



**REPUBLIC OF KENYA**  
**COUNTY GOVERNMENT OF NYERI**



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**DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**

**THE COUNTY TREASURY**

**COUNTY FISCAL STRATEGY PAPER**  
**2016**

**SUSTAINING ECONOMIC PROSPERITY FOR ALL**  
**THE PEOPLE OF NYERI**

**FEBRUARY, 2016**

## **Foreword**

One of the key stages in the county budget preparation cycle is the production of the County Fiscal Strategy Paper (CFSP). It sets out the county policy goals and strategic priorities that will be the basis for formulation of the County's Financial Year 2016/17 budget and the Medium Term projections. This is an annual planning document that shows the various fiscal strategies that the County Government of Nyeri intends to employ to meet its overall objective of improving the livelihoods of its citizens.

The County priorities and goals outlined herein are based on the County Integrated Development Plan as enunciated in the 2016/2017 Annual Development Plan with emphasis on investment in: roads and infrastructure, accessibility of water for domestic and irrigation purposes, accessible health care, education, promoting investor and business confidence necessary to encourage investment, growth and employment creation. These priorities shall form the basis for formulation of FY 2016/17 budget and the Medium Term. The paper therefore links county planning and policies to Budget which is the main objective of the Medium Term Expenditure Framework.

As a build-up on the County Budget Review and Outlook Paper (CBROP) 2015, which analyzed the performance in the FY 2014/2015 financial year's budget, scanned the current year's fiscal environment and provided an outlook for the FY 2016/2017 and the medium term, this CFSP shows the allocation of resources in all sectors and departments.

The main sources of county revenue, in the medium term, will be the equitable share, conditional grants, local revenue collections and donor funding. In the FY 2016/17 and the medium term, the County Government proposes a series of measures to increase revenue and balance its fiscal spending. The County will focus on strengthening the potential it is endowed with to stimulate economic growth and development. This paper, therefore, puts into perspective how the County anticipates to expend its scarce resources in the FY 2016/17 and the medium term.

The paper covers the following broad areas; highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies

for the Medium Term and the Medium Term Fiscal Framework. The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline.

A handwritten signature in black ink, appearing to read 'Charles Githinji', with a large, stylized loop at the end.

DR. CHARLES GITHUA GITHINJI, PhD,

**C.E.C.M - FINANCE AND ECONOMIC PLANNING.**

## **Acknowledgement**

A lot of effort and dedication have been spent to ensure the County Fiscal Strategy Paper (CFSP), 2016 is prepared and submitted on time, as required under the PFM Act, 2012. Lots of efforts have been dedicated to the timely preparation of this CFSP, without which, actualization of this MTEF budgeting policy document would not have been possible. The document is expected to improve the understanding on how public finances are spent and shape the debate on economic and development matters in the County as we move towards sustaining economic prosperity for all the people of Nyeri

Special thanks go to the office of the County Secretary, all the Chief Officers, County Directors and various county officials especially from the department of Public Administration, Information and Communication who dedicated their valuable time to ensure the success of the public participation forums held, in all the wards, to collect information for the preparation of the CFSP, 2016. Special appreciation goes to the preparation coordinating team that worked tirelessly throughout to transform raw data gathered from public participation forums and county departments to this refined document

As it is the responsibility of County Treasury to ensure timely submission of the CFSP a team from the departments of Finance and Economic Planning spent valuable time to put together this strategy paper. These officers included the Chief Officer for Finance and Accounting, Richard Kimani. Other included Lucy Kirigo, Gibson Mwangi and Chris Gathogo

While as it is not be possible to list everybody individually in this page, I would like to take this opportunity to thank the entire staff of the County Government of Nyeri for their dedication, sacrifice and commitment to public service that enabled the timely production of the CFSP, 2015



FRANCIS MARANGA KIRIRA

**CHIEF OFFICER - ECONOMIC PLANNING**

## **List of Abbreviations**

BPS	Budget Policy Statement
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
ECDE	Early Childhood Development Education
ESP	Economic Stimulus Programme
FIF	Facility Improvement Fund
FY	Financial Year
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KTBH	Kenya-Top-Bar-Hive
MTEF	Medium Term Expenditure Framework
NHIF	National Hospital Insurance Fund
PFM	Public Finance Management
TOL	Temporary Occupation License
USD	United States Dollar

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## **Legal Basis for the Publication of the County Fiscal Strategy Paper**

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

- 1) The County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by 28<sup>th</sup> February of each year.
- 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 their budget both 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 of revenue allocation;
  - (b) the public;
  - (c) the interested persons or groups;
  - (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 finalizing the budget proposal for the financial year concerned.
- 8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.



## Fiscal Responsibility Principles for the National and County Governments

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM act, 2012, (Section 15) states that:

- 1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure
- 2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
- 3) The county government's 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 County Executive member for finance in regulations and approved by the County Assembly.
- 4) Over the medium term, the national and County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the county assemblies for the County Governments.
- 6) Fiscal risks shall be managed prudently; and
- 7) 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.

# I SUSTAINING ECONOMIC PROSPERITY FOR ALL THE PEOPLE OF NYERI

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## Overview

1. The 2016 Nyeri County Fiscal Strategy Paper is the third to be prepared under the devolved governance structures and continues the implementation of far reaching economic policies and structural reforms for economic prosperity in line with the national Budget Policy Statement (BPS), 2016. The policies are implemented around economic transformation agenda that includes; (i) creating a conducive business environment for job creation; (ii) investing in sectoral transformation to ensure broad based and sustainable economic growth with a major focus on agricultural transformation to ensure farmers get better returns for their produce; (iii) investing in infrastructure in areas such as roads, energy and water; (iv) investing in quality and accessible health care services and quality vocational education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity.
2. The implementation of the transformative agenda is expected to raise efficiency and productivity in the economy thereby sustaining inclusive growth. This will create opportunities for productive jobs in Nyeri County. This CFSP, therefore, reiterates the ongoing County's priority programmes and structural reform measures to be implemented over the Medium Term.
3. The national development trends, together with renewed investors' confidence in the country, will accelerate growth prospects in the county by creating more jobs and investment opportunities. This will be made possible by downward trend in interest rates, continued stability of exchange rates and inflation, being contained at single digit, and with the continued fall of fuel prices globally. This will lead to creation of more assets hence sustainable growth and development from the national to the county level.
4. Despite the national macro-economic performance remaining strong in the face of headwinds from the global economic slowdown, the county is still experiencing development challenges which may derail the overall growth and development.

Continued consumption of second generation brews, inadequate and high cost of energy, inappropriate agricultural practices, undeveloped and poorly maintained road network and numerous litigations on the revenue administration laws continue to be the key obstacles to sustainable development in the county. In addition, the high and unsustainable recurrent expenditure, weak budget implementation and fiscal related challenges surrounding devolution, continue to constrain the county economy from achieving its full potential.

5. The country's economy grew by 5.3 percent in 2014 and is projected to rise to 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent over the medium term. This robust economic growth is supported by continued investment in infrastructure, construction, mining, lower energy prices and improved agriculture following improved rains. Inflation is expected to remain within target over the medium term. Interest rates are expected to remain low and stable and exchange rates competitive.

### **Programmes for sustaining economic prosperity for all the people of Nyeri**

6. The programmes to be funded in the FY 2016/17 Budget as outlined in this County Fiscal Strategy Paper rides on the priorities outlined in the County Integrated Development Plan 2013-2018. In this regard, the County Fiscal Strategy Paper outlines economic policies and sector development directions as well as department-based expenditure programmes that the county government intends to implement over the next three years, in order to achieve its development agenda. In the FY 2016/17 budget, the major funding areas will be guided by the projects identified through a public participation process.

### **Prioritizing Development**

7. In the Fiscal Year 2016/17, the County Government will continue receiving support from the National Government so as to improve on service delivery as envisaged in the constitution. In addition, the County Treasury will continue to ensure prudent utilisation of financial resources as outlined in the Public Finance Management Act, 2012 and its attendant regulations. Continuous training of staff on emerging issues relating to financial management will be prioritised.

### **Structural Reforms**

8. The strategies in this paper are aligned to efforts towards reforming own-revenue administration in order to raise more resources to finance budget programmes while deepening private and public sector development to spur economic growth and development.
9. In the 2016 County Fiscal Strategy Paper, the key structural reforms on economic policies and sectoral spending will focus on establishing good governance, cost reduction and optimal utilization of resources.
10. It will also continue capacity building on e-procurement and Internet-banking, to simplify budget preparation, implementation, monitoring and reporting. This will immensely reduce the challenges faced in administration of programme based budget.

## **Outline of the 2016 County Fiscal Strategy Paper**

### ***Recent Economic Developments and Outlook***

11. The next section (II) outlines the economic context in which the 2016/17 budget is prepared. It provides an overview of the recent economic developments.

### ***Fiscal and Budget Framework***

12. Section III outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate development and ensuring that the public debt will be sustainable.

### ***Departmental Allocation of Resources***

13. Section IV provides a framework for the proposed allocation of resources between county departments.

### ***County Budget Framework***

14. Section V presents the resource envelope and spending priorities for the proposed 2016/17 Budget and the Medium Term Expenditure Framework. Departmental achievements and priorities are also reviewed for the FY 2015/16.
15. Section VI provides conclusions.

## II RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

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### *Overview of Recent Economic Performance*

16. Kenya's economic growth has been robust supported by significant infrastructure investments, construction, mining, and lower energy prices and improvement in agriculture following improved weather. The economy grew by 5.3 percent in 2014 and is projected to grow at 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent in the medium term.
17. Macroeconomic stability has been preserved with inflation remaining on average within target. Overall month on month inflation was at 8.0 percent in December 2015 from 6.0 percent in December 2014. This was attributed to the increase in prices of several food items which outweighed the decreases in oil prices as well as an increase in the Alcoholic Beverages, Tobacco & Narcotics index.
18. The Kenya Shilling exchange rate has stabilized following increased foreign exchange inflows in the money market. The current level of foreign exchange reserves, backstopped by the precautionary program with the IMF, continues to provide an adequate cushion against exogenous shocks. Furthermore, the current account deficit narrowed, mainly due to a lower oil import bill, and a slowdown in consumer imports.
19. Short term interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The interbank rate was at 6.2 percent as of 21st January 2016 while the 91 day Treasury bill rate was 11.4 percent as of 22nd January 2016.

### *Growth Update*

20. The economy grew by 5.3 percent in 2014 supported by strong performance in most sectors of the economy which offset the contraction in the tourism sector. Kenya's economic growth remained resilient in 2015. The first three quarters of 2015 recorded an

average of 5.5 percent growth compared to 5.3 percent growth in a similar period in 2014.

### ***Inflation within target***

21. Overall month on month inflation was at 8.0 percent in December 2015 from 7.3 percent in November 2015. On average, the annual inflation rate was 6.5 percent in December 2015 compared to 6.9 percent in December 2014 and was therefore, within the current allowable margin of 2.5 percent on either side of the target of 5.0 percent.

### ***Interest rates***

22. Liquidity conditions remained tight between September and October 2015, with short-term interest rates remaining above the Central Bank Rate (CBR) and the rates on treasury bills rising substantially. This tight liquidity situation improved beginning November, 2015 resulting in reduction in all the money market interest rates.

### ***The Kenya shilling Exchange Rate***

23. The Kenya Shilling exchange rate which had weakened against major international currencies, for most of the year strengthened following foreign exchange inflows into the money market. The currency stabilized at Ksh 102.2 against the US dollar as of 21st January 2016 compared to Ksh 102.8 in October 2015. The depreciation of the currency was mainly due to the global strengthening of the USD on the international market, and high dollar demand by importers in the domestic market

### ***Agriculture***

24. The county economy is mainly agricultural and there is significant increase in crop production which can be attributed to better prices and favourable weather as indicated in the tables below:

**Table 1: Crop production trends and value**

Crop	2012		2013		2014		2015	
	Production	Value	Production	Value	Production	Value	Production	Value
	Bags	Kshs.	Metric Tons	Kshs.	Metric Tons	Kshs.	Tons	Kshs.
Tea	62.9	3,486,000,000	178000	4,592,400,000	166,969	3,400,000,000	86,100	3,920,000,000
Coffee	36 183.8	2,042,000,000	43,000	2,400,000,000	27,000	1,506,976,744	32,000	3,100,000,000
Maize	36,170	43,404,000	276,362	414,543,000			416,020	1,367,790,000
Beans	11,102	27,550,000	17,893.90	71,575,600			88,363	544,851,000
Wheat			4,683.50	9,367,000			85,590	248,211,000
Banana			16,296	212,296,000	15938	236,803,424	21,028	312,431,937
Cabbages	96.99	359,640,000	42903	666,270,000	44384	714,348,000	74,418	1,197,732,892
Irish Potatoes	2586.6	1,767,347,800	87427.5	1,181,794,330	91964	1,568,441,000	101,054	1,723,468,951
French Beans			901.7	41,358,500	804.75	36,163,500		
Tomatoes	244.08	235,045,700	3165.62	109,460,000	3720	124,083,500	7,822	260,919,022
Bulb Onions			1085.3	54,630,500	1271.8	62,170,000	5,403	264,116,425
Garden Peas			55.2	2,606,000	51.62	2,521,040		
Capsicum			183.68	8,095,800	185.88	8,212,200		
Avocado			2792.7	38,275,000	2979.4	43,367,000	3,083	44,872,482
Passion fruit			484.3	18,399,000	476.2	17,601,000	564	20,839,386
Carrots	111.80	35,711,051	314.2	4,759,400	285.2	5,290,000		
Courgettes			116.2	3,816,000	105.5	3,250,000		
Macadamia			1395.65	80,965,000	3025.5	166,435,000	2,283	125,572,673
Tree tomato			474.6	21,593,043	851	40,231,500	855	40,439,271
Mangoes			449.3	13,295,000	475	15,169,000	513	16,376,143
Arabicum			120.85	6,715,548	76.46	5,390,400		
Plums			140.4	1,972,000	96	2,000,000		
pawpaw			248	0				
Apples			32	0				
Kales	130.96	22,416,972	134	0				
Spinach			178	0			2,494	49,735,604
Tuberose			0.08	0				
Ornis			0.2	0				
Morbydick			1.1	0				
<b>Totals</b>			<b>158,898</b>	<b>9,954,186,721</b>	<b>166,690.31</b>	<b>9,502,953,128</b>	<b>292,272,517</b>	<b>13,237,356,786</b>

*Source: Department of Agriculture, Livestock, Fisheries and Cooperatives Development*

25. The main cash crops in the county are tea, coffee, maize, cabbages, Irish potatoes and wheat. Coffee, tea, maize, cabbages and Irish potatoes production levels for 2015 are absolutely high as compared to the previous year due to favourable climate. However in the long run tea production is on the decline.

26. The table below shows the county's livestock production for the period between 2012 and 2015.

**Table 2: Livestock Production**

Livestock	2013		2014		2015	
	Production	Value	Production	Value	Production	Value
	Metric tons	Kshs.	Metric tons	Kshs.		Kshs.
Cattle slaughtered					914,080 Kgs	367,281,400
Dairy Cattle	163400 MT	4,166,700,000	172,000 MT	4,380,000,000	118,652,204 litres	3,647,785,394

Exotic	163,400,000 litres of milk	4,166,700,000	73,244,308	2,145,953,164	0	0
Crosses	8,600,000 litres of milk	213,300,000			0	0
Poultry		263,890,000		173196520		
Indigenous Chicken	96,300 trays	28,890,000	127,638	36,813,950	2554430 eggs	84,988,000
Layers	700,000 trays	210,000,000	473,415	115,936,330	5417,228 eggs	53,458,595
Broilers	100,000Kg	25,000,000	115,576	20,446,240	83849 kgs	15,975,600
Shoats		113726590				
Dairy Goats	Sale of 1708 goats	19,780,000			2655580 litres	134,651,450
Meat Goats	137,236 kg meat	40,799,890	128,730	43,571,770	180412 kgs	67,156,850
Hair sheep	165,600kg meat	52,969,700	243,003	85,395,650	605474 kgs	149,798,550
Wool sheep	22,500 kg wool	450,000			55275 kgs	24,873,750
Rabbits	52,500 kg meat	51,200,000	33380	7,872,050	13610 kgs	4,328,000
Beekeeping		103,199,800		54,546,380	24120 kgs	10,171,000
Log Hive	1,876 kg honey	1,031,800	756	155,780	1026 kgs	565,680
KTBH	112,582 kg honey	61,920,100	15,100	12,094,600	2420 kgs	1,157,600
Lang stroth	73,178 kg honey	40,247,900	-	-	636 kgs	370,080
Pigs	310,000 kg meat	93,000,000	214870	42,296,000	97808 kgs	95,307,276
Fish	12,000		14,000			

*Source: Department of Agriculture, Livestock, Fisheries and Cooperative Development*

27. Livestock production has recorded a significant increase in indigenous chicken, dairy goats, meat goats, hair sheep, log hive and the pigs. Among the major losers in production include; layers, log hive, lang stroth and Kenya to Bar Hive (KTBH).

### **Infrastructure**

28. Improvement of infrastructure mainly roads remains a key focus area for the county and will continue to be given high priority. The table below shows the Kilometres of roads by road surface.

**Table 3: Length of Road Surface by Type.**

<b>Category of road service</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Bitumen	450	450	450
Gravel/murram	1390.59	1,554.39	1,794.39
Earth	1252.14	1,088.34	848.34
<b>Total</b>	<b>3,092.73</b>	<b>3,092.73</b>	<b>3,092.73</b>

*Source: Department of Lands and Infrastructure Development, Nyeri County*

29. In the year 2014, the county gravelled 163.8 Km of roads while 240 Km was gravelled in 2015. This has greatly improved both access and feeder roads across the county where



farmers are able to easily reach the markets and move their goods across and outside the county.

### ***Energy***

30. The county has also continued to facilitate provision of adequate lighting along streets, towns and estates in major urban areas of the county through installation of high mast flood lights and street lighting.

### ***Health***

31. The County Government is committed to ensuring the highest attainable standards of health is achieved. The county will aim to ensure that all the citizens have access to well-equipped health facilities and well trained and motivated health care workers, in addition to developing systems to support and expand health care and improved sanitation. The renal and cancer centres are now operational at the County Referral Hospital and 265 community health units have been formed and trained to address the challenges of non-communicable disease which remains a burden to the county.

### ***Education and ICT***

32. The County Government installed free internet connection at Whispers Park to enable the public to create link between education and employment driven by knowledge and technology. The County is also in the process of supporting eight polytechnics making them centres of excellence.

### ***Trade, Tourism and Industry***

33. The County government is in the process of renovating markets across the county to provide favourable working environment for the fresh produce traders. It has also established a county Enterprise Development Fund to support entrepreneurs with affordable loans to spur economic growth.

### *Special programmes*

34. The county government is embarking on social protection measures to cushion the vulnerable within the society. This is through programmes such as “BIMA Mashinani” that provides NHIF cover to the elderly; and provision of sanitary pads for girls and underwears for boys in class eight across the county.

## **Fiscal performance and emerging challenges**

### **2015/16 Budget**

35. The County Assembly approved the FY 2015/16 budget with expenditures amounting to Kshs. 6,284,210,040. The budget comprises of Kshs 4,286,753,693 for recurrent and Kshs 1,997,456,347 for development expenditure. These expenditures are expected to be financed by the locally collected revenue and the allocation from the equitable share and donors as shown below;

<b>No.</b>	<b>Source</b>	<b>Amount in Kshs.</b>
1	Equitable Share	4,341,891,811
2	Conditional Grants and donor funds in health and roads sectors	453,960,093
3	Internally Generated Revenue	1,493,358,136
<b>Total</b>		<b>6,284,210,040</b>

### *Implementation progress and emerging fiscal challenges*

36. As at end of December 2015, cumulative revenue receipts amounted to Kshs. 272,485,959 (Including the Facility Implementation Fund from level 4 and 5 Hospitals) against a target of Kshs. 746,679,068 based on our annual projection of Kshs. 1,493,358,136 in the approved budget, thus reflecting an under performance of Kshs. 474,192,109

**Table 4: Cumulative Budget Out-turn, July – December 2015**

	Performance July – Dec 2014			Performance July – Dec 2015			% change between 2014/15 and 2015/16
	Target	Achieved	Deviation	Target	Achieved	Deviation	
Total revenue collected	671,983,402	268,144,538	-60.1%	746,679,068	272,485,959	-63.5%	+1.62
Total Expenditure							
- Recurrent	1,904,557,527	869,347,199	54.4%	2,143,376,846.50	1,705,114,610	79.45%	+96.14
- Development	817,693,330	537,733,489	34.2%	998,728,173.50	147,194,451	14.7%	-72.63

*Source: Department of Finance and Economic Planning*

37. Revenue collected during the first half of the FY 2015/16 was Kshs 272,485,959 as compared to Kshs 268,144,538 received for the same period in the FY 2014/15. This represents a dismal increase of 1.62%. On the expenditure side, recurrent expenditure for the first half FY 2015/16 increased by 96.14 as compared to the spending in the same period in FY 2014/15. However the expenditure on development reduced by 72.63% for the same period. The dismal performance in development was instigated by the time taken by the county treasury to fulfil the requirements by the Controller of Budget particularly on the established funds.

38. The major sources of local revenue remains as hospital services, parking fees, single business permits and land rates. It is important to note that there is a great deviation between the projected revenue and the actual performance for the period under review. This has necessitated downward review of the revenue targets as reflected in the supplementary budget estimates for the FY 2015/2016.

# III FISCAL AND BUDGET FRAMEWORK

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## Overview

39. The 2016 County Fiscal Strategy Paper emphasizes on:

- Consolidation of various departmental fiscal needs while making sure that the resource basket in the county is adequate to promote and sustain growth. The County Government is committed to strengthening cost reduction measures in order to devote more resources to development.
- Continued reforms in expenditure management, implementation and enforcement of the Revenue Administration Act, 2014 and subsequent amendments through Finance Act, 2015 will be enhanced. This will widen the revenue base by identifying new revenue streams and hence increasing the spending space.
- Efficiency to improve expenditure productivity by ensuring that sufficient resources are available for the key operations cutting across all sectors in the county.

## Observing fiscal responsibility principles

40. The County Government recognizes that the fiscal stance it takes today will have implications into the future. Therefore, and in line with the Constitution of Kenya, 2010 and the Public Finance Management (PFM) Act, 2012, the principle of sharing the burdens and benefits from the use of resources and public borrowing between the present and future generation implies that we have to make prudent policy decisions today so that we do not impose unwarranted debt burden to our future generations.

41. In an attempt to ensure that development is not crowded out, the County Government will ensure adherence to development to recurrent expenditure ratio of at least 30:70, over the medium term, as set out in the PFM Act, 2012. The highest standards of fiscal rules will be observed to entrench fiscal discipline in all County Government spending aspects.

42. Fiscal responsibility has become even more important since the Constitution requires the Government to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources. In order for the spending to increase on a sustainable basis to meet these basic needs, we should be prepared to match the increased expenditure demands with a corresponding increase in revenue yield through efficient collection, widening of revenue bases, and reasonable rates. It is therefore imperative to reform and modernize the fiscal regime to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund these basic needs on sustainable basis.

### **Fiscal structural reforms**

43. Expenditure management will be strengthened with full implementation of the Integrated Financial Management Information System (IFMIS) covering all the county departments' and units' expenditures as an end-to-end transaction platform. Entrenchment of Program Based Budget, capacity building on budget related matters and enforcement performance benchmarks will be emphasized.

### **2014/15 Budget Framework**

44. The County government strategic objectives are outlined in the County Integrated Development Plan on which the FY 2016/17 budget framework is based on. The presumed economic growth is based on an assumption of normal weather pattern during the year as the county is mainly agricultural based.

### **Revenue Projections**

45. The County Government is expected to continue instituting measures to widen the revenue base and eliminate possible leakages. The modernization of revenue collection from manual to cashless method and also the implementation of Revenue Administration Act, 2014 and Finance Act, 2015 are expected to streamline revenue collection and increase own generated revenue. The projected revenue in FY 2015/16 budget was scaled

down during the preparation of the supplementary budget for the same period from Kshs 1,493,358,136 to Kshs 1,082,000,000. This is meant to reflect the reality on the ground based on the prevailing economic trends. As such, total revenue including health sector FIF is expected to be maintained at Kshs 1 billion in the FY 2016/2017.

### ***Expenditure Forecasts***

46. The key policy documents guiding the County Government's expenditure decisions is the CIDP (2013-2017), which provides for the development priorities of the county. In addition, the Annual Development Plan outlines the priority projects and programme expected to be implemented in a particular year. In 2016/17, projected development expenditures are expected to remain at 30 percent of total budget as required under the PFM Act, 2012.

### ***Recurrent Expenditure***

47. Recurrent expenditure is expected to remain at 70 percent of total budget in FY 2016/17. Importantly, this will greatly facilitate delivery of services in line with the programme based budgeting framework which will ultimately strengthen economic growth in the county by optimizing use of the available resources.

48. Wage bill pressures remain high emanating from staff promotion demands. This includes promotions made before devolution of salaries to the counties but have not yet been effected and also those promotions that fell due after devolution. There is also continued pressure from devolution of functions such as youth training and absorption of employees previously contracted under the Economic Stimulus Programme (ESP).

49. With respect to goods and services, expenditure ceilings for county departments are determined by the allocation for the previous year budget as the starting point. The ceilings are then reduced to take into account one-off expenditures affecting the entire county in the FY 2015/16 and then an adjustment factor is applied to take into account the general increase in prices.

### ***Development Expenditure***

50. Consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure (roads, energy and transport), the minimum for development expenditures including grants is 30percent of the total revenue in FY 2016/17, Most of the outlays are expected to support critical infrastructure that will crowd in private sector investment as well as facilitate critical interventions to eliminate requisite constraints to sustainable growth.
51. With improvement in procurement planning and introduction of performance contracting, the absorption capacity of project funds is expected to increase resulting in a higher investment level in infrastructure activities. This will support the delivery of services and encourage investment by the private sector.
52. In view of challenges which may arise from natural calamities, an emergency provision of 4.4 percent of the total county expenditure was provided for in the budget for FY 2013/14. In FY 2016/2017 the fund will be operationalized under the existing legislative framework.

### **Overall Deficit Financing**

53. The overall budget for the Financial Year 2016/17 (including grants) is expected to be balanced and the only carry overs from FY 2015/16 budget will be paid through a budgetary reserve in FY 2016/17 planning period. This may result from shortfall in the current projected revenue collection necessitating coming up with a way of addressing the outcomes of the deficit.
54. The County Treasury will continue to tighten the fiscal policy to avoid fiscal deficit. This will be achieved through strengthening revenue mobilization, containing unproductive expenditures and leakages during the medium term period.

## **Summary**

55. Fiscal policy will support growth within a sustainable path of public spending by maintaining the county expenditures within the budget limits. Therefore, moderation in county expenditures will help assure debt sustainability and intergenerational equity in line with the Constitution of Kenya, 2010 and the fiscal responsibility principles in the PFM Act, 2012. Meanwhile, efficiency and economical spending of County Government resources will be enhanced to create room for critical interventions and pro-poor spending.
  
56. The county will also ensure full compliance to the national standards and existing legislations to avoid litigations touching on financial administration and management that may delay development and generate possible sanctions impacting negatively on the county financial systems.



# IV DEPARTMENTAL ALLOCATION OF RESOURCES

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## **Introduction**

57. The 2016 County Fiscal Strategy Paper is prepared at a time when significant improvement in financial and procurement systems in the county has been made. This includes the use of Integrated Financial Management Information System and Introduction of e- Procurement. Despite this progress, the County Government has continue to face a myriad of challenges in planning and budgeting as well as the implementation and reporting on budget status.
58. Limited capacity on budget making and implementation processes by county departments has contributed to inconsistencies in their respective budget estimates. In order to realign the revenue projections with the prevailing economic trends, the projections for the FY 2015/16 was revised through a supplementary budget.
59. There is continuous training and capacity on public finance management, procurement and programme based and participatory budgeting to address the professional gaps for effective service delivery. The County Government will also train its staff on all issues that promotes efficiency in resource management.

## **Departmental Budgeting**

60. The County Executive Secretary in charge of Finance and Economic Planning will issue guidelines to the county departments on the preparation of 2016/17 budget with specific ceilings. Each department is expected to plan, formulate, execute and report on their budgets. The 2016/17 budget for the county will be prepared in line with the Public Finance Management Act, 2012 and its attendant regulations of 2015.

## **Resources available**

### *Equitable share*

61. This is from the shared national revenue as provided for in Article 202 and 203 of the constitution. The county is expected to receive Kshs 4.8 billion as part of the constitutionally approved share from the consolidated fund as proposed in the Budget Policy Statement, 2016 and approved by The National Assembly.

### *Additional resources*

62. In addition to the equitable share of revenue, the County Government is also expected to get additional resources from the following sources as detailed in Annex II.

- *Conditional and unconditional* allocations from share of the national government as contemplated under Article 202(2) of the Constitution. These amount is expected to be Kshs 388 million for the Nyeri Level V Hospital, Kshs 14 million for compensation of user fees forgone, Kshs 69 for free maternity health care, Ksh 95 million for leasing of health equipment, Ksh 22 million for DANIDA and Ksh 73 million for Roads Maintenance Levy Fund.
- *Own revenues* from specific county revenue raising measures through imposition of property taxes, entertainment taxes, as well as any other tax and user fees and charges as authorised to impose. In the FY 2016/17 is the county projects local revenue collection of Kshs 1 billion.
- *Grants and donations* from development partners in accordance with section 138 and 139 of the Public Finance Management Act, 2012. The county is to receive Kshs 11 million as loans and grants.

## **Allocation of Revenue among Departments**

63. Table 5 provides estimates of revenue allocation among departments in the county for FY 2015/16. The allocations comprise of the recurrent and development expenditure.

**Table 5: Approved Budget Allocations by County Departments and Units, July 2015 – June 2016**

DEPARTMENTS	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL
County Assembly	547,580,707	77.9	155,000,000	22.1	702,580,707
Office of the Governor	81,066,924	100.0		0.0	81,066,924
County Secretary	110,811,352	100.0		0.0	110,811,352
Finance and Economic Planning	262,008,880	55.4	210,877,245	44.6	472,886,125
Lands and Infrastructure Development	107,554,835	15.2	599,852,127	84.8	707,406,962
Health Services	2,014,297,388	87.7	281,492,571	12.3	2,295,789,959
Special Programmes	71,221,428	63.8	40,439,929	36.2	111,661,357
Public Administration, Information and Communication	416,335,949	90.6	43,000,000	9.4	459,335,949
Agriculture, Livestock Development, Fisheries and Co-operative Development	296,488,588	72.6	111,668,532	27.4	408,157,120
Trade, Industrialization Development and Tourism	75,282,976	31.4	164,598,823	68.6	239,881,799
Education, Youth Affairs, ICT and Sports	54,093,002	28.0	138,771,730	72.0	192,864,732
Water, Forestry and Wildlife, Environment and Natural Resources	136,804,000	48.3	146,662,780	51.7	283,466,780
County Public Service Board	34,357,664	87.3	5,000,000	12.7	39,357,664
Energy	78,850,000	44.1	100,092,610	55.9	178,942,610
<b>TOTAL</b>	<b>4,286,753,693</b>	<b>68.2</b>	<b>1,997,456,347</b>	<b>31.8</b>	<b>6,284,210,040</b>

*Source: Department of Finance and Economic Planning*

### Supplementary Budget Estimates for FY 2015/16

64. In order to realign the County budget and revenue projections with the prevailing economic trends and the provisions of County Allocation of Revenue Act, 2015, the County Government is operating on a supplementary budget where the local revenue was revised downwards from a projected estimate of Kshs. 1.49 billion to Kshs 1.082 billion. Currently the supplementary recurrent estimates stands at Kshs 4,419,610,946 while the development amounts to Kshs 1,857,937,767 as shown in table below;

**Table 6: Supplementary Budget Allocations by Departments and Spending Units.**

DEPARTMENTS	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL
County Assembly	567,580,707	80.8	90,000,000	12.8	<b>657,580,707</b>
Office of the Governor	106,874,442	131.8		0.0	<b>106,874,442</b>
County Secretary	145,080,596	130.9	5,000,000	4.5	<b>150,080,596</b>
Finance and Economic Planning	345,052,950	73.0	182,377,245	38.6	<b>527,430,195</b>
Lands and Infrastructure Development	114,054,835	16.1	633,417,653	89.5	<b>747,472,488</b>
Health Services	1,914,297,274	83.4	273,162,876	11.9	<b>2,187,460,150</b>
Special Programmes	76,171,428	68.2	32,365,216	29.0	<b>108,536,644</b>
Public Administration, Information and Communication	420,580,785	91.6	30,000,000	6.5	<b>450,580,785</b>
Agriculture, Livestock Development, Fisheries and Co-operative Development	306,499,780	75.1	94,048,955	23.0	<b>400,548,735</b>
Trade, Industrialization Development and Tourism	81,282,976	33.9	152,193,020	63.4	<b>233,475,996</b>
Education, Youth Affairs, ICT and Sports	69,819,787	36.2	134,670,692	69.8	<b>204,490,479</b>
Water, Forestry and Wildlife, Environment and Natural Resources	134,144,141	47.3	145,662,780	51.4	<b>279,806,921</b>
County Public Service Board	37,322,229	94.8		0.0	<b>37,322,229</b>
Energy	100,849,019	56.4	85,039,330	47.5	<b>185,888,349</b>
<b>TOTAL</b>	<b>4,419,610,949</b>	<b>70.3</b>	<b>1,857,937,767</b>	<b>29.6</b>	<b>6,277,548,716</b>

*Source: Department of Finance and Economic Planning, 2016*

65. Based on the supplementary budget estimates, the half year revenue collection target was Kshs. 541,000,000 and thus with a collection of Kshs 272,485,959 the shortfall constitutes Kshs. 268,514,041 representing a percentage of 49.6%. The development allocation is 29.6% of the total budget estimates with 70.3% going to finance recurrent expenditure. This is necessitated by expenditure pressures on non-discretionary expenditure such as salaries and wages amounting in excess of Kshs 2.6 billion.

## **Fiscal Discipline**

66. The county will continue to ensure prudence in management of resources in line with the PFM Act, 2012. With programme based and itemised budget, delivery of goods and services in the county will be seamless. This will be made possible by full adoption of IFMIS and e-procurement ensuring efficiency in financial and procurement procedures.

## **Equity in Allocation of Resources**

67. In the last three years there has been tremendous development in the county. However, this development has not been experienced equitably. In preparation of this year CFSP, these issues were considered and various public participation forum covering all wards were conducted. Through these forums, three priority projects per ward were identified for possible funding to ensure equitable allocation of resources. The county is also exercising affirmative action for marginalised and underdevelopment areas.

68. The county will also pursue policies that promote equity as this will help, directly and indirectly, to reduce poverty. Equity-enhancing policies, particularly investment in infrastructure (Roads and irrigation system) and human capital such as education and health can, in the long run, accelerate economic growth creating sustainable development.

## **Capacity Building of County Departments**

69. County departments have continued to experience challenges in the planning and budgeting as well as in the execution and reporting on their budgets. The CES Finance and Economic Planning will continue to ensure adequate resources are provided for training of the departmental personnel on economic planning and budgetary emerging issues. There is also need to deploy requisite professionals to other county departments to give support in planning and budget making.

# V 2016/17 EXPENDITURE FRAMEWORK

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## Resource Envelope

70. The resource envelope available for allocation among the spending departments is based on the fiscal and budget framework outlined in Section III:

- Allocation from the equitable share from the Commission of Revenue Allocation will finance over 77 Percent of the county budget. County generated revenue and grants are expected to finance the difference.
- The county will endeavour to entice the private sector through PPP to fund some of the development activities during the year FY 2016/17.
- The county government envisages a balanced budget that will be fully funded by the resource envelop comprising of revenue collected from local sources, equitable share, donor funds and conditional grants.

## Spending Priorities

71. The CIDP has identified priority sectors for funding and this will be adhered to, as required, as we embark on implementation of FY 2016/2017 activities. These priorities were confirmed through the participatory ward forums conducted during the preparation of this document.

72. The County Government will remain steadfast in promoting budgetary transparency, accountability and effective financial management of the economy and the public sector as required by the PFM Act, 2012. Therefore, inefficient and wasteful public expenditure will be eliminated at all levels in order to promote public trust in County Government spending.

73. Overall, the 2016/17 budget will focus on the following:

- The county priority sectors which include health and infrastructure will continue to receive adequate resources. The above sectors will receive a significant share of resources in the budget and thus expected to efficiently create fiscal space to accommodate other strategic interventions in the county.
- While as the Health Department is proposed to receive a total of 34.58% of the total budget, it is important to note that 68.1% will be for payment of salaries and other personal emoluments leaving little for development, operations and maintenance.
- The allocation to social programmes through Education and Special Programmes departments is a significant consideration which will ensure suffering of the vulnerable is mitigated. These programmes are Elimu Fund; “BIMA Mashinani” that provides NHIF cover to the elderly; and provision of sanitary pads for girls and underwears for boys in class eight across the county.
- All sectors such as agriculture, trade, tourism, industry, water and environment will continue to receive reasonable allocations to ensure continued development tempo.

## **2015/16 Expenditure Estimates**

74. Cumulative recurrent expenditure as at end of December 2015 was Kshs 1,705,114,610 (79.45 of the half year recurrent budget) which was mainly used on wages and other operational expenses. The development expenditure at the same period was 147,194,451 (14.7% of the half year development budget). On a cumulative basis, local revenue performance during the first half of the financial year was Kshs 272,485,959 which is 50 percent of the half year target based on the revised estimates.

75. In the course of budget implementation during the first half of the FY 2015/16, several challenges emerged. They include: delayed disbursement of funds; failure to meet revenue target due to existing litigations and narrow revenue base, high and unsustainable

wage bill and slow adaptation of the new accounting systems and lack of technological knowhow in the implementation of the end-to-end e-procurement procedures.

## Medium-Term Expenditure Estimates

76. Table 7, below, shows the projected baseline ceilings for the FY 2016/17 budget estimates and projections for the FY 2017/2018 and FY 2018/2019 classified by county departments and units.

**Table 7: Projected Budget Allocations FY 2016-2017**

Department/ Spending Unit	2015/2016 (Revised Estimates)			% Allocation	2016/2017 (Proposed Ceilings)			% Allocation	2017/2018	2018/2019
	Recurrent	Development	Total		Recurrent	Development	Total		Total	Total
County Assembly	567,580,707	90,000,000	<b>657,580,707</b>	<b>10.48</b>	567,580,707	50,000,000	<b>617,580,707</b>	<b>9.7</b>	<b>669,459,742</b>	<b>702,932,729</b>
Office of the Governor	106,874,442	0	<b>106,874,442</b>	<b>1.70</b>	131,874,442	0	<b>131,874,442</b>	<b>2.07</b>	<b>138,468,164</b>	<b>145,391,572</b>
County Secretary	145,080,596	5,000,000	<b>150,080,596</b>	<b>2.39</b>	152,080,596	15,000,000	<b>167,080,596</b>	<b>2.62</b>	<b>175,434,626</b>	<b>184,206,357</b>
Public Administration, Information and Communication	420,580,785	30,000,000	<b>450,580,785</b>	<b>7.18</b>	400,580,785	30,000,000	<b>430,580,785</b>	<b>6.76</b>	<b>483,609,824</b>	<b>507,790,315</b>
Finance and Economic Planning	345,052,950	182,377,245	<b>527,430,195</b>	<b>8.40</b>	318,207,475	188,377,247	<b>506,584,722</b>	<b>7.95</b>	<b>531,913,958</b>	<b>558,509,656</b>
Agriculture, Livestock Development and Fisheries Development	306,499,780	94,048,955	<b>400,548,735</b>	<b>6.38</b>	323,499,780	107,413,563	<b>430,913,343</b>	<b>6.77</b>	<b>426,734,010</b>	<b>448,070,711</b>
Water, Forestry and Wildlife, Environment and Natural Resources	134,144,141	145,662,780	<b>279,806,921</b>	<b>4.46</b>	134,144,141	149,759,555	<b>283,903,696</b>	<b>4.46</b>	<b>298,098,881</b>	<b>313,003,825</b>
Education and ICT	69,819,787	134,670,692	<b>204,490,479</b>	<b>3.26</b>	80,819,787	259,670,692	<b>340,490,479</b>	<b>5.35</b>	<b>252,515,003</b>	<b>265,140,753</b>
Health Services and Sanitation	1,914,297,274	273,162,876	<b>2,187,460,150</b>	<b>34.85</b>	1,919,297,274	283,162,876	<b>2,202,460,150</b>	<b>34.58</b>	<b>2,312,583,158</b>	<b>2,428,212,315</b>
Lands and Infrastructure Development	114,054,835	633,417,653	<b>747,472,488</b>	<b>11.91</b>	114,054,835	553,417,653	<b>667,472,488</b>	<b>10.48</b>	<b>784,846,112</b>	<b>824,088,418</b>
Trade, Culture, Industrialization and Tourism	81,282,976	152,193,020	<b>233,475,996</b>	<b>3.72</b>	64,282,976	144,693,020	<b>208,975,996</b>	<b>3.28</b>	<b>245,149,796</b>	<b>257,407,286</b>
Special Programmes	76,171,428	32,365,216	<b>108,536,644</b>	<b>1.73</b>	107,760,560	32,365,216	<b>140,125,776</b>	<b>2.2</b>	<b>115,632,065</b>	<b>121,413,668</b>
Energy	100,849,019	85,039,330	<b>185,888,349</b>	<b>2.96</b>	103,570,691	96,978,490	<b>200,549,181</b>	<b>3.15</b>	<b>210,576,640</b>	<b>221,105,472</b>
County Public Service Board	37,322,229	0	<b>37,322,229</b>	<b>0.59</b>	40,868,680	0	<b>40,868,680</b>	<b>0.64</b>	<b>42,912,114</b>	<b>45,057,720</b>
<b>Total</b>	<b>4,419,610,949</b>	<b>1,857,937,767</b>	<b>6,277,548,716</b>	<b>100.00</b>	<b>4,458,622,729</b>	<b>1,910,838,312</b>	<b>6,369,461,041</b>	<b>100.00</b>	<b>6,687,934,093</b>	<b>7,022,330,798</b>

*Source: Department of Finance and Economic Planning*

## Baseline ceilings

77. The recurrent expenditure accounts for 70 per cent which is inclusive of all non-discretionary expenditures mainly personnel emoluments, statutory obligations i.e. pension, payee and utilities (Water and Electricity). These costs must make the first charge on the budget.



78. A total of 30 percent of the total revenue must be available to fund planned development projects and programmes in line with the PFM Act, 2012.
79. Development expenditures are shared out on the basis of the county priorities as outlined in the CIDP (2013-2017) and the Annual Development Plan FY 2016/17. The priorities have been reassessed and confirmed through public participatory forums conducted at the ward level where three priority projects per ward were identified for possible funding as included in Annex III, as well as other recent CGN's policy and concept documents.

## V CONCLUSION

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80. In the FY 2016/17 budget, improvement of roads and infrastructure, water for domestic use and irrigation and energy will remain key priorities while maintaining reasonable growth on social development programmes in the county. Allocation of funds to the county departments will generally reflect the critical needs of the county residents with the aim of achieving sustainable economic prosperity for all the people of Nyeri.
81. The set of policies outlined in this County Fiscal Strategy Paper reflect the specific diverse county circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the county sector development direction in the medium term as a basis of allocation of public resources. These strategic objectives are provided in the CIDP and the corresponding departmental strategic plans.
82. Resources will always be scarce and therefore prudence in management will be required. A reasonable amount has been allocated to all the departments but it's important to note that about 43 per cent of the county budget will be spent on personnel emoluments leaving paltry 27 percent for operations and maintenance.

## ANNEX I: REVENUE COLLECTED IN THE FIRST 6 MONTHS OF THE FY 2015/2016

ACCOUNT DESCRIPTION	TARGET 2015/2016	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	TOTAL
	Kshs	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
CILOR Current Year	-	0	0	0	0	0	0	0
<b>DEPARTMENT OF PUBLIC ADMINISTRATION, INFORMATION AND COMMUNICATION.</b>								
Liquor Licence	7,889,046	3,083,300	3,134,000	6,640,150	3,971,900	7,425,350	4,948,350	29,203,050
<b>AGRICULTURE, LIVESTOCK FISHERIES AND COOPERATIVE DEVELOPMENT</b>								
Co-operative Audit	1,574,622	86,100	12,300	18,200	40,000	16,700	10,100	183,400
Agricultural Mechanisation Station	1,928,200	0	45,450	0	123,250	840,000	774,200	1,782,900
Wambugu Agricultural Training Centre	8,834,136	1,251,130	128,897	303,720	247,055	388,530	359,500	2,678,832
Veterinary Charges	5,743,179	227,090	344,901	432,040	197,215	501,671	544,515	2,247,432
Slaughtering Fees	3,751,267	230,655	235,600	244,375		263,095	259,305	1,233,030
Slaughter House Inspection Fees	630,484	155,705	104,365	78,865	58,590	97,830	119,130	614,485
Nyeri Slaughter House	-	0	0	0	0	0	0	0
Kiganjo Slaughter House	-	0	0	0	0	0	0	0
Sale of Fertilizer	-	0	0	2,593,500	0	0	400,000	2,993,500
Tea cess	-	0	0	0	0	0	0	0
Coffee Cess	392,000	0	0	0	0	0	0	0
Revolving fund Coffee(% of gross sales)	-	0	0	0	0	0	0	0
<b>TRADE, INDUSTRIALIZATION &amp; TOURISM</b>								
Weights and Measures	1,182,944	121,240	162,440	0	0	177,630	0	461,310
Business Permits	151,954,610	4,972,035	2,323,322	1,593,484	1,051,245	1,787,858	2,649,235	14,377,179
Market Entrance/Stalls/Shop Rents	77,721,130	3,154,680	2,921,052	3,086,913	3,145,198	2,535,555	2,898,145	17,741,543
Bed Occupancy	-	0	0	0	0	0	0	0
Ambulant Hawkers Licences (Other than BSS Permits)	1,301,430	43,410	30,490	37,820	50,990	12,590	14,020	189,320
<b>HEALTH AND SANITATION SERVICES</b>								
Hospital Services	258,859,938	9,849,805	20,101,515	8,038,415	1,132,330	1,660,850	10,165	40,793,080
Public Health	46,395,572	758,700	4,230,617	261,700	98,500	48,900	185,900	5,584,317
Burial Fees	142,660	18,000	7,800	6,900	14,200	2,900	9,600	59,400
Public Toilets	551,264	3,575	6,275	14,230	17,370	18,000	13,500	72,950
Garbage Dumping Fee/waste disposal charges	72,800	47,700	18,300	15,900	7,500	31,590	12,300	133,290
Refuse Collection Fee	42,647,173	1,767,046	1,231,641	252,955	153,625	303,420	446,620	4,155,307
Debts Clearance Certificate Fee	2,774,320	229,000	148,500	134,500	178,500	65,500	77,700	833,700
Application Fee	17,495,820	872,520	1,460,650	2,901,450	1,641,990	472,850	453,170	7,802,630
Business Subletting / Transfer Fee	394,660	17,800	0	0	10,000	27,600	0	55,400
Document Search Fee	264,040	16,000	13,750	15,000	20,500	10,000	16,500	91,750
Agency Fee (Fees from, Insurance Firms, etc.)	13,703	0	6,000	2,250	1,114,075	0	0	1,122,325
Cheque Clearance Fee	350	0	5,000	0	0	0	0	5,000

Impounding Charges/Court Fines, penalties, and forfeitures	<b>4,003,200</b>	636,950	726,310	240,340	104,600	313,685	243,600	<b>2,265,485</b>
Sales of Council's Minutes / Bylaws	<b>396,960</b>	20,000	18,000	16,000	10,000	22,000	8,000	<b>94,000</b>
Tender Documents Sale	<b>2,911,020</b>	0	0	0	1,000	0	0	<b>1,000</b>
Sale of Old Office Equipment and Furniture	-	0	0	0	0	0	0	<b>0</b>
IFAD Hall	-	0	0	0	0	0	0	<b>0</b>
miscellaneous Income	<b>702,520</b>	10,500	34,855	31,150	2,000	340,940	108,780	<b>528,225</b>
Interest from Investments	<b>2,530,110</b>	0	500	11,717	77,805	0	0	<b>90,022</b>
Customers Deposits (Other than Water & Sewerage)	<b>970,075</b>	58,865	52,925	64,945	57,910	51,845	57,450	<b>343,940</b>
Benevolent Fund	<b>1,776,600</b>	88,500	91,500	91,500	90,000	81,000	67,500	<b>510,000</b>
Central Kenya show annual permit	-	0	0	0	0	0	0	<b>0</b>
Grants								
<b>PUBLIC WORKS, ROADS, TRANSPORT, LANDS, HOUSING &amp; PHYSICAL PLANNING</b>								
Parking Fees	<b>143,436,072</b>	7,049,130	6,996,880	6,777,940	5,987,725	5,850,180	5,930,510	<b>38,592,365</b>
Parking Clamping/Penalties/Offences fees		195,010	170,000	165,300	345,800	186,100	148,300	<b>1,210,510</b>
Land Rates	<b>79,100,397</b>	4,823,085	3,090,186	1,838,413	1,233,378	761,934	1,375,600	<b>13,122,596</b>
Other Property Charges	<b>737,597</b>	48,526	19,750	32,778	16,900	23,250	15,000	<b>156,204</b>
Ground Rent - Current Year	<b>4,405,532</b>	183,345	80,931	58,881	40,563	39,038	72,962	<b>475,720</b>
Ground Rent - Other Years	<b>3,086,009</b>	485,009	101,914	128,927	129,298	121,911	123,902	<b>1,090,961</b>
Stand Premium/Commissioner of Lands	<b>83,000</b>	0	0	0	0	0	0	<b>0</b>
Temporary Occupation License (TOL), New occupation, Space Rent, Retainers fees	<b>2,394,000</b>	162,500	107,500	137,500	127,500	140,000	122,500	<b>797,500</b>
Hire of Plant & Machinery	-	0	0	0	0	0	0	<b>0</b>
Plot Transfer Fee	<b>1,268,000</b>	131,500	149,000	56,000	52,500	62,500	58,500	<b>510,000</b>
Cess (Quarry, produce, Kaolin, etc.)	<b>37,269,376</b>	3,015,041	2,032,830	1,301,830	1,171,790	1,483,166	1,131,460	<b>10,136,117</b>
Housing Estates Monthly Rent	<b>16,911,457</b>	1,277,787	1,019,949	944,912	1,132,237	1,147,828	1,671,204	<b>7,193,917</b>
Housing Estates Monthly Rent (Kiawara, Majengo & Kingongo ph. 3)	<b>1,834,295</b>	350,087	0	13,294	164,288	34,852	123,547	<b>686,068</b>
Approvals(extension of users, pegging for Kiosk, subdivision, transfer, amalgamation, survey, Occupation cert, boundary dispute etc.)	<b>3,342,500</b>	58,500	130,500	76,500	75,000	21,000	88,500	<b>450,000</b>
Sign Boards & Advertisement Fee	<b>23,269,444</b>	1,183,330	1,217,948	761,600	1,057,300	927,300	530,000	<b>5,677,478</b>
Buildings Plan Approval Fee	<b>13,216,766</b>	626,259	775,254	703,106	402,808	656,466	765,577	<b>3,929,470</b>
Buildings Inspection Fee	<b>3,643,348</b>	210,400	161,500	210,100	197,800	205,500	156,500	<b>1,141,800</b>
Right-of-Way / Way-Leave Fee (KPLN,	<b>1,680,000</b>	416,160	24,720	0	0	0	0	<b>440,880</b>

Telkom, etc.)								
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	<b>1,693,220</b>	0	158,500	161,000	127,500	64,000	72,000	<b>583,000</b>
Fire-Fighting Services	<b>1,752,800</b>	3,000	0	0	15,000	11,000	5,000	<b>34,000</b>
<b>DEPARTMENT OF GENDER, CULTURE AND SOCIAL DEVELOPMENT</b>								
Social Hall Hire	<b>133,420</b>	2,000	24,000	14,000	28,000	60,000	26,000	<b>154,000</b>
<b>EDUCATION, YOUTH AFFAIRS, SPORTS AND ICT</b>	-	0	0	0	0	0	0	<b>0</b>
Nursery Schools Fee (KRT)	<b>300,000</b>	600	24,600	60,260	3,600	0	33,660	<b>122,720</b>
Nursery Schools Fee (Kingongo)	<b>216,160</b>	11,150	1,350	37,500	11,300	5,400	0	<b>66,700</b>
Nursery Schools Fee (Nyakinyua)	<b>198,800</b>	9,950	5,000	16,200	17,700	17,650	0	<b>66,500</b>
Stadium Hire	<b>1,552,800</b>	0	160,000	10,000	0	0	226,000	<b>396,000</b>
Registration of School, Training/Learning Centre Fee	<b>56,000</b>	0	0	0	0	0	0	<b>0</b>
<b>WATER, ENVIRONMENT AND NATURAL RESOURCES</b>								
Sale of flowers, plants, firewood, produce e.t.c	-	0	0	0	0	0	0	<b>0</b>
Exhauster services Charge	-	0	0	0	0	0	0	<b>0</b>
Lease of Water Distribution Network	-	0	0	0	0	0	0	<b>0</b>
Private borehole operators	-	0	0	0	0	0	0	<b>0</b>
Quarry /mining charges- annual licence fee	-	0	0	0	0	0	0	<b>0</b>
Tree cutting permits	-	0	0	0	0	0	0	<b>0</b>
Water bowser/water vendor licences	-	0	0	0	0	0	0	<b>0</b>
Tipping charges	-	0	0	0	0	0	0	<b>0</b>
Use of public toilets	-	0	0	0	0	0	0	<b>0</b>
Polluters of environment penalties	-	0	0	0	0	0	0	<b>0</b>
<b>Sub Total</b>	<b>996,008,066</b>	<b>47,962,675</b>	<b>54,049,267</b>	<b>40,634,060</b>	<b>26,169,805</b>	<b>29,316,964</b>	<b>27,364,007</b>	<b>225,496,778</b>
<b>FIF</b>								<b>46,989,181</b>
<b>Total</b>								<b>272,485,959</b>

*Source: Department of Finance and Economic Planning*

## **ANNEX: II SOURCES OF BUDGET FUNDING IN FY 2016/17**

<b>No.</b>	<b>Description</b>	<b>Total in Kshs</b>	<b>Comments</b>
1	Equitable Share	4,800,764,767	

No.	Description	Total in Kshs	Comments	
2	Conditional Grants	County Referral Hospital	388,439,306	For health department
		Compensation for user fees foregone	14,347,664	For health department
		Free maternity health care	69,215,585	For health department
		Leasing of medical equipment	95,744,681	Retained by the National Government
		Loans and Grants	11,465,000	Retained by the National Government
		DANIDA	22,930,000	Not reflected in the BPS but assumed the funding will continue
		<b>Health sub total</b>	<b>602,142,236</b>	This is part of budget
		Road maintenance levy fund	73,762,719	For roads department (This is part of the budget)
		<b>Total</b>	<b>675,904,955</b>	
3	Local Revenue	1,000,000,000	Reduced by Kshs. 82m from the 2015/2016 projected estimates	
	<b>Total County Allocation</b>	<b>6,476,669,722</b>		
	<b>Total for budgeting</b>	<b>6,369,461,041</b>		

### ANNEX III: WARD PRIORITIES AS CAPTURED DURING THE PUBLIC PARTICIPATION FORUMS

NO.	WARD	PRIORITY PROJECTS	SPECIFIC ACTIVITIES	DEPARTMENT
1.	Konyu	Access road improvement	Murraming 8 kilometers	Lands and Infrastructure
		Street lighting	5 no. High mast flood lights at Kiamabara, Gathugu, Ndimaini, Gatina and Gaturiri	Energy
		Konyu ECDE's	Renovation of classrooms	Education and ICT
2.	Rware	Access road improvement	Gravelling and Murraming	Lands and Infrastructure
		Nyeri town markets	Upgrading of all markets in Nyeri town	Trade
		Jua kali sheds	Construction and Settlement of all mechanics	Trade
3.	Mahiga	Access road improvement	Gravelling and Murraming of Gathima-Kagere road and Kihiri-Ngorano Road	Lands and Infrastructure
		Mahiga irrigation water project	Reviving the irrigation project by renovating the infrastructure	Water, Environment and natural resources
		Kamoko health center	Upgrading and equipping	Health Services
4.	Iriaini- Mathira	New Iriaini Water Project	Upgrade existing water lines to distribute to all the 13 sub locations	Water, Environment and natural resources
		Access road improvement	-Gravelling and Murraming of 8 km, culvert installation -Construction of Gatura bridge	Lands and Infrastructure

NO.	WARD	PRIORITY PROJECTS	SPECIFIC ACTIVITIES	DEPARTMENT
		Health facilities improvement	Upgrade Ihwagi and Kangocho dispensaries to health centers Construction of Miiri and Kiaguthu Dispensaries	Health Services
5.	Gatarakwa	Access road improvement	Gravelling and Murraming of 8 km, culvert installation	Lands and Infrastructure
		Health facilities improvement	Construction of Gitegi, Charity and Kimunyuru dispensaries	Health Services
		Nganyuthe water project	Extending the pipeline and construct a reservoir at Kimunyuru	Water, Environment and natural resources
6.	Mukurweini west	Mukurweini west water project	Extension of Iganjo and construction of Gura water pipelines and intake at Gura river	Water, Environment and natural resources
		Muyu Dispensary	Construction and equipping	Health Services
		Mukurweini west street lighting	Installation of High mast flight lights at Gakindu, Tambaya, Kiawamuru and Kaheti centres	Energy
7.	Dedan Kimathi	Access road improvement	Gravelling and Murraming of 8 km, culvert installation	Lands and Infrastructure
		Kimathi/Muhoya irrigation water project	Construction of intake and pipeline	Water, Environment and natural resources
		Dedan Kimathi colonial villages	Planning of the colonial villages	Lands and Infrastructure
8.	Mugunda	Access road improvement	Gravelling and Murraming of 8 km, culvert installation	Lands and Infrastructure
		Health facilities improvement	-Completion of Karemno, Muthangira, Kiambogo, Lamuria and Mugunda dispensaries - Contruction of Kiawara Level IV hospital	Health Services
		Mugunda Water project	Construction of reservoirs at Komu, Kiawara and St. George, water tanks at ECDEs and expansion of Mugunda and Gatarakwa intakes.	Water, Environment and natural resources
9.	AGUTHI GAAKI WARD	Grading and gravelling of roads	kiaraho –bangaini road, itekahuno-mathira road, githu- kaaro rd	Lands and Infrastructure
		Aguthi –Gaaki irrigation project	Water for irrigation	Water, environment & natural resources
		Mulika mwizi	Muthinga shopping centre	Energy
10.	Gikondi ward	Water for irrigation	Water for irrigation	Water, Environment and natural resources
		Roads	Grading, construct brigdes (various)	Lands and infrastructure
		Health centres	Karaba health centre ugrade	Health Services
11.	Endarasha/mwiyogo	Mwiyogo water project	7 reservoir tanks at various points	Water, Environment and natural resources
		Honi- mweiga- muturanguru rd	Road improvement drainage and expansion	Lands and infrastructure
		Endarasha market	Toilets and livestock market	Trade
12.	Ruring'u ward	Mulika mwizi & street lighting	Erection of high mast flood lights	Energy
		Kiamwathi dispensary	Construction	Health Services
		Ruring'u Roads	Expansion and grading	Lands and Infrastructure
13.	Iriani ward- Othaya	Dispensaries	Improve and upgrade all dispensaries	Health Services
		Youth polytechnic	Improve and construct youth	Education and ICT
		Irrigation water	Provide infrastructure	Water, Environment and natural resources
14.	Mukurwe-ini central	Upgrading of feeder roads	Expansion and grading	Lands and Infrastructure

NO.	WARD	PRIORITY PROJECTS	SPECIFIC ACTIVITIES	DEPARTMENT
		Upgrading of Mukurweini hospital	Improve and upgrade	Health Services
		Water for Irrigation	Provide infrastructure	Water, Environment and natural resources
15.	Kabaru	a) Health facilities improvement	- construction of Mortuary at Kabaru Dispensary - construction of Staff houses at Island Farms Health Centre - Construction of Dispensary at Mbiriri-jet – Huhoini Kairi	Health Services
		b) Construction of a dam for irrigation	Construction of a dam for irrigation	Water, Environment and Natural Resources
		c) Access roads Improvement	Grading and murraming	Lands and Infrastructure
16.	Magutu	a) Water intake at Magutu	construction	Water, Environment and Natural Resources
		b) Maternity wing at Gatei Dispensary	construction	Health Services
		c) Gikumbo stadium refurbishment	Fencing the playground, construction of covered she (dias) and toilet blocks	Special Programs
17.	Rugi Ward	a) Rugi irrigation water project	Water intake and supply	Water, Environment and Natural Resources
		b) Store for subsidized farm inputs	construction	Agriculture, Livestock, Fisheries and Cooperatives
		c) Giathungu Public Library	Construction of Public Library at Giathungu Polytechnic	Special Programs
18.	Thegu Ward	a) Electric fence around Mt. Kenya forest in Thegu Ward	Construction of Electric fence around Mt. Kenya forest in Thegu Ward	Energy
		b) Thingiri dispensary	Construction	Health Services
		c) ECDE Classes	Construction of ECDE classes in each of the 4 locations	Education and ICT
19.	Wagamana Ward	a) Roads Improvement	Grading and murraming	Lands and Infrastructure
		b) Irrigation water	Construction and water reticulation	Water , Environment and Natural Resources
		c) Upgrading of Wamagana Dispensary to a level four hospital	Construction	Health Services
20.	Ruguru Ward	a) Roads Improvement	Grading and murraming	Lands and Infrastructure
		b) Giagachika Water project	Water supply – Kabiruini-Maria- Muutini, Giagachika route	Water , Environment and Natural Resource
		c) High mast flood lights	At Kiamariga , centre hospital, Hombe (Iruri)	Energy
21.	Kirimukuyu	Water connection	Pipeline Infrastructure development	Water, Environment and Natural Resources
		Access Roads Improvement	Grading and Gravelling	Lands and Infrastructure
		Health Centre	Completion and Equipping	Health services



NO.	WARD	PRIORITY PROJECTS	SPECIFIC ACTIVITIES	DEPARTMENT
22.	Kamakwa/ Mukaro	Mukaro Water Project	Pipeline Infrastructure development	Water, Environment and Natural Resources
		Access Roads Improvement	Grading and Gravelling	Lands and Infrastructure
		Gitero and Kamuyu Dispensary	Connection of electricity	Health Services
23.	Karatina	Karatina Main Stage and Kiwarigi stage	Rehabilitation Construction and Enhancing the drainage system	Lands and Infrastructure
		Kariithi Water Project	Piping and distribution	Water, Environment and Natural Resources
		Access Roads Improvement	Grading and Gravelling	Lands and Infrastructure
24.	Chinga	Access Roads Improvement	Grading and Gravelling	Lands and Infrastructure
		Changachicha Irrigation Water Project	Construction of Intake, reservoir and distribution	Water, Environment and Natural Resources
		Chinga Milk Cooling Plant	Collection containers and vehicle	Agriculture, Livestock, fisheries and Cooperative Development
25.	Naromoru/ Kiamathaga	Naromoru Health Centre	Upgrading to level IV	Health Services
		Naromoru Stadium	Completion, Fencing and toilet construction	Special Programmes, Youth Affairs and Sports
		Naromoru/Kiamathaga Various Water Projects	Purchase of pipes, Construction of storage tanks and intakes	Water, Environment and Natural Resources
26.	Gakawa	Tinga Dam	Construction of water pans	Water, Environment and Natural Resources
		Ragati Dispensary	Completion and Equipping	Health Services
		Gakawa Youth Polytechnic	Construction	Education and ICT
27.	Karima	Karima Ward Irrigation Projects	Pipeline Infrastructure development	Water, Environment and Natural Resources
		Witima Health Centre	Upgrading, Staffing, Rehabilitation centre development, and purchase of X-ray Equipment	Health Services
		Foot Bridge Project and Access Roads Improvement	Construction of Foot bridges at Kagongo, Thuti, Kihui, Gakundo, Gatugi Factory and Kihungiru Grading and Gravelling	Lands and Infrastructure
28.	Kiganjo/ Mathari	Mathari/ Kihuyo Irrigation Water Project	Pipeline Infrastructure development	Water, Environment and Natural Resources
		Wangi-Kanuna Irrigation Water project	Pipeline Infrastructure development	Water, Environment and Natural Resources
		Kiganjo-Nyaribo link road and other feeder roads	Grading and Gravelling	Lands and Infrastructure
29.	Mweiga	Mweiga Health Centre and Amboni	Upgrading of the Health Centre and Construction of Maternity Wing of the Dispensary	Health Services
		Improvement of all Feeder Roads	Grading and Gravelling	Lands and Infrastructure
		Irrigation Water Projects	Simbara Bondeni and Simbara Amboni	Water, Environment and Natural Resources
30.	Gatitu/ Muruguru	Improvement of all Feeder	Grading and Gravelling	Lands and Infrastructure

NO.	WARD	PRIORITY PROJECTS	SPECIFIC ACTIVITIES	DEPARTMENT
		and Access Roads		
		Thunguma Dispensary	Completion, Equipping and Staffing	Health Services
		High Mast Flood Lights	Installation at Riamukurwe, Thunguma, Githiru, Marua, Kiamuiru Trading Centers	Energy