REPUBLIC OF KENYA

THE GOVERNMENT OF THARAKA NITHI COUNTY

A Prosperous, Industrialized and Cohesive County

THIRD

COUNTY FISCAL STRATEGY PAPER

Sustaining Development for Economic Transformation

FEBRUARY 2016

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Vision

A prosperous, industrialized and cohesive County

Mission

Enhance sustainable socio-economic growth and optimal utilization of resources

Core Values

As Tharaka Nithi County, we are committed to championing these core values as the guiding codes for our operations:

Integrity

Straightforwardness, ingenuousness, honesty and sincerity are an integral part of our undertakings which we shall firmly adhere to in every duty to our society.

Inclusiveness

We believe in equity and equality. As a County we do not regard status or personal preferences but approach our work as guided by principles of fairness and non-bias. People from diverse backgrounds or communities are involved in the County development and we incorporate the needs, assets, and perspectives of communities into the design and implementation of county programs.

Citizen-focused

We consistently endeavor to create enduring relationships with our citizens; in so doing our approach goes beyond standard citizen participation principles and makes their input an integrated, formalized part of setting county projects/program goals, performance measures, and standards.

Creativity & Innovativeness

We thrive on creativity and ingenuity. We seek the innovations and ideas that can bring a positive change to the County. We value creativity that is focused, data-driven, and continuously-improving based on results.

Transparency and Accountability

We will remain accountable to our stakeholders and will acknowledge responsibility for our actions and decisions. Thus we shall always endeavour to be transparent, answerable and liable at all times.

Team work

Every person is important and has a part in county development. We endeavour to build a workplace environment that cultivates person's uniqueness, encourages staff participation, collaboration and integration of diverse skills and capabilities

Forward

In this County Fiscal Strategy Paper (CFSP) we outline broad strategic priorities and policy goals of County Government for implementation in financial year 2016/2017 and the Medium Term. The sustaining development for economic transformation strategy aims at spurring the economic growth of the county through: (1) continued investment in infrastructure especially roads and rural electrification; (2) embracing transformative agricultural practices; (3) creating conducive environment for business; (4) continued investment in social services; (5) ensuring accessible healthcare services; and (6) enhancing devolution by decentralizing services to lower units. This paper sets out the priority programs that the County Government is implementing in the Medium Term.

Commented [M1]: Culture, education, sports, gender and youth empowerment, etc

The expenditure policy framework in the medium term aims at ensuring efficiency and effectiveness in the implementation of our development policies. As outlined in the previous CFSP 2015, this paper is part of efforts by County Treasury to link policy with planning and budgeting by embracing reforms in the expenditure and financial management and containing growth of non-priority expenditures in order to create fiscal space for financing priority policy areas such as the healthcare, agriculture and physical infrastructure, which are key to sustainable economic growth and ultimate development.

As a result, significant progress will be realized in terms of linking policies, planning and budgeting and shifting budgetary resources to priority areas, though the process continues to face some challenges. The County Government will continue to address emerging issues, which include: (i) redesigning programmes and projects to eliminate redundancies; (ii) strengthening links between recurrent and development expenditures; and (iii) increasing funding to decentralized and lower units, with a view to improving the linkage between expenditure and results.

In line with the need to achieve these county's objectives, the County Fiscal Strategy Paper (2016 CFSP) draws priorities from the Governor's manifesto, CIDP, MTP II of Vision 2030 and departmental strategic plans.

Therefore, this County Fiscal Strategy Paper focuses on: (i) Poverty eradicating expenditures in support of CIDP priorities, (ii) increasing capital expenditure by optimizing recurrent expenditure, and (iii) investing in public finance management reforms in areas such as public expenditure management, accountability, governance and transparency providing a conducive environment for private sector investment.

The fiscal framework included in this 2016 CFSP outlines an affordable and sustainable path of public spending aimed at achieving Government's medium-term development priorities.

Finally, I would like to express my gratitude to all those who are participating in this year budget process at various stages by providing valuable comments, information and positive criticism that has seen us improve over time. Specifically, I convey my appreciation to staff of various dockets, Members of County Assembly, the private sector, civil society, and the members of public who participated in the budget process in FY 2014/15.

MUTEGI, M. ARON
CEC MEMBER FOR FINANCE & ECONOMIC PLANNING

Acknowledgement

This third County Fiscal Strategy Paper (CFSP) embraces the principles of prudent financial management outlined in the Public Finance Management Act, 2012. It outlines the broad strategic macroeconomic issues affecting the county and fiscal framework to guide spending plans, as a basis of 2016/17 budget and the medium- term. We expect the document to improve the public understanding of County's public finances and guide public debate on economic and development matters.

As usual, the preparation of the 2016 CFSP continues to be a collaborative effort. Much of the information in this report was obtained from the county dockets reports and other National Government Statutory reports. We are grateful for their inputs.

A core team in the County Treasury spent a significant amount of time putting together this piece. We are particularly grateful to the UNV seconded to Budget Office Ms. Rachel Kimani; Head of County Planning Mr. Denis Kwendo; Head of Treasury Budget and Expenditure Management Mr. Lawrence Micheni; and CEC Finance and Economic Planning Mr. Mutegi, Aron for coordinating the execution of this noble task. We received substantial inputs from the all Chief Officers and CECs while consolidating this document. Since it would not be possible to list everybody individually on this page, I would like to take this opportunity to thank the entire staff of the County Treasury for their dedication, sacrifice and commitment to public service.

NICHOLUS GITONGA

CHIEF OFFICER/TREASURY

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Sustaining Development for Economic Transformation

Overview

1. This County Fiscal Strategy Paper (2016 CFSP) is the third in a series to be prepared under the astute Governorship of H.E Ragwa It reaffirms the commitments, broad policies and strategies the governor is implementing as stipulated in his manifesto and Jubilee Government policies under the leadership of H.E Uhuru Kenyatta.
2. The County Government aims to raise the efficiency and productivity of the County economy through implementation of transformative agenda with a clear focus on inclusive and equitable development. Forthwith, increased productivity will create job opportunities to for our citizen. Accordingly, this CFSP place emphasis on the commitment of the County Government to its primary priority programmes and structural reformative measures that shall be implemented in the MTEF FY 2016/17 – 2018/19.
3. This 2016 CFSP is conceived on understanding that the national and global economies will continue to recover from the current slowdown. The global economy has averaged 3.3 percent over the last three years with a projected growth of 3.8 percent in 2016. However, the outlook is still facing significant degree of risk especially with declining of commodity prices, depreciating currencies of emerging countries, increasing volatility of financial markets and weakening political environment of East and Central Africa posing a major risk to the outlook.
4. Regionally, the economic growth in the Sub-Saharan Africa is expected to be above the global average projected at 5.0 percent in 2014. The major risk to this outlook is the declining commodity prices driven by oil prices in the international markets and the weakening demand for commodities in the East Asia especially in China, which is the largest single trading partner with regional economies.
5. Basically, the Kenya economy is expected to show strong macroeconomic performance despite the headwinds from the regional and international markets. The economy is expected to grow by 5.6 percent in 2015 and average of 6.3 percent in the medium term. This growth is anchored in continued investment in infrastructure, construction, oil exploration, mining, lower energy prices and stable food prices resulting from adequate rains. Further, stable inflation and interests rates will characterize the medium term economic performance. Additionally, the exchange rate is expected to remain competitive.
6. Homely, Tharaka Nithi County will continue to position herself as a commercial and economic giant amongst her neighbors by setting pace in infrastructure development, focused leadership, harnessing poverty- caused by -factors such as unemployment, inequitable distribution of resources and poor political agendas which are the biggest enemies of development. As such, the TNC economy is expected to match that of the country and some spheres surpass the national target.
7. Therefore, the strategies and broad policies include: (1) continued investment in infrastructure especially roads and rural electrification; (2) embracing transformative agricultural practices; (3) creating conducive environment for business; (4) continued investment in social services; (5) ensuring accessible healthcare services; and (6) enhancing devolution by decentralizing services to lower units. This paper sets out the priority programs that the County Government is implementing in the Medium Term.

Commented [M2]: Culture, education, sports, gender and youth empowerment, etc

II. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Overview of Recent Global Economic Performance

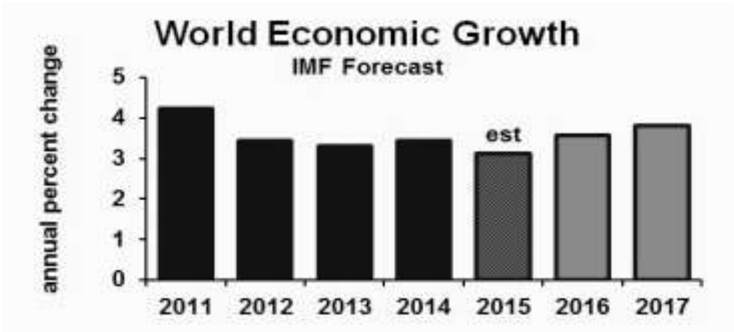
8. 2015 was characterized by weaker growth in emerging markets and global growth of 3.3% (IMF, World Economic Outlook Update July 2015). Global growth is expected to average at approximately 3.8% in 2016 up from an initial estimation of 3.1% (IMF, 2016). As such, the general consensus is that principles adopted by governments, private sectors and individuals will be increasingly required to provide harmonizing and reviewing to increase sustainability, reduce economic unpredictability and political instability.

Global Volatility Index

Global Volatility Index; Source: World Bank Group. 2016. *Global Economic Prospects, January 2016: Spillovers amid Weak Growth*.

9. Increased domestic and international investment and a stable dollar are all expected to improve global growth. However, increased supply of crude oil and drastic decreases in prices are expected to adversely affect this although commodity prices are expected to stabilize over the same period.[1]This is after steep decline in the commodity price indexes from 2015. (World Bank 2015). The close relationship shared by the energy sector and other sectors dictates that this significant change could affect the prices of commodities.

[11] World Bank Group. 2016. *Global Economic Prospects, January 2016: Spillovers amid Weak Growth*. Washington, DC: World Bank. Washington, DC: World Bank. doi:10.1596/978-1-4648-0675-9. License: Creative Commons Attribution CC BY 3.0 IGO



World Economic Growth Forecast; Source: Global Economic Forecast 2016-2017; Forbes

10. Despite concerns over ongoing geopolitical challenges, European economies are expected to experience better financial recovery this year in comparison to 2015 while Asia Pacific Economies are also expected to experience slight improvement in 2016. India and China continue to present competitively high growth rates projected at 7.7%[2] and 6.3%[3]. North America is expected to retain solid domestic demand but high labor costs and uncertainty over the trajectory of the US Dollar is expected to persist. Latin America is expected to rely heavily on increased private sector investment to rally productivity growth and development.

11. Africa's economic performance is expected to be positive but remains uncertain, attributed to the prolonged plunge in commodity prices and the weakened growth in Nigerian and South African economies during 2015. Cumulatively, the two economies grew at 3.4% during the last financial year (IMF WEO, 2015). 2016 is expected to foster recovery for the dominant economies.

Kenya: Performance Overview

12. Kenya economic performance can be expected to improve significantly, in tandem with dominant economies in the continent. Positive growth of up to 7% is expected by 2017[4]. Kenya's projected GDP for 2016 is expected to reach 6.8%. The country remains East Africa's leading economy. Primary promoters of this projected growth are agriculture, energy, transport and communication. The continuation of major projects such as the Lamu Port-Southern Sudan-Ethiopia Transport corridor (LAPSSET) will drive expenditures and eventually lead to future growth in GDP. 60% of the project is complete.

[2] http://knoema.com/xxnxggb/india-gdp-growth-forecast-2015-2020-and-up-to-2060-data-and-charts
[3] http://www.reuters.com/article/us-imf-growth-idUSKCN0UX11Y
[4] World Bank Report March 2015. http://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-anchoring-high-growth-can-manufacturing-contribute-more

Interest Rate Impact

13. Interest rates averaged at 12.5% but could increase during 2016 due to reduced revenue collection. This together with a strengthening US dollar would have negative implications to the growth of the country. International debt markets and local markets contributed heavily through loans to ensure capital investments remain on course during 2015. National revenue collected was at Kshs 277.2 billion in the third quarter of 2015, in comparison to Kshs 337.4 billion in the same period in 2014.

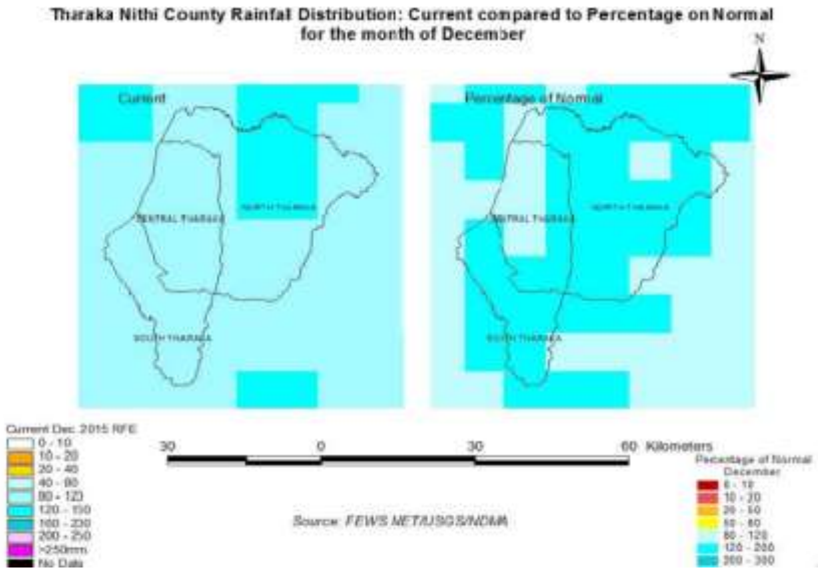
Commented [M3]: Confirm the current rate

Agriculture

14. The sector has a positive correlation between agriculture and economic growth and contributed 24% to the national annual GDP in 2015. The year was characterized by erratic or depressed rainfall in some regions. In addition, the El Nino weather pattern experienced towards 2016 is expected to result in increased food prices in 2016 as a result of forecasted drought that will affect a majority of the population. Only 15-17% of Kenya's total land area is sufficiently fertile for farming and approximately 12% of the country experiences sufficient rainfall. 75% of the population lives in medium to high potential agricultural area.

15. Socio economic indicators show that rainfall in Tharaka Nithi County promoted pasture regeneration, improved milk production and terms of trade. Spatial distribution of rains was even in the county and rain distribution was recorded as normal. Crop production was good to fair in most regions of the county in 2015 and is expected to remain so throughout 2016.

16. However, approximately 30% of harvested crops produced were compromised. This affected household access to food availability and security, in a county where the lower altitude area is considered semi arid and has 3 major livelihood zones: irrigated cropping, marginal mixed farming and rain-fed cropping.



Tharaka Nithi County Rainfall Distribution comparison December 2015; Source: National Drought Management Authority December 2015

Social Sector

Education

17. Domestic challenges in security slowed productivity in regions of the country. Education services are predominantly provided by public institutions in Kenya. The Economic Survey 2014 records Ministry of Education Science and Technology expenditure is high, at 17.2 percent from 2012/13; Kshs 260.1 billion to Kshs 304.9 billion. Parents remain the main funding partner for the government and a high percentage of expenses fall under staff costs. The Kenyan government met 57% of expenditure in the Ministry of Education. Tharaka Nithi did not experience direct effects of this.
18. Gross enrollment ratio of primary and secondary schools was 114% in 2012. Performance by the nation and in turn Tharaka Nithi County can be evaluated through examining the developments made under each of the following goals, which were identified during the 2000 World Economic Forum held in Dakar, Senegal:
    - Goal 1: Early Childhood Care and Education
    - Goal 2: Universal Primary Education
    - Goal 3: Life Skills and Lifelong Learning for Young People and Adults
    - Goal 4: Adult Literacy and Continuing Education
    - Goal 5: Gender and Equality
    - Goal 6: Quality of Education

Population and Health statistics

19. Tharaka Nithi County is divided into three administrative sub counties – Tharaka, Maara and Chuka Igamba-Ng'ombe. The county population as at 2009 census was 365,330 with an expected growth rate of 1.8%. The total population for the county in 2016 is expected to reach 420,488. According to the Kenya Health Demographic Survey 2015, there has been a predictable decrease in the fertility rate in the country. However, Tharaka Nithi population growth has been stable due to the decreased infant mortality, decreased under five mortality rates and the increased number of personnel skilled to act as birth attendants.

20. Kenya's health expenditure as a percentage of total expenditure was 41.7% in 2013 and to date; counties have utilized a significant portion of the funds towards improvement of health facilities through construction and renovation. This is the case in Tharaka Nithi County, in order to alleviate the shortages in access to healthcare facilities by county residents (Tharaka Nithi County Annual Development Plan, 2016). The County Integrated Development Plan outlays a situation assessment and status indictors for major cohorts: pregnancy and newborn, young and older children, adolescents, adults and the elderly.

21. The Tharaka Nithi Health Department will continue to peg its performance on the long term development focus under Vision 2030, the long term health goals set in the National Health

Policy and medium term priority investments to ensure that growth and development in the county with regards to health are improved systematically. This is through investment and business plan formulation, enforcing joint programme of work and funding, programme based budgeting, donor programme plans and community units / facilities for counties and sub counties. Comprehensive outlook of these is available in the annual Operational Plan, Departmental Strategic Plan and Health Ministry Strategic Plan.

22. Transformative projects being undertaken include the modernization of casualty department and Operating theatre, pediatric ward construction at Chuka Hospital. Tharaka Sub-County Hospital also stands to be the beneficiary of emergency power backup through generators, mortuary construction, X-ray department establishment and ambulance services. Plans are also underway for the establishment of a newborn unit, operating theatre and OPD unit at Magutuni district Hospital and upgrading of facilities will take place in Kajuki, Mpukoni, Muthambi, Mutindwa and Ciakariga.

Tourism

23. The number of international visitor's arrivals decreased nationally in 2014 and 2015. Reasons identified for the trend include both international and domestic security challenges experienced – negative travel advisories triggered by Al-Shabaab terrorist attacks all led to decreased contribution to economic growth by tourism.

24. Tharaka Nithi County is one of the safest counties in the country. As such, the establishment of tourism centres has become a key contributor to developing the tourism sector. The county wildlife coverage includes buffalos, elephants, leopards, monkeys, and hyenas. The establishment of Chiakariga Cultural Centre, identification and mapping of tourism sites, branding of waterfalls, renovating lodges, establishment of tourism markets in Mitheru, Ura Gate and Nkondi have all commenced. Approximately 19.4% of the county has tree cover according to the Kenya Forest Survey, 2010 and the county plans to plant more than 6 million trees by 2017. Greening Programs that began in April 2015 are underway, to ensure that the county targets are met by 2017.

25. Challenges include the inadequacy of funding for environment protection, water scarcity, climate change and lack of awareness in the community on the importance of environmental conservation.

Infrastructure and Access to Amenities

26. Tharaka Nithi County has a total of 1,670 kilometers, which combines classified and unclassified networks across sub counties. Mobile coverage is estimated at 70%, with local providers Safaricom, Airtel and Orange providing internet and communication services for local business establishments, government agencies and others. Improvements in this sector have increased the coverage and reach by financial institutions. Approximately 20.5% of market centres have access to electricity.

III. STRATEGIC PRIORITIES AND INTERVENTIONS

Overview

27. In order to achieve success, Tharaka Nithi County has identified the strategic priorities herein discussed to ensure that the resource envelope can be utilized in the most viable means to achieve maximum output from beneficiary dockets, during the 2015/16 financial year. An accurate assessment of risks to be mitigated, cost effectiveness of implemented programmes, and the degree of necessity of the interventions has been carried out for all targeted sectors that will yield maximum impact. The distinction between what can be achieved follows the thematic areas that are considered urgent, especially new developments.

Priority 1: Continued Investment in Infrastructure

28. The docket of infrastructure and transport housing and public works aims at expanding and sustaining physical infrastructure and support growth and development of the economy. During the 2015/16 financial year, Kshs 438 million was allocated for the improvement of roads. A major achievement of the Department of roads is the murruming and grading of over 900 kilometers of roads. The department has also invested in maintenance and rehabilitation of existing infrastructures by constructing bridges and constructing passenger waiting sheds.

29. There are plans to construct or rehabilitate 700 kilometers of roads through the conventional financing methods and spearheaded the construction of the County headquarter office block at Kathwana, whose completion date is within the next two years.

30. On energy, the County Government through public private partnership is in the process of installing 200 ha solar plant at Kabarienge, Kathwana. In addition, there are 2,000 households targeted under the rural electrification programme *"Stima Mashinani."*

Priority 2: Embracing Transformative Agricultural Practices

31. The goal of Tharaka Nithi County is to attain food security, sustainable land management. The key policy objectives of the docket of agriculture include raising agricultural productivity through value addition, increasing market access and adoption of technologies; exploiting irrigation potential; increased commercialization of the sector activities; and sustainable management of resources. Investing in transformative agricultural practices is a strategic means for the reduction of the cost of living, spur growth in affiliated sectors such as tourism, manufacturing, education and health.

32. Transformative agricultural practices are also a key driver of employment. The priority investments include; promoting value chains through agro-ecological zoning and re-organization of farmers into viable cluster groups for economies of scale, disease surveillance, upgrading local breeds of livestock both for meat and milk, increase acreage under irrigation and promote fish consumption. The conventional means of promoting better agricultural practices will continue to be embraced especially through extension services, construction of Agricultural Training Centre at Kaare and construction of Artificial Insemination Center at Kianjagi which is to be completed before June 2016.

Priority 3: Creating Conducive Environment for Business

33. Trade contributes significantly to the county's economic growth and wealth. It is still among the key areas with potential of accelerating the economic growth and development for the achievement of the developments envisioned in the CIDP and MTP II of Vision 2030. Various projects such as business training and extension services delivery, capacity building and mentorship programmes require the implementing agencies support and monitoring.

34. Rapid population growth, the need for increased revenue sources by county government and the need for stable and predictable tax environment have all set the arena for establishment of a sustainable business environment that will attract more investment. The measures being undertaken include: enhancing the Joint Loans Board, construction of market facilities, training and mentoring on business skills, promoting fair business practices, construction of business hub, construction of *boda-boda* sheds and forward contracts among others.

35. The establishment of a county investment corporation by the county government will also ensure that business owners can leverage on the predetermined prices and are protected from price fluctuations. The regulations are place for it establishment and will be in operation in 2016/17.

36. The enhanced capacity of staff and services offered, assessing initiated county cooperative policies, feasibility, pre-feasibility studies and fair trade practices in relation to business facilitation will continue to be monitored to ensure that programmes outcomes are realized.

Priority 4: Continued Investment in Social Services

37. Approximately 29% of Tharaka Nithi County residents fall under the youth category and a majority require employment opportunities in addition to active participation youth empowerment programs that were established in 2013 to 2017.
38. In order to ensure sustained economic transformation, reduce the burden of economic shocks by households and enhance services to most Kenyans the government will continue to investment in quality education and well as strengthening the social safety programmes.

Quality and Relevant Education

39. Tharaka Nithi County has successfully registered 18 polytechnics, 657 ECDE institutions of which 187 are private and 470 are public. As at 2014, there were 21,377 children enrolled in public ECDE centres. 10 ECDE classes per ward, totaling to 150 classes, will be constructed in FY 2016/17.
40. The county has introduced comprehensive Each Childhood Development Education (E.C.D.E), tertiary institutions and programmes that have created employment for teachers and increased the quality of education in Tharaka Nithi.
41. At secondary education and tertiary levels, the County has issued bursaries to 742 college students and 2,550 secondary school students.
42. Docket is also mandated to address the issues on promotion and exploitation of County's diverse culture for peaceful co-existence; enhancing County's reading culture; development and promotion of sports; preservation of County's heritage; promotion of cultural and sports tourism; regulation, development and promotion of the film industry; and development, research and preservation of music in the country.

43. In order to ensure access to education for the students from poor families, the bursary programme for needy students currently stands at Ksh 30 million. Education and youth training will continue to be a major programme under the docket of education, with a projected expenditure allocation of Ksh 137.3 million in 2016. A substantial amount of these funds will be used to improve performance and education standards for youth in need of technical training. The number of trainers, established youth groups and purchased equipment is anticipated increase from 55% in 2016 to 70% in 2017.

Priority 5: Accessible Healthcare Services

44. The mandate of the docket is to build a progressive, responsive and sustainable technologically-driven, evidence-based and client-centered health system for accelerated attainment of the highest standard of health to all Kenyans. Between 2013 and 2015, the health docket has implemented several programmes and made impressive strides towards improvement of health facilities to promote access to primary healthcare.

45. Free maternity healthcare, Expanded Programme on Immunization (EPI), malaria control and disease surveillance programmes are facilitated by the county government.

Priority 7: Continued Support for Devolution by decentralizing Services to Lower Units

46. Coherent management of county affairs is practiced through the office of the County Governor and through the Public Service Board, General Administration Planning and Support Services.

47. The decentralization of service delivery and resources through Devolution has had a profound effect on lives of Kenyans at the grass roots level. As witnessed across the country in the past three years of devolution, local development is gaining traction as Counties are becoming the new centres of economic activity. To lock-in and sustain these gains, the County Government will continue to support Decentralized units through increased allocation of shareable revenues so as to ensure that devolution achieves the objectives of better service delivery and rapid local economic development as well as jobs creation in line with Vision 2030.

48. The County Government is taking steps to strengthen accountability and fiscal discipline in the use of devolved resources, to achieve the constitutional objectives of improving service delivery and enhancing equitable economic development at the county level. In this respect, therefore, the County Treasury will put in place mechanisms to monitor and ensure full compliance so as to contain fiscal risks and financial sustainability.

49. Further, implementation of a strategy to enhance revenue management by the sub-counties in order to strengthen their revenue raising measures and correct duplication and distortions in local taxes and fees that hurt the business environment.

Other Cross Cutting Structural Reforms

Governance

50. Some progress has been made in improving the efficiency of institutions, regulations, and resource management. These include: rolling out of the IFMIS Module to all the Departments; conducted capacity building among departments in implementing public financial management reforms; Implementation of Program-Based Budgeting; and launch and implementation of e-Procurement platform. In 2015, the Public Finance Management regulations were rolled out. The regulations seek to set out a standardized financial management system for use in Government service to ensure accountability, transparency and the effective, economic and efficient collection and utilization of public resources among other fiscal roles as provided in the PFM Act. Further, to ensure Efficient and effective service delivery the County Government started the performance contracting.
51. Going forward, the government will continue to strengthen the institutional capacity of the County oversight units through funding their programmes, reviewing legal and regulatory frameworks governing public procurement, promote accountability in the use of public resources by conducting county audits, and expansion of the e-Procurement platform to all government operations.

52. The role of county assembly cannot be understated in promotion of good governance. To achieve good governance, we need a strong, effective and efficient assembly. As an oversight body, County assembly helps to identify problems and policy challenges that require attention and assists in overcoming bureaucratic lethargy. The County Assembly in 2016/17 plans to fast-track consideration of reports on budget implementation, audited accounts of the all the county Governments Departments. In addition, they will introduce bills; consider motions, statements and petitions; and carry out vetting of state officers presented to them as required by law. These activities will go a long way in entrenching good governance in our institutions and ensuring accountability of public resources.

Expenditure Management

53. As emphasized in 2015 CFSP, the Government will continue with rationalization of public expenditures for enhanced efficiency and productivity in service delivery. To improve efficiency and effectiveness in public resource utilization and budget execution Capacity Assessment and Rationalization of the Public Service (CARPS) Programme will be fully implemented. Other initiatives include; full adoption of the Treasury Single Account (TSA) to improve the efficiency of the government payment processes; full implementation of the e-procurement to entrench transparency and accountability; Entrench program budget and enforce performance benchmarks for execution of the development budget for all the county government; and Strengthen accountability and discipline in the use of devolved resources, and contain fiscal risks. The government will also strengthen the capacity for monitoring, evaluation, reporting and feedback.

IV. RECENT FISCAL DEVELOPMENT

Fiscal Performance of 2014/15 Budget and Emergent Challenges

54. The FY 2014/15 was implemented in a stable macroeconomic environment despite few challenges in the first quarter. The County Government policy of containing non- priority and unproductive expenditure programmes continued to exert pressure on prudent spending with greater impact magnitude. The revenue collection from local sources lagged behind the projected targets and receipts from exchequer grossly fell short. Consequently, the combined effect was disruption of flow of funds resulting in a catastrophic first quarter and delayed implementation of development programmes as well as other government operations.
55. During the FY 2014/15 the County Government had a total resource basket of Ksh 2.4 billion comprising of Kshs 2.3 billion as remittances from exchequer being part of equitable share and Kshs 115.7 million collections from local sources. The Kshs 115.7 million was 36.2 percent improvement on the Kshs 85.4 million collected in FY 2013/14 and excluded Kshs 32.6 million collected as appropriations-in-aid from the three level 4 hospitals; namely Chuka, Marimanti and Magutuni. However, this Kshs 148.3 million including Kshs 32.6 million A-I-A implied a shortfall of Kshs 101.7 million. The underperformance can be contributed to inadequate revenue policies, lack of proper revenue mapping and late approval of Finance Bill 2014.
56. The receipts from National Government of Kshs 2.60 billion was a against a target of Kshs 3.71 billion as indicated in the 2014 Budget Policy Statement and Revenue Allocation Bill 2014 resulting to Kshs 1.094 billion shortfall. The shortfall included Kshs 787.16 million due from National Treasury as conditional grants and loans that wasn’t received by the end of FY 2014/15. Of the remaining shortfall of Kshs 307.0 million the county government received Kshs 260.0 million in the first quarter of FY 2016/17 as balance carried forward and included in the FY 2016/17 budget through supplementary adjustment. There, the overall shortfall was attributable to underperformance in raising local revenues as well as late disbursement of exchequer transfers by National Treasury. Additionally, the failure by National Treasury to shed light on conditional grants allocated to the County Governments contributed significantly on how such funds are being utilized and the nature of projects being funded.
57. The total effect of the shortfall from the two combined revenue sources indicated that the total expenditures were under funded by Kshs 1.2 billion for FY 2014/15. The total cumulative expenditure for the period was Kshs 2.79 billion against the target of Kshs 3.7 billion which included Kshs 787.16 million targeted expenditures that were to be funded from share of conditional grants and loans. The remaining shortfall of Kshs 212.91 million as attributed to late release of transfers from the Exchequer, cash flow management challenges and under performance of local revenue sources.

Fiscal Performance in 2015/16 and Emerging Challenges

The implementation of the budget for the current financial year 2015/16 is on course though with challenges which significantly affected the first quarter of implementation. Revenue mobilization and collection lagged behind significantly with County Own Revenue (CORe) collection grossly underperforming. On the other hand, the late release of transfers from the exchequer greatly undermined the implementation of the budget. The FY 2015/16 budget is 92.3 percent funded by transfers from exchequer.

Currently CORe collections is Kshs 60.8 million for the first half of FY 2015/16 which accounts for 24.5 percent of total targeted local revenue of Kshs 248.0 million. The shortfall against the first half target is Kshs 68.0 million. This has been attributed to political interferences in some areas where the politicians have incited locals not to pay dues to County Government, alignment of revenues where slaughter fees were scrapped though they had contributed to more than 20 percent of CORe in previous year 2014/15 and weakening administrative measures although with deployment of Director Revenue things are expected to change going forward.

The receipts from exchequer transfers from July to December 2015 amount to Kshs 1.2 billion accounting for 36.8 percent of total expected transfers from exchequer. The Kshs 1.2 billion includes Kshs 260.0 million has cash balances carried forward from FY 2014/15. The shortfall on exchequer transfers is Kshs 434.3 million which is expected to be realized within the course of the FY 2015/16 as the National Treasure steps-up revenue raising measures.

Consequently, the combined effect is disrupted smooth execution of both development and recurrent operations in both the first and second quarters thus the slow expenditure turnovers. The total expenditure to December 2015 was Kshs 955.6 million which was 29.0 percent of annual targeted expenditure. This represented 78.6 percent of all resources available for spending up to December 2015. The expenditure of Kshs 955.6 million comprised of Kshs 734.4 million recurrent expenditure representing 42.7 percent of total budgeted recurrent expenditure and development expenditure of Kshs 221.2 million representing 15.8 percent of targeted development expenditure.

Despite this derailing scenario the implementation of the current budget 2015/16 is back on course and the CG has put in place mitigating measures which are articulately timed and designed to guarantee the set objectives are achieved.

V. Fiscal Policy and Budget Framework

Overview

58. The 2016 County Strategy Fiscal Paper aims at supporting rapid economic growth through optimizing resource usage while at the same time supporting the devolved system of County Government to Sub-county level in order to effectively deliver public goods and services in an inclusive manner. Specifically, the fiscal policies underpinning the FY 2016/17 Budget and MTEF aims at increasing the local revenue from 5.7 per cent (Kshs 148.0 million) of the total budgeted revenue in 2014/15 to 7.4 per cent (Kshs 200.0 million) of the total revenue over the medium term and containing the growth of total expenditure. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth. Specifically:
    - The County Government's total expenditure shall not exceed the county government's total revenue in order to ensure a balanced budget;
    - Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure. In this regard, the County Government is committed to a reduction in the recurrent expenditure to devote more resources to development;
    - The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the regulations approved by County Assembly.
    - Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. It is the County Government's commitment to procure external financing only for development projects a practice which is in line with this principle. However, over the last three years the County Government has not been involved in any external financing hence adherence to this principle;
    - The county debt shall be maintained at a sustainable level as approved by County. The County Government will ensure that the level of domestic borrowing does not crowd out the private sector given the need to increase private investment to accelerate county economic expansion.
    - Fiscal risks shall be managed prudently. The County Government also takes into account the fiscal risks arising from contingent liabilities, impact of the Public Private Partnership and Financial Sector Stability.

Prudent Fiscal Policy

59. The fiscal policies adopted by the County Government will continue to support economic activities within a context of sustainable public financing. Over the past year, the County Government has reoriented expenditure towards priority programmes in infrastructure, education, health and agriculture.

Observing Fiscal Responsibility Principles

60. The County Government recognizes that the fiscal stance it takes today will have implications into the future. In this regard, and in line with the Constitution and the Public Finance Management (PFM) Act of 2012;
    - Ensure that sharing of the burdens and benefits of 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 an unwarranted debt burden on future generations;
    - Ensure that development portfolio is not crowded out by the County Government;
    - Ensure adherence to the ratio of development to recurrent of at least 30:70 over the medium term, as set out in the law;
    - Respect ratios guiding the wage levels in general and procured goods and services reflect actual market prices.
    - Timeliness on paying goods should be minimized to enable County Government get competitive prices in the market.
61. Generally, the County Government pledges strict adherence and observance of the fiscal principles, rules and regulations as set out in PFM Act, 2012 as well as other self-imposed regulations that are important and necessary to entrench fiscal discipline.

Fiscal Structural Reforms

62. The Fiscal Policy underpinning the FY 2016/17 Budget and MTEF aims at local revenues of more than 7.4 per cent (Kshs 200.0 million) of total county revenue over the medium term and moderating growth of total recurrent expenditure. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth. The fiscal policy will undertake reforms on the following areas, namely:
    - **Enhancing resource mobilization**, including broadening revenue base; Revenue collection efforts will be enhanced to ensure all potential resident taxpayers make their contribution towards Tharaka Nithi's development agenda. Revenue administration capacity will be strengthened through organizational and modernization reforms. Automation of revenue collection remains a priority in order to enhance revenue collection.
    - **Expenditure rationalization** will continue being a priority focusing on non-productive areas. Additionally, the implementation of Capacity Assessment and Rationalization in Public Service (CARPS) recommendation will further contribute in elimination of redundancies and duplications in the public service.
    - **Expenditure efficiency and effective** implementation of budget programs through enforcement of cost benchmarks for all projects and consumables. There will be further enforcement of a project implementation performance benchmark, expenditure tracking and value for money audits to ensure efficiency and effectiveness in use of resources at county department levels.
63. With the above and on-going leasing of assets in Government, the integrated financial management system (IFMIS) as an end-to-end transaction platform and full implementation

of Internet Banking, revenue and expenditure efficiency the growth of the economy will be realized.

Fiscal Policy Status

64. In line with the Constitution, the PFM Act, 2012, and in keeping with the prudence and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

a. *Minimum of 30% of the County Budget, over the medium term, to be allocated to development expenditure*

The budget allocation to development by the County Government over the medium term has surpassed the 30 per cent minimum set out in law. The table below shows the budget allocation to development budget in FY 2014/15 and 2015/16. Over the medium term the development expenditure is budgeted to average over 35 per cent in FY 2016/17 - 2018/19.

Table 1 Revenue and Expenditure FY 2013/14-2018/19

Financial Year	**2013/14**	**2014/15**	**2015/16 (Supp)**	**2016/17**	**2017/18**	**2018/19**
1.0 Total Expenditure & Net Lending (a)	**2,378.82**	**2,931.47**	**3,815.75**	**3,757.41**	**3,937.03**	**4,330.73**
1.1 Total Recurrent	**1,545.22**	**1,830.89**	**2,276.88**	**2,490.41**	**2,601.43**	**2,861.57**
Wages	1,046.30	1,109.90	1,279.12	1,350.94	1,410.23	1,551.26
Other Recurrent	498.92	720.99	638.34	760.95	793.74	873.12
County Assembly			359.41	378.53	397.45	437.20
As % of CG Revenues	**65%**	**62%**	**60%**	**66.3%**	**66%**	**66%**
1.2 Development	833.60	1,100.58	1,538.87	1,272.00	1,335.60	1,469.16
Executive	833.60	1,100.58	1,469.28	1,267.00	1,335.60	1,469.16
County Assembly			69.59		-	-
As % of CG Revenues	**35%**	**38%**	**40%**	**33.7%**	**34%**	**34%**
2.0 Total CG Revenues (b)	**2,378.82**	**2,931.47**	**3,815.75**	**3,757.41**	**3,937.03**	**4,330.73**
2.1 Equitable Share	2,294.82	2,681.36	3,116.23	3,446.62	3,618.95	3,980.84
2.2 Local Revenue Collections	84.00	250.11	248.05	200.00	210.00	231.00
2.3 Conditional grants			451.47	110.79	108.08	118.89
3.0 Net Funding (b-a)	**-**	**-**	**0.00**	**0.00**	**0.00**	**0.00**

b. *The County Expenditure on wages and benefits for public officers shall not exceed a percentage of total county government revenue as prescribed by regulations*

On wages and benefits, the share to County Government revenues was 44.0 per cent in FY 2013/14, and is projected at 40.0per cent in FY 2016/17 and is expected to remain the same over the medium term.

c. *Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure*

The County Government has adopted a policy where all procured external finances are devoted to development projects. These external finances include concession loans and domestic borrowing.

d. Public debt and obligations shall be maintained at a sustainable level as approved by County Assembly

The County Debt Management Strategy 2016 provides for public debt sustainability and envisages limited borrowing from external and domestic financiers.

e. Fiscal risks be managed prudently

The County Government has considered it a priority to manage all fiscal risks prudently and in so doing has regularly reviewed the implication of macroeconomic projections on the County Budget. The annex 1 provides review of fiscal risks. In this regard, the County Government takes into consideration all fiscal risks arising from contingent liabilities and maintains a Contingency provision of Ksh 20.0 million factored in the budget under Docket of Finance and Economic Planning to cater for urgent and unforeseen expenditure.

f. A reasonable degree of predictability with respect to the level of tax rates and tax bases given provision for any tax reforms that may be made in the future

The County Government of Tharaka Nithi has held this principle to the latter by maintaining a reasonable degree of predictability with respect to revenue raising measures which includes definition of tax rates and tax bases. The County Government will only review it revenue raising measures after a thorough consultation with relevant stakeholders and after taking into consideration the possible impact of such measures on the economic performance. Therefore, reforms in tax raising measures will lock predictability and enhance compliance with the revenue system adopted by the county.

Debt Financing Policy

65. The County Government's borrowing plans remain anchored in the medium term Debt Management Strategy which aims at ensuring public debt sustainability. The strategy envisages continued borrowing from domestic and external sources. While external financing will be largely on concessional terms we shall continue to diversify our financing sources by continuing to access commercial sources of financing. The County Government will ensure that the level of domestic borrowing does not crowd out the private sector. However, it is important to note non- concessional external borrowing will be undertaken in a cautious manner and limited to bankable projects

Budget Framework for FY2016/17

66. The medium term fiscal framework for FY 2016/17 is set based on macro-fiscal framework discussed above. Kenya's Real GDP is expected to increase by 6.8 per cent in FY 2016/17 as underpinned by continued good performance across all sectors of the economy. On a lower geographical scale, Tharaka Nithi County "Bright Light" GDP of Kshs 13.08 billion is expected to growth at par with that of the national economy. Revitalized agriculture, transport and infrastructure, and transformed public service sectors will be the key drivers. In this

regard, the projected economic growth assumes normal weather pattern during the year and improved investor confidence in the entire county economy. Inflation is expected to remain low and stable, reflecting continued implementation of a prudent monetary policy by National Treasury and stable food and oil prices within the country at large, as well as stable exchange rate.

Revenue Projections

67. The FY 2016/17 budget targets total revenue collection of Kshs 3.76 billion of consisting of equitable share of Ksh 3.4 billion and CORe of Ksh 200.0 million. The CORe includes Appropriation-in-Aid (AiA) of Ksh 50 million (25 per cent of **CORe**) to be raised by Level IV hospitals and veterinary services department in the Docket of Agriculture. As indicated **CORe** will amount to Ksh 200.0 million (5.3 per cent of **total revenue**) in FY 2016/17 a decline from the projected Ksh 248 billion (8.1 per cent of total revenue) in FY 2014/15. The downward revision on the CORe target was as a result of increasing political interference in revenue collection which has negatively affected any measures being undertaken to spur revenue growth. The County Treasury in consultation with various county departments is planning to launch a revenue mapping exercise targeting to harmonize fees and charges and recommend on new sources. Additionally, the County Treasury will draft and table to the County Assembly various tax bills that will repeal the by contentious by-laws inherited from the defunct local authorities and establish new revenue raising structures that promote the spirit of new constitution.

Expenditure Forecasts

68. According to fiscal above, overall expenditure targeted in FY 2016/17 is projected at Ksh 3.8 billion from the estimated Ksh 3.5 billion in the FY 2015/16 budget.
69. Recurrent expenditures will amount to Ksh 2.49 billion (66.3 per cent of total budget) compared with Ksh 2.1 billion (60 per cent of total budget) in FY 2015/16. In the FY 2015/16, more resources will be earmarked for development as required by the PFM Act 2012. Development expenditure is therefore projected at Ksh 1.26 billion (33.7 per cent of total budget) from the previous Ksh 1.5 billion (40 per cent) in FY 2015/16, while personnel emoluments are expected to be 60.4 per cent of recurrent expenditure in FY 2016/17 leaving only Kshs 987.4 million (39.6 percent) for operations including Kshs 226.5 allocated to County Assembly operations.
70. In terms of percentage to total revenue, the wage bill for the County Government in FY 2016/17 is projected at 40 per cent of projected total revenue. This percent of employee costs is above the threshold contemplated in PFM Act, 2012 of 35 percent.
71. Expenditure ceilings on goods and services (recurrent expenditures) for County Departments/dockets are based on size of the entities, past performance, absorption capacity of previous budgets, required inputs, agreed priorities and ranking. The ceilings are then moderated to take into account one-off expenditures that were budgeted in FY 2015/16 and then adjusting factor is applied to take into account anticipated inflation.
72. The ceiling for development expenditures were established on a criteria that considered past performance, status of on-going projects, economic growth potential and generally

contribution towards achieving the agreed priorities. Therefore, most of the development expenditure will be expected to continue supporting infrastructure development. The entire proposed development will be financed through domestic resources comprising of equitable share, share of conditional grants and loans and CORe.

73. A contingency of Ksh 20.0 million is to be provided in FY 2016/17. Additionally, the department of infrastructure has been allocated Kshs 170 million comprising of Kshs 100 million for 2nd Phase construction of headquarters at Kathwana and Kshs 70 million for the 2nd Phase construction of County Assembly.

Fiscal balance and deficit financing

74. Reflecting on the above projected expenditures and revenues, the overall fiscal balance (on a commitment basis and excluding grants), is projected to be zero. This complies with National Treasury advisory that County Government should assume a balanced budget.

Summary

75. Fiscal policy outlined in this CFSP aims at improving revenue efforts as well as containing total expenditures. This will be achieved through administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in government expenditure and reducing wastage. The fiscal space created will avail resources to scale up investments in human capital, including on health and education, and physical infrastructure, while at the same time providing sufficient resources to all devolved functions. The Fiscal policy will also endeavor to adhere to medium-term debt targets as provided in the medium term debt management strategy that aims at ensuring public debt sustainability.

VI. Medium Term Expenditure Framework

Resource Envelope

76. The resource envelope available for allocation among the spending County Departments is based on the updated medium term fiscal framework which is outlined in Section III.
77. Locally mobilized revenue will finance about 7.4 per cent of the expenditure priorities in the budget. Out of this, Equitable Share from National Government from domestically raised resources will accounts for over 92.4 per cent of total budget resources. Locally raised revenues are expected to reach Ksh 200.0 million in 2016/17.
78. The County Government will embark on efforts to solicit external resources especially in form of grants, loans and donations that are clenched to specific programmes and projects.
79. A substantial amount of equitable share will be used to finance recurrent expenditure and part of the development. Thus County Government is seeking alternative sources of financing to spur development in our county; these include external project grants and loans, as well as domestic borrowing. This approach bodes well for long-term sustainability of our public finances.

Spending Priorities for the 2016/17 Medium Term Budget

80. The MTEF budget will critically be reviewed with a view to remove non- priority expenditures and shift the savings to the priority programmes. The current CIDP (2013-2017), together with the priorities of the current administration will guide resource allocation.
81. The Constitution and the PFM Act, 2012 requires County Governments to promote budgetary transparency, accountability and effective management of the economy. In line with this, the County Government will aim at eliminating inefficient and wasteful public spending at all levels in order to promote public trust in public spending.

82. As we finalize the FY2016/17 MTEF Budget, we will critically review expenditures to ensure that they are geared towards identified priority programmes that form the focus of the County Government. Taken as a whole, the MTEF budget for FY2016/17 will focus on the following:

83. The critical social areas will continue to receive the bulk of budgetary resources. With a combined allocation of 34.7 per cent of total expenditures which includes allocations to education and health sectors.
84. The budget will also reflect significance increase in capital investments in the areas of energy and infrastructure. This reflects the priority we assign to the infrastructure development in contributing to our growth objectives. With proposed allocation of 50 per cent of total proposed development expenditures.
85. Other priority areas including tourism, trade and agriculture will be given priority in the allocation of resources.

Medium Term Expenditure Estimates

Table 4 provides the projected baseline ceilings for the 2014 MTEF, classified by docket**.**

Table 2 MTEF Expenditure Ceilings

									Projections 2017/18-2018/19			
	Budget FY 2015/16				Proposed Budget FY 2016/17				FY 2017/18		FY 2018/19	
COUNTY DEPARTMENT	**Estimate 2015/16**	**Compensation to Employees**	**Use of Goods and Services**	**Other Development**	**Proposed Budget 2016/17**	**Compensation to Employees**	**Use of Goods and Services**	**Other Development**	**Recurrent Expenditure**	**Development Expenditure**	**Recurrent Expenditure**	**Development Expenditure**
Office of the Governor and Deputy Governor	**142,085,549**	45,093,549	96,992,000	-	**166,197,588**	47,606,725	118,590,863	-	174,507,468	-	183,232,841	-
County Public Service Board	**19,079,000**	16,398,400	2,680,600	-	**29,942,084**	17,312,324	12,629,760	-	31,439,188	-	33,011,147	-
Finance and Economic Planning	**213,500,342**	81,299,342	52,201,000	80,000,000	**368,527,240**	103,617,339	170,909,901	94,000,000	288,253,602	103,400,000	302,666,282	113,740,000
Agriculture, Livestock, Veterinary and Fisheries	**264,384,829**	156,098,129	27,086,700	81,200,000	**299,339,137**	164,797,867	39,541,270	95,000,000	214,556,094	104,500,000	225,283,899	114,950,000
Health Services	**942,542,820**	644,182,880	145,909,940	152,450,000	**1,044,082,200**	724,932,910	190,149,290	129,000,000	960,836,310	141,900,000	1,008,878,126	156,090,000
Infrastructure, Transport, Public Works and Legal Affairs	**592,148,581**	31,448,881	21,799,700	538,900,000	**524,861,246**	33,201,606	25,659,640	466,000,000	61,804,308	512,600,000	64,894,523	563,860,000
Education, Culture, Youth Development and Social Service	**297,777,125**	88,338,925	19,538,200	189,900,000	**241,081,640**	114,376,924	42,704,715	84,000,000	164,935,722	92,400,000	173,182,508	101,640,000
Physical Planning, Lands, Energy and ICT	**135,974,131**	18,288,700	52,085,431	65,600,000	**121,027,193**	19,307,976	41,719,217	60,000,000	64,078,552	66,000,000	67,282,480	72,600,000
Public Service, Urban Development and Disaster Managem	**190,551,221**	75,693,721	41,957,500	72,900,000	**232,785,333**	79,912,322	56,873,012	96,000,000	143,624,600	105,600,000	150,805,830	116,160,000
Trade, Cooperatives and Industrialization	**80,675,626**	22,451,626	25,574,000	32,650,000	**146,603,672**	21,063,580	27,540,092	98,000,000	51,033,855	107,800,000	53,585,548	118,580,000
Tourism - Tourism, Environment and Natural Resources	**82,572,200**	28,500,000	16,272,200	37,800,000	**82,870,787**	24,809,714	26,061,073	32,000,000	53,414,326	35,200,000	56,085,042	38,720,000
Tourism - Water Services and Irrigation	**148,888,000**	-	8,938,000	139,950,000	**121,566,800**	-	8,566,800	113,000,000	8,995,140	124,300,000	9,444,897	136,730,000
County Assembly	**429,000,000**	138,204,982	221,204,932	69,590,086	**378,525,480**	152,025,480	226,500,000	-	397,451,754	-	417,324,342	-
Total	**3,539,179,424**	**1,345,999,135**	**732,240,203**	**1,460,940,086**	**3,757,410,400**	**1,502,964,767**	**987,445,633**	**1,267,000,000**	**2,614,930,920**	**1,393,700,000**	**2,745,677,466**	**1,533,070,000**

	Budget FY 2015/16				Proposed Budget FY 2016/17				FY 2017/18		FY 2018/19	
COUNTY DEPARTMENT	**Estimate 2015/16**	**Compensation to Employees**	**Use of Goods and Services**	**Other Development**	**Proposed Budget 2016/17**	**Compensation to Employees**	**Use of Goods and Services**	**Other Development**	**Recurrent Expenditure**	**Development Expenditure**	**Recurrent Expenditure**	**Development Expenditure**
Office of the Governor and Deputy Governor	**4.0%**	3.4%	13.2%	0.0%	**4.4%**	3.2%	12.0%	0.0%	**6.7%**	**0.0%**	**6.7%**	**0.0%**
County Public Service Board	**0.5%**	1.2%	0.4%	0.0%	**0.8%**	1.2%	1.3%	0.0%	**1.2%**	**0.0%**	**1.2%**	**0.0%**
Finance and Economic Planning	**6.0%**	6.0%	7.1%	5.5%	**9.8%**	6.9%	17.3%	7.4%	**11.0%**	**7.4%**	**11.0%**	**7.4%**
Agriculture, Livestock, Veterinary and Fisheries	**7.5%**	11.6%	3.7%	5.6%	**8.0%**	11.0%	4.0%	7.5%	**8.2%**	**7.5%**	**8.2%**	**7.5%**
Health Services	**26.6%**	47.9%	19.9%	10.4%	**27.8%**	48.2%	19.3%	10.2%	**36.7%**	**10.2%**	**36.7%**	**10.2%**
Infrastructure, Transport, Public Works and Legal Affairs	**16.7%**	2.3%	3.0%	36.9%	**14.0%**	2.2%	2.6%	36.8%	**2.4%**	**36.8%**	**2.4%**	**36.8%**
Education, Culture, Youth Development and Social Service	**8.4%**	6.6%	2.7%	13.0%	**6.4%**	7.6%	4.3%	6.6%	**6.3%**	**6.6%**	**6.3%**	**6.6%**
Physical Planning, Lands, Energy and ICT	**3.8%**	1.4%	7.1%	4.5%	**3.2%**	1.3%	4.2%	4.7%	**2.5%**	**4.7%**	**2.5%**	**4.7%**
Public Service, Urban Development and Disaster Managem	**5.4%**	5.6%	5.7%	5.0%	**6.2%**	5.3%	5.8%	7.6%	**5.5%**	**7.6%**	**5.5%**	**7.6%**
Trade, Cooperatives and Industrialization	**2.3%**	1.7%	3.5%	2.2%	**3.9%**	1.4%	2.8%	7.7%	**2.0%**	**7.7%**	**2.0%**	**7.7%**
Tourism - Tourism, Environment and Natural Resources	**2.3%**	2.1%	2.2%	2.6%	**2.2%**	1.7%	2.6%	2.5%	**2.0%**	**2.5%**	**2.0%**	**2.5%**
Tourism - Water Services and Irrigation	**4.2%**	0.0%	1.2%	9.6%	**3.2%**	0.0%	0.9%	8.9%	**0.3%**	**8.9%**	**0.3%**	**8.9%**
County Assembly	**12.1%**	10.3%	30.2%	4.8%	**10.1%**	10.1%	22.9%	0.0%	**15.2%**	**0.0%**	**15.2%**	**0.0%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Baseline Ceilings

86. The baseline estimates reflects the current departmental spending levels in sector programmes. In the recurrent expenditure category, non-discretionary expenditures takes first charge and includes salaries to county employees, statutory deductions such as NHIF and employer contribution to provident funds.
87. Compensation to employees covering those staff in all dockets providing services on behalf of County Government functions accounts for about 40.0 per cent of the total revenues. The expenditure on operations and maintenance accounts for 26.3 per cent of projected total revenue.
88. About 33.7 per cent of the total revenue will be available to finance planned development expenditure. However, additional development expenditure that may be targeted by the County Government can only be funded through borrowing from the domestic and foreign sources, as well as grants tied to projects.
89. Development expenditures are shared out on the basis of the MTP II and CIDP priorities as well as other strategic interventions to deal with unemployment and remove constraints to faster growth as outlined by the manifesto of the current governorship. The following guidelines are used:
    - *On-going projects*: emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation.
    - *Strategic policy interventions*: priority is also given to policy interventions covering the entire county, cohesion and integration, social equity and environmental conservation and priorities of the County Government.
    - *Counterpart funds*: priority is also given to adequate allocations for donor counterpart funds. This is the portion the Government must fund in support of the projects financed by development partners. Usually it accounts between a quarter and a third of the total cost of the project.

Finalization of Spending Plans

90. As indicated earlier, the finalization of the preparation of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to policy priority and programmes. As detailed budgets are scrutinized and the resource envelope firmed up, it is likely that additional resources may become available. The County Government will utilize these resources to accommodate key strategic priorities.

Details of Docket Priorities

91. The medium term expenditure framework for 2015/16 – 2017/18 ensures continuity in resource allocation based on prioritized programmes aligned to the MTP II of Vision 2030 and CIDP (2013-2017) and strategic policy initiatives of the current governorship of Ragwa which aims to accelerate growth, employment creation and poverty reduction. The recent achievements and key priority targets for each sector are based on the reports from the dockets that County Treasury collects on non-routine basis.

Docket of Agriculture, Livestock, Fisheries Development and Irrigation

92. The goal of the sector is to attain food security, sustainable land management. The key policy objectives of the docket include: raising agricultural productivity through value addition, increasing market access and adoption of technologies; exploiting irrigation potential; increased commercialization of the sector activities; creating an enabling policy and legal framework, improving efficiency and effectiveness of sector, and sustainable management of resources in the sector.

93. The county hosted and organised the Agricultural Summit at Chuka University which was graced by the Cabinet Secretary for Water and Irrigation Mr. Wamalwa. The docket was able to avail subsided farm inputs to farmers during the last planting season. Several irrigation projects have been initiated as the county plans to make significant steps in increasing the land under irrigation. The fisheries department purchased fingerlings for distribution to individual farmers and restocking of rivers. Initiatives to address post-harvest handling including construction of cereal stores and milk cooling plants. The Docket has established Artificial Insemination Center at Kianjagi which will go a long way in improving the quality dairy breeds. Disease control and prevention measures have been scaled through surveillance and vaccination of livestock to make the county a disease free zone.

94. During the 2016/17-2018/19 MTEF period, focus will be directed to the following priority areas: increasing agricultural production and productivity through input subsidy programme, mechanized agriculture, irrigated agriculture, improved animal genetics, vaccine production and exploitation of trout fisheries; enhancing county food security through establishment and increasing of strategic food reserves, fostering up-taking of agriculture and livestock insurance schemes.
95. In collaboration with development partners the department will give a priority to ecological zoning and grouping of farmers to ensure the benefit from economies of scale.
96. To achieve the above, the docket will require substantial funding for the FY 2016/17. The docket has been allocated Ksh 299.3million, out of which Ksh 204.3 million is for Recurrent and Kshs 95.0 million for Development programmes.

Docket of Infrastructure and Transport, Housing and Public Works

97. This is a key docket for sustained economic growth and social development. The docket aims at expanding and sustaining physical infrastructure to support growth and development of the county economy. Additionally, the department is mandated to develop decent and affordable housing.
98. The docket implemented programs that focused on opening of access roads, rural roads upgrading and murraming,
99. During the 2016/17 – 2018/19 MTEF period, road transport facilities will be expanded to strengthen Tharaka Nithi County’s position as the networked in our region. Additionally, the county has successively petitioned the National Government to upgrade more than 120 km of road to low seal tarmac including roads around Chuka Town and other four key roads being earmarked. The strategy is to develop the road transport in order to have an effective, efficient

and secure road network. The County Government will continue to enhance road network connectivity across the county with the aim of enhancing trade, commerce, agriculture productivity and regional trade.

100. The County Government has embarked on a landmark project to construct the headquarters for the County Government and the County Assembly at Kathwana. In the proposed budget we have allocated Kshs 100 million and Kshs 70 million respectively.

101. To achieve the above, the docket will require substantial funding for the FY 2016/17. The docket has been allocated Ksh 524.8 million, out of which Ksh 58.8 million is for Recurrent and Ksh 466.0 million for Development programmes

Docket of Physical Planning, Energy, Lands and ICT

102. The docket implemented programs that focused on energy, ICT, land adjudication, surveying and physical planning.

103. The Key achievements of the docket included; establishment of County Lands Board, establishment of internet connectivity at Kathwana headquarters, issuance of title deeds, and preparation of Kathwana base map.

104. With regard to energy, a strategy is in place for increasing energy infrastructure network, increasing the share of energy generated from renewable energy sources, and providing energy that is affordable and reliable to businesses and households through collaborative efforts with relevant government agencies and the National Government. This will ensure that energy supply is adequate and efficient in order to contribute to the lowering of the cost of doing business in Tharaka Nithi County. The Plan *"Stima Mashinani"* aims at increasing electricity connectivity to all households by 2017.

105. To achieve the above mentioned outputs, the docket will require Ksh 121.0 million for the 2016/17 Financial Year. During the period, the docket has been allocated Ksh 61.0 million for Recurrent and Ksh 60.0 million for development programmes.

106. The Docket faces numerous challenges which include vandalism of infrastructural facilities; lack of adequate trained and skilled technical personnel; encroachment of infrastructure way-leaves; inadequate financial resources; lengthy procurement processes; slow disbursement of development partners' counterpart funds, land litigation; lengthy stakeholder and bureaucratic procedures and among others. To mitigate these challenges, the Docket will; seek alternative financing models, continuously build capacity, enforce existing legislation, develop/review appropriate policies and legislations, align the Docket to sector's policies and legislations as highlighted in the Constitution of Kenya, among others.

Education, Culture, Youth and Social Services Docket

107. Education, Culture, Youth and Social Services Docket is mandated to address the issues on promotion and exploitation of County's diverse culture for peaceful co-existence; development and promotion of sports; preservation of County's heritage; promotion of culture sports tourism; regulation, development and promotion of the film industry; and development, research and preservation of music in the county. The Docket is also mandated with the enhancement and promotion of regulation on sports organizations, children welfare and social development.

108. Over the past years, the Docket organized sports programmes and facilitated teams to successfully participate both at County and Regional levels. The Docket also issued bursaries to needy students in colleges and secondary schools amounting to Ksh 15 million. Another achievement of the docket is promoting infrastructure development in both pre-primary level and polytechnic. The docket in partnership with Plan International is rolling out a three-year civic education programme and in addition developing a rescue center at Kathwana. In enhancing the capacity of youth, women and people with disability, the docket is drafting a policy to guide a proposed loan scheme for these special groups.
109. During the 2016/17 – 2018/19 MTEF Period, the docket priorities will aim at creating an enabling environment for the development and promotion of County's rich cultural heritage, early childhood development education and youth polytechnics to improve on skills of our youth. The docket will continue to empower vulnerable groups specifically the orphans and vulnerable children, and persons with disability and improving their livelihoods through the Social Protection Programmes.
110. The docket has identified four (4) priority programmes for implementation during 2016/17 to 2018/19 MTEF Period namely: Education and Youth Training, Sports Development and Promotion, Promotion of Culture and Social Services. To implement these programmes, the docket has been allocated Ksh 241.0 million for the FY 2016/17,this comprises of Ksh 157.1 million and Ksh 84.0 million for recurrent and development programmes respectively.

111. The key challenges facing the Docket include inadequate funding; inadequate human resource capacity; inadequate policy, legal, regulatory and institutional framework; inadequate infrastructure; limited linkage between industry, training institutions and research institutions; and limited capital investments in sports, film and music industries. More specifically, the county has faced challenges in operationalizing ECDE function especially lack of sufficient funds.

112. To address the above challenges a number of interventions and strategies will be implemented. These include, supporting the development and marketing of cultural products and industries; research and promotion of county heritage; upgrading technology use in records archives management; supporting sports and creative Arts industry; building capacity for development, regulation and marketing of film services; strengthening linkages between industry and training; and promotion of productivity for competitiveness.

Docket of Health Services

113. The mandate of the docket is to attain equitable, affordable, accessible and quality healthcare for all.
114. Tharaka Nithi epidemiological profile shows that, disease burden is still high. Top five causes of outpatient morbidity are malaria, diseases of the respiratory system, skin diseases, diarrhea, and accidents accounting for about 70 per cent of morbidity.
115. In order to sustain the gains made and improve on the sector performance, the County Government will work closely with National Government in investing substantial resources in this docket during the 2016/17 – 2018/19 MTEF period. Additional resources will be provided to prepare, respond and contain situations of emergency as they arise. The County

Government will implement the CARPS report with a view to developing a comprehensive capacity for realization of docket objectives. Key projects to be implemented in the MTEF include: rehabilitation of health facilities across the county and modernization of the three major hospitals within the county. During the 2016/17 - 2018/19 MTEF period, the docket has been allocated Ksh 1.04 billion. This comprises of Ksh 915.0 million and Ksh 129.0 million for recurrent and development programmes respectively.

Docket of Trade, Industry and Cooperatives Development

116. The docket contributes significantly to the county's economic growth and wealth. It is still among the key areas with potential of accelerating the economic growth and development for the achievement of the developments envisioned in the CIDP and MTP II of Vision 2030. The general objective of the docket will be promotion and development of trade, innovation, saving mobilization and investment.
117. The docket has implemented several Programmes which include promotion of production of cereals, spearheaded the development modern markets, improved the supply value chain efficiency in Wholesale and Retail Trade and enforced good governance through creation of awareness and inspections and monitored integrity status of the co-operative leadership. Notable achievements for the sector during the period include stabilization of market prices for agricultural produce through signing of future contracts, issuance of loans through the County Loans Board, drafting and submission of corporation bill which will seek to establish an investment arm for the government.
118. For 2016/17 – 2018/17 MTEF period, the programmes prioritized for funding are; Industrial development and Investment; Cooperative Development and Management; Trade Development and Promotion; and General Administration, Planning & support services. To implement these programmes, the Docket has been allocated of Ksh 146.6 million during the FY 2016/17. This comprises of Ksh 48.6 million and Ksh 98.0 million for recurrent and development programmes respectively.
119. The Docket is faced with numerous challenges and emerging issues which need to be addressed to enable the sector realize its targets. These include: poor infrastructure; perceived insecurity; unreliable and high cost of energy; influx of sub-standard, counterfeits and contra-band goods; low access to credit facilities and financial services; high interest rates and insufficient long term financing; multiple trade regulations; and low level of awareness on regional opportunities.

Docket of Public Service, Labour and Urban Development

120. The Docket plays a key role in enhancing public service delivery, organization and coordination of County Government business through planning and mobilization of human resources in the public sector and urban areas. The Docket will focus on creating an efficient, skilled and motivated human resource base whose safety and health at work is guaranteed, principles of decent work observed, fundamental rights at work including fair remuneration adhered to and tenets of social security practiced. Additionally, the docket spearheads urban development and issues related to disaster management.

121. During the most recent two years, the Docket has been implementing several programmes. Through expending the resources allocated, the department has been able to realize of a wide range of key outputs which included implementation of devolution; establishment of structures in urban centres, public service training and management, staff audit, signing of performance contracts, and coordinating of service delivery at the grassroots.
122. The medium term priorities and financial plan for the MTEF period 2016/17-2018/19 will have total resource allocation estimated at Ksh. 232.8 million with Kshs 96.0 million being for development vote and Ksh 136.7 million is for recurrent vote.

Docket of Tourism, Environment, Natural Resource and Water Management

123. The Tourism, Environment Protection, Water and Natural Resources Docket comprises of three units namely: Tourism, Environment and Natural Resources and Water services and Irrigation.

124. The County Government recognizes that protecting and conserving the environment, underpinned by effective climate change mitigation and adaptation measures is fundamental to sustain access to clean water, clean environment are healthy productive population. In deed safe drinking and sanitation do complement efforts towards improved primary healthcare and productivity of labour. For this reason the government will continue to invest in clean water supply, put in place measures to control floods and harvest rain water as well as to protect and conserve the environment.

125. The key achievements include: launching of 6,000,000 tree planting programme, successfully implemented expansion of various water projects, rehabilitation of water pans. In order to mitigate the impact of climate change the government will continue to mainstream climate change measures to its projects and programmes. This include tree planting and re-afforestation, water harvesting, smart agriculture, investment in green energy, construction of water pans and rehabilitation of existing ones.

126. The tourism sub-sector has been boosted by the recent withdraw of travel advisories and hosting of the cultural week at Ura Gate. Equally, the miss tourism pageants were successfully held in the county.

127. Over the medium term the docket will source for resources to finance the following programmes: Tourism Development and Branding; and Natural resource Management. The total resource is estimated at Ksh 204.4 million in the FY 2016/17 of which Ksh. 145.0 million is for development vote and Ksh 59.4 million is for recurrent vote.

Docket of Finance and Economic Planning

128. The docket plays a key role in enhancing public service delivery, organization and coordination of Government business through planning, mobilization of financial resources in the county.
129. The Docket has been implementing four (4) programmes with the overall absorption rate standing at 87.3 percent. The County Treasury's achievements includes adoption of IFMIS-

eprocurement, enactment of Finance Bill 2015, Capacity building to dockets on programme based budgeting and adoption of AIE on revenue allocation to county dockets.

130. During the 2015/17 – 2018/19 MTEF period, the Docket will implement four (4) programs which have been allocated Ksh 368.527 million, of which Kshs 94.0 million will be for development expenditure and Kshs 274.5 million will be for recurrent expenditure.

Office of the Governor and Deputy Governor

131. To provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery in the county. In this regard, the mandate entails providing County leadership in implementation of County Policy and development agenda by ensuring the County Government works in harmony through improved policy direction and coordination.

132. The department has been able to achieve following among others: increasing critical offices, institutions and structures including county police authority, towns management boards, land management board and a number of adhoc committee and other administrative units. Recruitment and placements of officers in the office of the village administrators is ongoing and is at advanced stage.

133. During the 2015/17 – 2018/19 MTEF period, the department will implement four (4) programs namely; Management of County Affairs, Coordination and Supervisory Services, County Government Advisory Services and Management of County Executive Services under the office of County Secretary. The Docket has been allocated Ksh 166.2 million of which the entire amount is recurrent expenditure with compensation to employees being Kshs 47.6 million while operations and maintenance is allocated Kshs 118.6 million.

County Public Service Board

134. The board is established through County Government Act, 2012 Section 57 with mandate to establish County Government structures, offices and other human resource related functions on behalf of the County Government.

135. The board has been allocated Ksh 29.9 million which is its recurrent expenditure and of which the Kshs 17.3 million is compensation to members and secretariat while Kshs 12.6 million is for operations and maintenance.

County Assembly

136. The County Assembly plays a crucial role in strengthening the democratic space and good governance. It approves overall policy and provides leadership on county legislations and oversight with respect to public expenditure. It also vets and approves appointments of state officers as per the provision of the constitution.

137. This arm of the county government proposal includes the MTEF expenditure limits for the County Assembly that is expected to be submitted directly to the County Assembly in line with the Constitution. The allocation for legislation and oversight (County Assembly) is Ksh. 378.5 million for FY 2016/17. This excludes Kshs 70.0 million allocated for construction of County Assembly debate chamber and offices under the docket of Infrastructure, Transport, Housing, Public Works and Legal Affairs.

VII. CONCLUSION

138. The overall expenditure in this CFSP as outlined MTEP has grown moderately taking into account the envisioned moderate economic growth. However, the critical social areas will continue to receive a significant share of resources as well as capital investments as contributions to the growth objectives.
139. The budget framework has also provided targeted allocations to the dockets, way above the allocations for the base year 2013-2014. This not only shows commitment of the County Government in supporting the functions of the department in furtherance of the spirit of devolution but also ensures that adequate resources are availed to uplift lives of the Tharaka Nithi residents.
140. The policies outlined in this CFSP largely re-emphasizes the economic growth for sustained development agenda outlined in 2015 CFSP, reflecting the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the overall national strategic objectives pursued by Jubilee Government as a basis of allocation of public resources. These strategic objectives are adequately incorporated and implemented through the County Integrated Development Plan as well as The MTP II of Vision 2030.

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