resource allocation to priority programs.

In this paper, provisional indicative sector ceilings for the 2020/2021 budget have been set informed by the forecasted revenues.

## **Overview of Fiscal Performance 2018/2019**

During the period under review, the County Government had a total budget of Ksh. 8,426,855,311 which comprised of Ksh. 5,206,591,734 as recurrent budget and Ksh. 3,220,263,577 as development budget. The fiscal performance was generally satisfactory despite shortfall in local revenue collection.

### **Revenue Performance**

#### **Local Revenue**

Total actual Local revenue collected amounted to Ksh. 286,235,013 against a target of Ksh. 459,293,246. The shortfall in internal revenue in F/Y 2018/2019 was Ksh. 173,058,233 representing a 37.7% deviation from the original target.

In the F/Y 2017/2018 the County realized local revenue of Kshs. 197,886,883 while F/Y 2018/2019 local revenue realized was kshs. 286,235,013. This shows that there was general improvement in internal revenue by Kshs. 88,348,130 representing 44.65% increase. The growth was supported by improved performance in Cess which grew by 271%, Land rates (193%), Sewerage and Water (134.7%), Liquor licensing (93.2%), and other fees (86.3%), Business Permits (58.2%) and Health and Sanitation which grew by 56.6%. Increase in cess collection was mainly due to follow ups of remittances from the Sugar Companies.

#### **External Revenue**

For the period under review, the county was allocated equitable share amounting to Kshs. 5,369,400,000 from the national government. In F/Y 2017/2018 the equitable share allocated to the county was Kshs. 5,103,800,000. This shows there was an increase of Kshs. 265,600,000 representing 5.2% increase.

**FISCAL PERFORMANCE  
LOCAL REVENUE TREND**

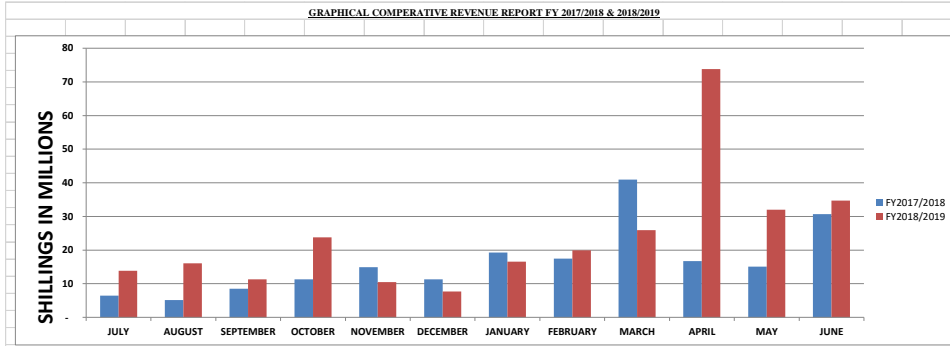
<b>NANDI COUNTY REVENUE REPORT FOR THE FY 2018-2019</b>						
<b>FY 2018/19 BUDGET EST.</b>		<b>1st Qtr</b>	<b>2nd Qtr</b>	<b>3rd Qtr</b>	<b>4th Qtr</b>	<b>TOTAL</b>
<b>REVENUE SOURCE</b>	<b>KSH</b>					<b>KSH</b>
Business Permits	36,430,791	3,493,212	1,818,460	20,680,250	20,110,123	<b>46,102,045</b>
liquor licensing	12,120,000	1,673,000	1,094,700	74,500	7,470,500	<b>10,312,700</b>
Plot rents	5,100,662	259,685	197,303	688,605	890,766	<b>2,036,359</b>
Land Rates	48,702,200	6,990,955	1,292,757	6,592,941	9,442,627	<b>24,319,280</b>
House and Stalls Rent	3,535,000	1,537,901	1,597,385	1,716,404	1,737,818	<b>6,589,508</b>
Parking Fees	46,018,822	6,887,909	8,243,240	8,710,538	6,759,881	<b>30,601,568</b>
Market Fees	15,595,046	3,604,477	3,650,536	3,640,188	3,720,494	<b>14,615,695</b>
Cess	156,456,200	1,645,935	2,453,244	4,049,841	3,514,593	<b>11,663,613</b>
Health and Sanitation	83,042,200	6,970,020	4,266,190	6,509,545	79,967,464	<b>97,713,219</b>
Kiborgok Tea Proceeds	18,913,963	591,266	12,087,231	242,852	283,852	<b>13,205,201</b>
Slaughter Fees	638,320	48,455	25,140	21,840	72,110	<b>167,545</b>
Sewerage and water	686,800	214,610	157,770	719,380	424,475	<b>1,516,235</b>
Agriculture	9,090,000	2,376,362	355,842	840,630	31,973	<b>3,604,807</b>
Trade Fair	2,020,000	-	-	-	-	<b>-</b>
Cattle Dips/Veterinary	6,565,000	759,890	1,616,200	2,835,200	1,268,485	<b>6,479,775</b>
Miscellaneous	14,378,242	4,269,273	3,105,286	5,102,658	4,830,246	<b>17,307,463</b>
<b>TOTAL COLLECTIONS</b>	<b>459,293,246</b>	<b>41,322,950</b>	<b>41,961,284</b>	<b>62,425,372</b>	<b>140,525,407</b>	<b>286,235,013</b>

### Revenue Comparison

	2018 - 2019	2017 - 2018
	KShs	KShs
Liquor Licensing	10,312,700	5,337,000
Rents House and stall	6,589,508	7,048,935
Kiborgok tea proceeds	13,205,201	17,616,629
Cess	11,663,613	3,142,735
Business Permits	46,102,045	27,037,021
Land Rates	24,319,280	8,277,187
Plot Rents	2,036,359	1,546,106
Agriculture	3,604,807	5,908,025
Market/Trade Centre fees	14,615,695	10,390,273
Vehicle Parking Fees	30,601,568	34,176,091
Slaughter Houses Administration	167,545	796,790
Sewerage and water	1,516,235	646,116
Other Health and Sanitation Revenues	97,713,219	62,399,589
Cattle dips /veterinary	6,479,775	4,676,068
Miscellaneous	17,307,463	8,888,318
<b>TOTAL</b>	<b>286,235,013</b>	<b>197,886,883</b>

There was a general increase in the local revenue collections with the government presenting 45 percent increase. This was as a result of the enhanced revenue collection through enforcement of the finance bill 2018 and coupled with the acquisition of four revenue vehicles which aided ease of access to customers.

**COMPARATIVE GRAPHICAL REPORT FY 2017-2018 & FY 2018-2019**



**EXCHEQUER RELEASES**

Description	2018/2019	2017-2018
	KShs	KShs
Total Equitable Share for quarter 1	1,385,077,945	-
Total Equitable Share for quarter 2	1,396,044,000	1,173,874,000
Total Equitable Share for quarter 3	1,476,585,000	1,403,545,000
Total Equitable Share for quarter 4	2,228,301,000	1,709,773,000
<b>Total</b>	<b>6,486,007,945</b>	<b>4,287,192,000</b>

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

**Donor Funds released through Exchequer Releases as per CARA**

Description	2018/2019	2017-2018
	KShs	KShs
DANIDA - Universal Healthcare in Devolved Units Programme	17,111,250	21,279,949



	2018/2019	2017/2018
World Bank - THUSCP	49,821,285	30,384,218
National Agricultural & Rural Inclusive Growth Project (NARIGP)	50,078,476	50,609,855
Kenya Devolution Support Programme	218,431,700	41,606,801
Youth Polytechnic support grant	-	29,282,394
Compensation for User Fees forgone	18,086,363	18,055,819
SIDA	7,003,592	-
<b>Total</b>	<b>360,532,666</b>	<b>191,219,036</b>

*TRANSFERS FROM OTHER GOVERNMENT ENTITIES*

Description	2018 - 2019	2017 - 2018
	KShs	KShs
Transfers from Central government entities		
RMLF	177,409,091	166,562,969
Transfers from Counties		
<b>TOTAL</b>	<b>177,409,091</b>	<b>166,562,969</b>

**Comment [H2]:** Was this really the figure? Or it includes prior year disbursement? countercheck

**TOTAL REVENUE**

Out of the projected revenue, the County was able to realize Ksh 6,975,915,792 in actual revenues, representing 81% performance. This performance increased by 10% compared to previous financial year. In the table below represents an analysis of revenue performance during the year.

Revenue classification	Budgeted(Kshs)	Actual (Kshs)	Realisation (%)
Exchequer releases	7,295,814,020	6,167,049,016	85%
Proceeds from Domestic and Foreign Grants	626,646,389	345,132,666	55%
Transfers from Other Government Entities	178,596,626	177,409,091	99%
County Own Generated receipts	459,293,246	286,325,019	62%
<b>TOTAL</b>	<b>8,560,350,281</b>	<b>6,975,915,792</b>	<b>81%</b>

#### **Expenditure Performance**

The total expenditure for the period under review amounted to Ksh 6.68 Billion against approved budget of Ksh 8,426,855,311.

#### **Recurrent Expenditure**

Total Recurrent Expenditure amounted to Kshs 4.787 Billion against an approved budget of Kshs 5.21 Billion reflecting an absorption rate of 92%.

#### **Development Expenditure**

Total cumulative development expenditure for the period under review amounts to Kshs 1.9 Billion against an approved budget Kshs 3.22 Billion. This reflects an absorption rate of 59%.

#### **Implications of 2018/2019 Fiscal Performance**

Revenue and expenditure projections will be based on the macroeconomic assumptions contained in this CBROP and this will be firmed up in the County Fiscal Strategy Paper (CFSP), 2020. The County will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the CFSP, 2019 to reflect the changed circumstances.

The financial year 2018/2019 fiscal outturn has necessitated revision of the financial objectives to be set out in the next CFSP and the Budget for fiscal year 2020/2021 in the following ways:

- Low absorption of development funds have created a huge backlog of unimplemented projects which has been re-budgeted in the fiscal year 2019/2020 hence need for review of the development expenditure projections in the medium term. This huge surplus at the end of financial year is impacting negatively on our development index.
- The resultant surplus also implies low absorption capacities by the departments thus a need to adjust on timeliness of preparation of Bill of Quantities and procurement process.
- Under-performance in County own revenues and grants has shrunk the resource base thus necessitating adjustments in the fiscal aggregates for the current budget and in the MTEF period.
- Enhancing local revenues collection capacity ,Total automation of revenue collection and management and sealing of any revenue loopholes.
- Reforms to improve public resources utilization and budget execution.

### **Fiscal Responsibility Principles**

The fiscal responsibility principle on wages and remuneration as per the PFM Act of 2012 provides for utmost 35 percent of the total County budget. The proportion of actual salaries and remuneration expenditure on the overall expenditure was 36 percent. The actual performance on this fiscal principle was slightly higher than the stipulated percentage of 35 percent of the overall county budget by 1 percent.

On the development expenditure, the proportion of the actual expenditure was 37.6 percent. This is above the stipulated percent of at least 30 percent on the overall county budget in compliance with the PFM Act, 2012.

**I. STATEMENT OF RECEIPTS AND PAYMENTS**

		2018-2019	2017-2018
	Notes	KShs	KShs
<b>RECEIPTS</b>			
Exchequer releases	1	6,846,540,611	4,478,411,036
Transfers from Other Government Entities	3	177,409,091	166,562,969
County Own Generated Receipts	9	286,235,013	197,886,883
Returned CRF issues	10	-	-
<b>TOTAL RECEIPTS</b>		<b>7,310,184,715</b>	<b>4,842,860,889</b>
<b>PAYMENTS</b>			
Compensation of Employees	11	2,853,606,088	2,239,979,936
Use of goods and services	12	1,393,082,676	1,305,538,664
Subsidies	13	-	-
Transfers to Other Government Units	14	840,570,909	937,793,951
Other grants and transfers	15	427,522,230	25,908,043
Social Security Benefits	16	-	-
Acquisition of Assets	17	1,991,372,897	570,151,348
<b>TOTAL PAYMENTS</b>		<b>7,506,154,799</b>	<b>5,079,371,942</b>
<b>SURPLUS/DEFICIT</b>		<b>(195,970,084 )</b>	<b>(236,511,053)</b>

a) CASH FLOWS

		2018-2019	2017 - 2018
	Notes	KShs	KShs
<b>Receipts from operating income</b>			
Exchequer Releases	1	6,846,540,611	4,478,411,036
Proceeds from Domestic and Foreign Grants	2	-	-
Transfers from Other Government Entities	3	177,409,091	166,562,969
Reimbursements and Refunds	7	-	-
Returns of Equity Holdings	8	-	-
County Own Generated Receipts	9	286,235,013	197,886,883
Returned CRF issues	10	-	-
<b>Payments for operating expenses</b>			
Compensation of Employees	11	(2,853,606,088)	(2,239,979,936)
Use of goods and services	12	(1,393,082,676)	(1,305,538,664)
Subsidies	13	-	-
Transfers to Other Government Units	14	(840,570,909)	(937,793,951)
Other grants and transfers	15	(427,522,230)	(25,908,043)
Social Security Benefits	16	-	-
Finance Costs, including Loan Interest	18	-	-
Other Payments	20	-	-
<b>Adjusted for:</b>			

Adjustments during the year		-	-
<b>Net cash flow from operating activities</b>		<b>1,795,402,813</b>	<b>333,640,295</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	6	-	-
Acquisition of Assets	17	(1,991,372,897)	(570,151,348)
<b>Net cash flows from Investing Activities</b>		<b>(1,991,372,897)</b>	<b>(570,151,348)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Repayment of principal on Domestic and Foreign borrowing	19	-	-
<b>Net cash flow from financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(195,970,084)</b>	<b>(236,511,053)</b>
<b>Cash and cash equivalents at BEGINNING of the year</b>	21	<b>548,620,876</b>	<b>785,131,929</b>
<b>Cash and cash equivalents at END of the year</b>	24	<b>352,650,792</b>	<b>548,620,876</b>

In the Financial Year 2018-2019 the County Government did not experience any form of Liquidity disruptions. The County had put in place proper measures which included curbing of travel and accommodation costs to mitigate cash flows disruption. There were also timely disbursements of funds by the National treasury. The cash and cash equivalent was Kshs 352,650,792 as at 30<sup>th</sup> June 2019

## RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

### Recent Economic Developments

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

The largest expenditure driver in the first half of the Financial Year 2018-2019 was infrastructural development and the promotion of access to markets for fresh produce especially given that the county economy is heavily dependent on agriculture and livestock. Therefore, market access is vital for employment and equitable income distribution. It is important however to note that to ensure equitable development, resource distribution was sensitive to regional, as well as demographic considerations both regarding equity and efficiency have been realized. The allocation for the 2018-2019 financial year is as shown in the table below;

**Table 3: Portfolio Allocation 2018-2019 as per Printed Estimates  
Macroeconomic outlook and policies**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	7,295,814,020	-	7,295,814,020	6,167,049,016	7,295,814,020	85%
Proceeds from Domestic and Foreign Grants	626,646,389	-	626,646,389	345,132,666	626,646,389	55%
Transfers from Other Government Entities	178,596,626	-	178,596,626	177,409,091	178,596,626	99%
County Own Generated receipts	459,293,246	-	459,293,246	286,325,019	459,293,246	62%
<b>TOTAL</b>	<b>8,560,350,281</b>	<b>-</b>	<b>8,560,350,281</b>	<b>6,975,915,792</b>	<b>8,560,350,281</b>	<b>81%</b>

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>PAYMENTS</b>						
Compensation of Employees	3,015,121,868	-	3,015,121,868	2,853,606,088	3,015,121,868	95%
Use of goods and services	1,943,036,681	-	1,943,036,681	1,393,082,676	1,943,036,681	72%
Other grants and transfers	1,017,006,481	-	1,017,006,481	642,360,633	1,017,006,481	63%
Acquisition of Assets	2,585,185,251	-	2,585,185,251	1,756,634,494	2,585,185,251	68%
<b>TOTAL</b>	<b>8,560,350,281</b>	<b>-</b>	<b>8,560,350,281</b>	<b>6,645,683,890</b>	<b>8,560,350,281</b>	<b>78%</b>

Several common non-core expenditures were factored in the budget for 2018-2019 to operationalize the county and to provide a stable administrative framework which will henceforth provide a foundation for the development of the county where necessary. Such expenditures included; purchases of vehicles and equipment, renovation and construction of buildings, recruitment and remuneration of staff, among others.

Such expenditures were mostly one-off and therefore may not need to be provided for in the subsequent Financial Years and as a result, the outlook for 2018/19 promotes a reorientation of expenditure focus to poverty reduction, employment creation and efficiency in production and service delivery. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to these key areas.

In this regard several yardsticks may be used to identify areas where expenditure reductions can be realized. First, it is important to appreciate that some agencies require more resources for non-core expenditures, while others due to their mandates need less to be as able to execute their mandates effectively. Thus, expenditure reductions for items such as printing, routine maintenance of vehicles, hospitality supplies, among others must be made where inordinate spending is identified. It is therefore important that these expenditures be reduced modestly without crippling the targeted spending units' mandates and objectives. The resultant savings can be re-designated to the core areas and strategies for 2019/2020.



**DEPARTMENTAL INDICATOR PERFORMANCE AS AT THE END OF FY 2018/2019**

<b>HEALTH AND SANITATION</b>				
<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 2017/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 2018/19</b>
Increased number of operational facilities	Number of completed and operational health facilities	135	28	13
Improved maternal services	Number of maternities constructed	20	2	2
Improved in patient services	Number of in- patient Wards constructed and equipped	20	8	0
Improved theatre services	Number of Theatres Constructed	3	13	3
Intensive care unit constructed	Number of ICU Constructed	0	1	0
Improved laboratory services	Number of basic Laboratories constructed	109	10	0
Improved oxygen supply	Number of oxygen plants constructed	0	1	1
Improved referral systems	Number of ambulances purchased	6	10	10
Uninterrupted power supply	Number of health facilities with standby generators installed	2	2	5
Improved morgue services	Number of morgues constructed	1	1	1
Adequate Supplies Of Health Commodities Ensured	Number Of Commodity deliveries	2	4	3
Reduced Maternal mortality rate	Maternal mortality rate (deaths/100,000 live births)	510	-	362
Reduced Neonatal mortality rate	Neonatal mortality rate (deaths/1,000 live births)	32.7	-	22
Reduced Under 5 mortality rate	Under 5 mortality rate (deaths/1000 live births)	43	-	39
Reduced Distance to health	Distance to health facility in KM	10	-	9

<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
facility in KM				
Increased % of facility skilled deliveries	% of facility skilled deliveries	37.8	-	44
Increased % of fully immunized child (FIC)rate	% of fully immunized child (FIC)rate	57.8	-	67
Reduced children under 5 years who are under weight	Number of children under five years who are under weight	6809	-	8312
Reduced stunted children	Number of children under five who are stunted	2899	-	4636
Increased exclusively breastfed children	No. of children under six months exclusively breastfed	17000	-	37155
Increased households with functional latrines	% of households with functional latrines	80	-	85
Reduced % of HIV prevalence	HIV prevalence	2	-	2
Increased Doctor / patient	Doctor / patient	3:100000	-	4:100000
Increased Nurse patient ratio	Nurse patient ratio	46:10000	-	57:100000
<b>TRANSPORT AND INFRASTRUCTURE</b>				
Footbridges & Bridges constructed	No. of Bridges & Footbridges constructed	8	8	9
Roads maintained graveled	KM. of graveled roads	1020	600	584.3
Roads maintained graded	KM. of graded Roads	1020	1500	1210.1
Metres (M) of Culverts installed	M of Culverts installed	-	2200	2306
Newly surveyed and opened up roads	KM. of newly opened up roads	190	200	197.2
Projects designed and managed	Number of Projects Designed and Managed	60	78	164

<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
<b>AGRICULTURE AND COOPERATIVE DEVELOPMENT</b>				
Horticultural production improved	Number of avocado seedlings purchased	-	10,000	46,000
	Number of certified Irish potato bags purchased	-	1000	1,200
	Number of macadamia seeds purchased	-	700	19,800
	Number of tissue culture banana seedlings purchased	-	600	600
	Number of ha. increased under Hort. Crop	1570	600	654
Productivity for prioritized livestock value chains increased	Number of feed stalls established in Kaimosi ATC	20	30	0
Productivity for prioritized livestock value chains increase	Number of cooling structures constructed	0	30	0
Productivity for prioritized livestock value chains increased	Number of milk processing plants constructed and equipped	0	0	0
Productivity for prioritized livestock value chains increased	Number of farmer groups benefitting from the poultry project	15	210	126
livestock health and productivity improved	Number of cattle dips renovated	202	48	0
	Number of new cattle dips constructed	4	6	0
	Number of doses of assorted vaccines and	500,000	380,000	380,000

	sera purchased			
	Number of liters of acaricides supplied	6,500	800	800
<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
Improved Animal productivity	Number of bull semen straws procured	15,000	13,000	13,000
	Number of inseminations done	4,808	13,000	12,379
Promotion and Revitalization of Co-operatives enhanced	Number of coffee seedlings purchased and supplied	8,000	50,000	100,000
Promotion and Revitalization of Co-operatives enhanced	Number of cooperative societies promoted and revived	-	-10 to be promoted, -5 to be revived	21promoted 4 revived
Promotion and Revitalization of Co-operatives enhanced	Number of coffee pulping machines purchased	2	8	8
<b>EDUCATION AND VOCATIONAL TRAINING</b>				
Increased access to Early Childhood Education	Number of ECDE Centres constructed	113	106	2
	Number of ECDE centres supplied with curriculum support materials(teaching and learning materials)	-	78	0
	Number of additional teachers recruited(care givers)	820	400	400

<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
Increased access to Vocational Training	Number of New VTC established	15	5	5
	No. of existing VTCs renovated	15	13	0
	Number of VTCs installed with ICT equipment	0	15	15
Provision of bursaries and educational grants to needy students	Number of students supported / benefiting from county bursary scheme	2,864	6434	6434
<b>LANDS, ENVIRONMENT AND NATURAL RESOURCES</b>				
Increase of households connected to water supply	Number of completed and operational water projects	57	225	48
Improved clean and safe environment	% of forest cover	21%	30%	28%
<b>SPORTS, YOUTH AFFAIRS AND ARTS</b>				
Modern training camp constructed	Number of modern training camps constructed	1	1	0
Stadia developed	Number of Stadia Developed	2	2	0
	Number of local and national competitions held in the county.	0	1	1
Construction of Youth empowerment centre (State of the Art studio & conference)	Level of Completion of the State of the Art Studio and Conference in Kapsabet	0	1	0

<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
Improved community sports fields	Number of community sports facilities improved	1	12	4
<b>TOURISM, CULTURE AN SOCIAL WELFARE</b>				
Improved tourism infrastructure	Number of tourist sites developed	1	2	0
	Amount of revenue collected	1,200,000	-	636,000
	Number of tourist arrivals	18,113	-	7563
Heroes and heroines recognized and honored	Number of mausoleums constructed	1	1	0
Vulnerable members empowered	Number of sewing machines issued to women and PWD groups	96	162	96
	Number of salon kits issued to women and PWD groups	0	85	0
	Number of storage containers acquired	0	1	0
PWDs supported	Number of assistive devices issued	0	225	150
Improved social amenities	Number of social halls constructed	5	1	0
	Number of events held at the social halls	5	1	0
Reformed and re-integrated members of the society	Number of Rescue centres constructed	0	1	0

<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
<b>ADMINISTRATION, PUBLIC SERVICE AND e-GOVERNMENT</b>				
Enhanced Town and urban areas sanitation	Number of KM of sewerage system installed and improved within the urban areas	-	1.5	0
Improved solid waste management	Number of waste disposal equipment acquired- Waste receptacles	-	4	0
Improved town and urban areas planning	Number of Boda-boda shades Constructed	2	12	11
Improved town and urban centers security	Number of street light points installed	0	7	0
Enhanced Town and urban areas sanitation	KM of Drainage systems constructed	-	4	0
Business environment improved	Number of bus parks improved and rehabilitated	3	3	3
	Number of Jua kali shades,	0	20	0
Data security enhance	Number of data centres constructed,	0	1	1
Service Delivery improved	Number of systems developed	0	4	4
Public complaints/compliments and Suggestions Manage	Number of call centres developed	0	1	1

<b>Outcome /Output</b>	<b>Related Outcome/Output Performance Indicators From CIDP</b>	<b>Baseline (End of FY 17/18)</b>	<b>Target in Actual Budget 2018/19</b>	<b>Achievement in review period 18/19</b>
<b>TRADE INVESTMENT AND INDUSTRIALIZATION</b>				
Established Open air/fresh produce markets	Number of open fresh produce markets established	15	2	2
Developed a bus park	Number of bus parks developed	2	1	1
Constructed modern market stalls	Number of market stalls constructed	0	119	22
Improved market sanitation	Number of ablution blocks constructed	12	3	2
Construction of bodaboda shades	Number of bodabodashades constructed	8	14	12
Online marketing training undertaken	Number of traders trained in online marketing	-	100	60
Promote fair trade practices	Number of weights and measures instruments calibrated and verified	-	1500	1256
	Number of workshops constructed and equipped	0	0	0
Capacity building of staff held	Number of staff trained on weights and measures	0	1	1
Business information centres established	Number of business incubation centres established	0	1	0
Textile and apparel unit established	Number of a textile and apparel units established	0	1	0
Construction of jua kali shades	Number of jua kali shades constructed	0	5	0
Prevalence of alcohol consumption reduced	Number of public awareness campaigns	-	12	0



Growth prospects (Revenue outlook)

Revenue Streams' Projections for FY 2020-2021

RESOURCE ENVELOPE						
MEDIUM TERM FISCAL FRAMEWORK FY 2020-2021 to 2022-2023						
CODE	REVENUE ITEMS	Approved	Estimates	Medium Term Projections		
		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>1</b>	<b>Total Anticipated Revenue</b>	<b>8,046,964,890</b>	<b>8,133,676,476</b>	<b>7,138,945,965</b>	<b>7,495,893,263</b>	<b>7,870,687,926</b>
1.1	<b>Local Revenue</b>	<b>459,293,246</b>	<b>376,829,833</b>	<b>384,366,430</b>	<b>403,584,751</b>	<b>423,763,989</b>
1520100	Land Rates	46,682,200	23,807,922	24,284,080	25,498,284	26,773,199
1520500	Plot Rent/House rent	5,100,662	1,560,802	1,592,018	1,671,619	1,755,200
1420328	Single Business Permits	36,430,791	29,727,525	30,322,076	31,838,179	33,430,088
1420328	Loiquor Licensing	12,120,000	5,439,456	5,548,245	5,825,657	6,116,940
1420405	Market Fees	15,595,046	10,657,655	10,870,808	11,414,349	11,985,066
1330405	Agriculture	9,090,000	6,119,388	6,241,776	6,553,865	6,881,558
1420345	Cess	156,456,200	156,456,200	159,585,324	167,564,590	175,942,820
1420507	Kiborgok Tea Proceeds	18,913,963	18,134,708	18,497,402	19,422,272	20,393,386
1580401	Slaughter Fees	638,320	820,369	836,776	878,615	922,546
1550105	Kiosks & stalls	3,535,000	7,247,457	7,392,406	7,762,026	8,150,128
1550000	Trade Fair	2,020,000	2,060,400	2,101,608	2,206,688	2,317,023
1420404	Parking Fees	46,018,822	32,388,047	33,035,808	34,687,598	36,421,978
1450100	Vetenary	6,565,000	4,754,373	4,849,460	5,091,933	5,346,530
1580100	Health and Sanitation	83,042,200	64,374,313	65,661,799	68,944,889	72,392,134
1420403	Sewerage and Water	686,800	665,509	678,819	712,760	748,398
1530000	Advertising	4,242,000	2,812,446	2,868,695	3,012,130	3,162,736
1530000	Physical Planning	2,020,000	1,339,260	1,366,045	1,434,347	1,506,065
1530000	Weights % Measures	3,030,000	2,008,890	2,049,068	2,151,521	2,259,097
1530000	Tourism and Co-op Developmen	1,414,000	1,442,280	1,471,126	1,544,682	1,621,916
1530000	Hire of Exhauster	2,222,000	1,473,186	1,502,650	1,577,782	1,656,671
1530000	OTHER FEES	3,470,242	3,539,647	3,610,440	3,790,962	3,980,510
<b>1.2</b>	<b>GOVERNMENT FUNDING</b>	<b>6,802,400,000</b>	<b>6,843,294,705</b>	<b>5,800,950,000</b>	<b>6,090,997,500</b>	<b>6,395,547,375</b>
1.2.1	CRF Fund Balances	1,433,000,000	1,604,294,705	300,000,000	315,000,000	330,750,000
1.2.2	CRA EQUITABLE SHARES	5,369,400,000	5,239,000,000	5,500,950,000	5,775,997,500	6,064,797,375
			-	-		
<b>1.3</b>	<b>Conditional allocations from</b>	<b>196,712,989</b>	<b>202,710,317</b>	<b>212,845,833</b>	<b>223,488,124</b>	<b>234,662,531</b>
1.3.1	CHFS -County Health Facility Supplies		-	-	-	-
1.3.2	COMPENSATION OF USER	18,086,363	18,086,363	18,990,681	19,940,215	20,937,226
1.3.3	RMLF	141,371,626	151,830,656	159,422,189	167,393,298	175,762,963
1.3.4	Development of Youth Polytech	37,255,000	32,793,298	34,432,963	36,154,611	37,962,342
			-	-		
<b>1.4</b>	<b>Conditional Allocations from</b>	<b>588,558,655</b>	<b>710,841,621</b>	<b>740,783,702</b>	<b>777,822,887</b>	<b>816,714,032</b>
1.4.1	DANIDA -HSPS3	17,111,250	16,031,250	16,832,813	17,674,453	18,558,176
1.4.2	KDSP - World Bank	44,551,044	30,000,000	31,500,000	33,075,000	34,728,750
1.4.3	W.B -Transforming of Health S	97,229,498	46,342,186	48,659,295	51,092,260	53,646,873
1.4.4	W.B. -National Agricultural anc	140,435,163	343,929,300	361,125,765	379,182,053	398,141,156
1.4.5	Other Loans and grants	-	-	-	-	-
1.4.6	Kenya Urban Support project (K	177,231,700	177,231,700	186,093,285	195,397,949	205,167,847
1.4.7	European Union Water Tower F	72,000,000	45,000,000	47,250,000	49,612,500	52,093,125
1.4.8	Food and Agriculture Organizat	40,000,000		-	-	-
1.4.9	urban institutional grant (U.I.G)	41,200,000	8,800,000	9,240,000	9,702,000	10,187,100
1.5.0	ASDSP		16,507,185	17,332,544	18,199,171	19,109,130
1.5.1	LEASING OF MEDICAL EQU	200,000,000	131,914,894	138,510,639	145,436,171	152,707,979

### **Medium Term Fiscal Framework**

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

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

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

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

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

## RESOURCE ALLOCATION FRAMEWORK

SUMMARY OF COMPENSATION TO EMPLOYEES, OTHER RECURRENT EXPENDITURES AND DEVELOPMENT						
VOTE TITLE	RECURRENT			DEV	TOTALS	%
	Personnel	REC	OTHER REC	BUDGETED		
	Cost	EXP	EXP	2020-2021		
COUNTY EXECUTIVE EXPENDITURES	146,753,536	225,323,372	5,439,000	36,480,655	413,996,563	5.8
FINANCE AND ECONOMIC PLANNING	198,656,186	189,080,201	2,992,500	22,139,914	412,868,801	5.8
HEALTH AND SANITATION	1,785,273,547	457,116,035	7,827,750	388,117,515	2,638,334,847	37.0
ROADS, TRANSPORT AND INFRASTRUCTURE	57,715,911	34,652,589	21,294,000	333,938,867	447,601,367	6.3
AGRICULTURE AND CO-OPERATIVES DEVELOPMENT	247,438,355	23,679,326	1,179,150	310,442,337	582,739,168	8.2
EDUCATION AND VOCATIONAL TRAINING	189,890,220	75,649,104	157,500	191,809,214	457,506,039	6.4
LANDS, ENVIRONMENT, NATURAL RESOURCES	64,244,676	18,742,500	2,178,750	287,838,582	373,004,508	5.2
TRADE AND INDUSTRIAL DEVELOPMENT	37,287,424	12,398,691	907,725	72,993,000	123,586,840	1.7
PUBLIC SERVICE AND LABOUR	22,131,515	7,722,750	341,250	-	30,195,515	0.4
TOURISM, CULTURE AND SOCIAL WELFARE	28,938,103	11,968,155	670,320	48,779,479	90,356,058	1.3
ADMINISTRATION, PUBLIC SERVICE AND GENERAL SERVICES	306,108,558	74,041,083	6,394,500	236,109,345	622,653,486	8.7
SPORTS, YOUTH AFFAIRS AND ARTS	44,790,989	14,698,241	627,323	82,537,355	142,653,908	2.0
COUNTY ASSEMBLY	372,913,219	316,525,799	9,759,848	104,250,000	803,448,865	11.3
<b>TOTAL</b>	<b>3,502,142,239</b>	<b>1,461,597,848</b>	<b>59,769,615</b>	<b>2,115,436,263</b>	<b>7,138,945,965</b>	<b>100</b>
Percentage Allocation	49	20.5	0.8	29.6	100.0	

### Expenditure Justifications

Resource allocation and utilization in the next Financial Year and in the medium term will be guided by the strategic and emerging priorities, county development plans and the principles of PFM Act to ensure effective utilization of public finances. The sector allocations are also informed by the county goals and people's aspirations as captured in the County Integrated Development Plan (CIDP) 2018-2022, which is aligned to the goals and the objectives of the country and the Pillars anchored in Vision 2030 blueprint.

In this regard, the areas that are identified to receive additional funds are the “high impact” areas or chronically neglected, but important, areas of public spending such as increased funding for basic education, health care facilities, provision of clean water, road maintenance by grading and gravelling, rehabilitation of cattle dips, provision of extension services and value addition in agriculture, youth empowerment programs and employment creation initiatives. To fund these urgent programs, and in the realization that the finances of the county are finite, sacrifices must be

made in non-core spending areas and those savings should be used to secure provision for priority services.

### **Fiscal Risks to the outlook**

Appreciation of the shilling could erode Kenya's competitiveness and lead to unfavorable business in the export sector. The macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how some sectors in the county will perform. The risks to the 2019-2020 financial year's budget include challenges in own source revenue performance as the county continues to put structures in place, fully automate revenue collection and management and expand the revenue base. The current process of county restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures. With commitment in improving infrastructure within the county, the share of resources going to priority physical infrastructure sector, such as roads and water will rise over the medium term.

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

Adjustments to the 2019/2020 budget will also take into account actual performance of expenditure so far and absorption capacity for the remainder of the financial year. Because of the resource constraints faced, the county government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures and downscaling operational costs as some of the austerity measures.

### **Expenditure Drivers**

Development initiatives that will be implemented in the coming Fiscal Years are contained in the County Integrated Development Plan (CIDP) 2018-2022 whose development proposals were identified by stakeholders through a consultative process. All the sectors in the county had priority

development proposals identified. These proposals will drive expenditures for the four Fiscal Years. These expenditure drivers in the respective sectors include;

**Agriculture and cooperative development:** cash/food crops development, productivity and technology adoption, Farmer cooperatives revitalization, fruits and vegetables enhancement, fish farming promotion and support, livestock production enhancement initiatives, value addition and marketing, and value chain linkages.

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

**Health and Sanitation Sector:** completion of all the flagship projects which includes the Kapsabet County Referral MCH, improvement and upgrading of health facilities, service delivery enhancement, community health strategy, efficient drugs and commodities management strategy, efficient referral and ambulatory services

**Roads, Transport and Infrastructure:**

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

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

The county intends to establish a workshop/garage in order to service its motor vehicles, plant and machinery as well as filling and service station as part of austerity measures towards cost saving on fuels and maintenance.

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

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

**Lands, Environment, Water and Natural Resources Sector:** improvement of water supply infrastructure, water management systems and waste disposal systems. Others are environmental conservation strategies and other natural resources management and harnessing systems. Enhancing land management for sustainable development and provision of titles. County spatial planning, urban areas land use Plans, land demarcation, adjudication and registration, urban and rural housing development

**Tourism, culture and social welfare:** Entails Niche tourism, Sports tourism, Tourism quality and management strategies, Tourism marketing strategies, Trade promotion and marketing strategies. Strategies to develop tourism infrastructure that can attract both local and international visitors are put into consideration which entails: rehabilitation of existing sites including Chepkiit water falls in Mlango, Nandi Rock and marketing the existing tourist attractions Culture promotion and development as well as women, special needs groups initiatives to enhance capacity and wealth creation.

**Sports, Youth Affairs and Arts:** Sports Stadia and athletics training centre development, sports activities enhancements, talents development and mentorship programs, and youth empowerment programs drives expenditure in this sector., and culture promotion and development.

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

### **Medium-Term Expenditure Framework (MTEF)**

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

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

The economic sectors including agriculture and cooperatives will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity, poor market returns for agricultural produce by developing milk processing plant, milk coolers and subsidized A.I services.

With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, ICT and water will continue to rise over the medium term. This will help the sector provide increased access to clean and potable water.

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

## CONCLUSION

The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the Revised Estimates (Supplementary Budgets) for 2019/2020 F/Y and County Fiscal Strategy Paper of 2020 and consequently inform county priority areas in the budget for the financial year 2020/2021. More concerted effort ought to be employed in mobilizing resources both internally and externally to fund the five year development plan for realization of the aspirations of the citizenry. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the county will be crucial in ensuring that the county gets to deliver on its functions while dedicating more resources to completion of county's flagship projects and all other strategic programs.