REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER, 2019

CREATING JOBS, TRANSFORMING LIVES – HARNESSING "THE BIG FOUR"

FEBRUARY, 2019

Foreword

The County Fiscal Strategy Paper (CFSP), 2019 has been prepared against a backdrop of declining resources despite the high demand for accelerated and tangible development that supports the livelihoods of our people. The policies outlined in this CFSP are inclined to the Budget Policy Statement (BPS), 2019. The BPS is a Government policy document that sets out the broad strategic priorities and policy goals that will guide the National Government and the County Governments in preparing their budgets both for the following financial year and over the medium term.

The global economy has continued to weaken and is projected to slow down to 3.5 percent in 2019 from an estimate of 3.7 percent in 2018 occasioned by weaker economic activities in both the advanced and emerging market economies. This must be of great concern to our county as these are the main markets of our agricultural products and mainly coffee and tea.

The national economy is expected to grow by 6.0 percent in 2018 and further by 6.2 per cent in 2019 supported by strong agricultural and manufacturing activities underpinned by favorable weather conditions, strong service sector, stable macroeconomic environment, ongoing infrastructural investments and sustained business confidence. With a strong agricultural sector, Nyeri County is expected to greatly benefit from the expansion of the national economy and contribute immensely through investment in the infrastructural development.

The 2019 County Fiscal Strategy Paper (CFSP) sets out the County Governments' priority programs and reforms to be implemented in the Financial Year 2019/2020. The programs and policies herein have taken into account priorities articulated in the CIDP 2018-2022, the ADP for Financial Year 2019/2020, Medium Term Plan III of the Kenya Vision 2030 and the "Big Four" agenda.

In the county, notable progress has been achieved in infrastructural development, notably gravelling and tarmacking of roads, construction and rehabilitation of classrooms and drilling of boreholes. In support of the growth of agricultural sector, support has been extended to farmers through provision of breeding and planting materials and soil improvement. Support in agriculture is in line with the big four programme as this will ensure food and nutrition security, not only in our county but also nationally.

As a pilot county, the Universal Health Care (UHC) has become a reality where all our people are able to access high quality service within a short distance. This will lessen the burden on health care and also ensure a more productive population.

The County Government will continue to provide an enabling environment for economic growth and job creation, quality services to its citizens, and serve the residents in an accountable and transparent manner. Towards this, the county has automated the revenue collection system to lessen the costs of collecting the fees and charges and seal the leakages.

The policy goals, priority programs and fiscal framework in this CFSP reflect emerging realities and priorities in the ADP 2019-2020 and CIDP 2018-2022.

The finalization of this CFSP was as a result of product of wide consultations with all stake holders within and outside the county. I would like to thank H.E the Governor, Her Excellency the Deputy Governor, the entire County Executive for steering the preparation of this document. Finally, I would wish to thank the general public who provided useful comments that contributed in reshaping the policy in preparation of this document, during the public participation sessions held throughout the county.

ROBERT THUO MWANGI
C.E.C.M - FINANCE AND ECONOMIC PLANNING

Acknowledgement

The Nyeri County Fiscal Strategy Paper (CFSP), 2019 is prepared in compliance with the Public Finance Management (PFM) Act, 2012. It outlines the current state of the economy and outlook over the medium term, broad macroeconomic issues and medium term fiscal framework, the set strategic priorities and policy goals together with a summary of county spending plans, which forms the basis of the FY 2019/2020 budget. The document is expected to improve the public's understanding of county's public finances and guide public debate on economic and development matters.

The County Government of Nyeri will continue to manage public resources in the most prudent manner to ensure maximum benefit to the citizens. Towards this end, while finalizing the financial year 2019/2020 budget, the proposals presented will be carefully scrutinized to ensure they are real needs that will support the livelihoods of the majority of the county citizens. Further, the proposed projects and programmes must be in line with the national and county development agenda as outlined in the Medium Term Plan (MTP) III of vision 2030, CIDP - 2018-2022, the Annual Development Plan, 2019/2020. This being a zero-based budget, emphasis will be placed on completion of ongoing projects to ensure the envisaged benefits are realized and avoid wastage of public resources.

The County will continue to finance the identified flagship projects so as to spur economic growth in all sectors. This will invaluably create employment and support the productive sectors for the benefit of all citizens. The government will also continue to pursue equity in allocation of resources in recognition of the fact that wards have diverse needs and are at different levels of development.

Resources for development have remained a hindrance in achieving our development goals. To address this challenge, the county will strive to reduce the wage bill through pursuance of voluntary early retirement. This will be achieved through the propose plan that will be work out in conjunction with other stakeholder and mainly the National Treasury and Planning.

The preparation of the CFSP, 2019 was a concerted effort among all county departments who provided valuable and credible information. We appreciate their inputs in this noble course as a critical process of the county budget preparation process. Special thanks go to the office of the Governor, the County Secretary, all the Chief Officers, County Directors and other county officials who dedicated their valuable time to ensure the successful completion of this important policy document.

I would wish to take this opportunity to thank all the stakeholders who attended the public participation forums held on 14th February, 2019. The contributions you made and questions asked, for clarification, were not in vain as they greatly informed the policy direction in allocation of resources. Special appreciation goes to the staff of the Department of Finance and Economic Planning for working tirelessly to transform data and information gathered from public participation forums and county departments to this refined policy document.

FRANCIS MARANGA KIRIRA

CHIEF OFFICER - ECONOMIC PLANNING, BUDGETING, M&E

List of Abbreviations

ABDP	Aquaculture Business Development Project
ADP	Annual Development Plan
AGPO	Access to Government Procurement Opportunities
AMS	Agriculture Machinery Station
BROP	Budget Review Outlook Paper
CBD	Central Business District
CBR	Central Bank Rate
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CIPM	County Integrated Performance Management System
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
EAC	East African Community
EAMU	East African Monetary Union
ECDE	Early Childhood Development Education
EDF	Enterprise Development Fund
EIA	Environmental Impact Assessment
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographical Information System
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
JTL	Jamii Telecommunication Limited
KALRO	Kenya Agriculture and Livestock Research Organization
KCSAP	Kenya Climate Smart Agricultural Project
KDSP	Kenya Devolution Support Program
KEMSA	Kenya Medical Supplies Agency
KMRC	Kenya Mortgage Refinance Company
KUSP	Kenya Urban Support Program
KYISA	Kenya Youth Inter-County Sports Association
LEFTI	Life Empowerment for Transformation International
MCH	Mother and Child Healthcare
MSMEs	Micro Small and Medium Enterprises
MTP	Medium Term Plan
MTEF	Medium Term Expenditure Framework
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NEMA	National Environment Management Authority
NHIF	National Hospital Insurance Fund

NIB	National Irrigation Board
NMK	National Museum of Kenya
NSE	Nairobi Securities Exchange
PCI	Per Capita Income
PFM	Public Finance Management
PIM	Public Investment Management
PPP	Public Private Partnership
REA	Rural Electrification Authority
RMLF	Road Maintenance Levy Fund
SGR	Standard Gauge Railway
SME	Small and Medium Enterprise
TARDA	Tana-Athi River Development Authority
TVET	Technical and Vocational Education and Training
UFW	Unaccounted for Water
UHC	Universal Health Coverage
UHDSP	Universal Healthcare in Devolved Units Programme
UNIDO	United Nations Industrial Development Organization
UNOP	United Nations Office for Projects services
WARMA	Water Resources Management Authority
WB	World Bank
WRUA	Water Resource Users Association

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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 28th February of each year.
2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing 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.

INTRODUCTION

The County Fiscal Strategy Paper (CFSP) is a county government policy document that sets out the broad strategic priorities and policy goals that will guide the county departments and entities in preparing their budgets, both for the following financial year and over the medium term. It is prepared in line with the aspirations of the Budget Policy Statement that guides the National Government and the County Governments in preparing their medium term budgets.

The commitment to the adherence to the fiscal responsibility principles, in this County Fiscal Strategy Paper, demonstrates the county's resolve to prudently and transparently manage public resources in line with the Constitution and the Public Finance Management (PFM) Act, 2012 and all related attendant laws.

Section 117 of the PFM Act, 2012 provides that the County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by 28th February of each year. 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.

The County Executive Committee shall take into account resolutions passed by County Assembly in finalizing the budget for the relevant financial year. The budget for the FY 2019/2020 will be anchored on the approved CIDP 2018-2022 and the Annual Development Plan for the FY 2019/20 that clearly outlines the aspirations of the government.

The County Fiscal Strategy Paper contains:

(a) an assessment of the current state of the economy including macroeconomic forecasts and the likely impact on the county;
(b) the financial outlook with respect to Government revenue and expenditures for the next financial year and over the medium term;
(c) the proposed expenditure ceilings for the County Government departments and units, including those of the County Assembly.

The preparation of the CFSP was a consultative process that involved seeking and taking into account the views of: County Governments departments; the public; and any other interested persons or groups.

I. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

1.0 Overview

1. The Kenyan economy remains resilient and grew by 5.8 percent, 6.2 percent and 6.0 percent in the first, second and third quarters of 2018 respectively, up from 4.7 percent in similar quarters in 2017. The average growth for the first three quarters is 6.0 percent remained constant in 2018 up from 4.9 percent in 2017, reflecting increased rains, better business attitudes and easing of political uncertainty. Growth is projected to improve further to 6.2 percent in 2019 due to a strong reverberation in agricultural output, progressive recovering industrial activity, and healthy performance in the services sector.

2. The foreign exchange market remains steady attributed to continued narrowing in the current account deficit. The current account deficit is estimated at 5.2 percent of GDP in 2018 and is expected to narrow to 5.1 percent of GDP in 2019. This narrowing reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food and SGR–related equipment imports and the decline in international oil prices.

3. Over the medium term, economic growth is expected to increase gradually to 7.0 percent per annum due to investments in strategic areas under the “Big Four” Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

4. Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In 2019, the World Bank’s Doing Business Report ranked Kenya at position 61 in 2018 moving 19 places from position 80 in 2017.

1.1 Recent Economic Developments

1.1.1 Global and Regional Economic Developments

5. Global growth is projected to reduce to 3.5 percent in 2019 from an estimated 3.7 percent growth in 2018. The reduction is as a result of weakening growth rate in both the advanced and emerging market economies mainly due to the negative effects of trade tensions between the United States and China.

6. Growth in the East African Community (EAC) region is estimated to improve from 5.9 percent in 2018 to 6.3 percent in 2019 sustained by a stable macroeconomic environment, rebound in

agricultural activities on the backdrop of favourable weather conditions, ongoing public investment in infrastructure, strong household consumption, mineral exploration and construction industry.

1.1.2 Domestic Economic Developments

6. Kenya's economic growth has remained strong and resilient even under evolving global challenges, supported by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth for the last five years (2013 to 2017) has averaged at 5.6 percent up from 4.7 percent in the period 2008 to 2012 and 4.6 percent in the period 2002 to 2007. This is projected to raise to 6.2 percent in 2019 from an estimated growth of 6.0 percent in 2018.

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

8. As a result of this, the economy is projected to grow at 6.0 percent in 2018 up from 4.9 percent in 2017, which is in line with the 2018 Budget Review and Outlook Paper (BROP) projection.

1.1.3 Inflation Rate

9. Inflation rate was highly volatile in the period 2008-2012 at an average of 10.6 percent compared to 8.5 percent in the period 2003-2007. There was a sharp increase in inflation rate in the year 2008-2010 which was occasioned by internal shocks (post-elections disruptions and unfavourable weather conditions) and external shocks (high crude oil prices and global financial crisis). The tightening of monetary policy, together with an easing in global food and fuel prices, saw the levels of inflation stabilize in 2012.

10. In the period 2013-2018, inflation was low, stable and within the Government target range of 5+/-2.5 percent (averaging 6.4 percent) as a result of prudent monetary and fiscal policies. The inflationary pressure witnessed in 2017 due to drought that affected food prices eased in 2018.

1.1.4 Kenya Shilling Exchange Rate

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

12. The Kenya Shilling exchange rate has continued to display relatively less volatility, compared to most sub - Saharan currencies**.** This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services predominantly tourism.

1.1.5 Interest Rates

13. During the period 2003- 2011, interest rates were low and stable this being attributed to ample liquidity in the money market. However, in 2012, the rates increased due to tight monetary policy stance in order to ease inflationary pressures. The rates remained stable and low in the period 2013-2018 except June – December 2015 when world currencies were under pressure during which the policy rate (Central Bank Rate) was adjusted appropriately to anchor inflation expectations. However, on 30th July 2018, the Central Bank Rate (CBR) was reduced to 9.0 percent from 9.5 percent in March 2018 as there was room for easing monetary policy stance to support economic activity. The CBR continues to be retained at 9.0 percent as inflation expectations remained well anchored within the target range.

14. The interbank rate reduced to 3.5 percent in January 2019 from 6.2 percent in January 2018 due to ample liquidity in the money market. The interest rates for Government securities have been declining indicating that the implementation of Government domestic borrowing program supported market stability. The 91-day Treasury bill rate declined to 7.2 percent in January 2019 compared to 8.0 percent in January 2018 while over the same period, the 182 day and the 364-day Treasury bills declined to 8.9 percent and 9.9 percent from 10.6 percent and 11.2 percent, respectively.

1.1.6 Money and Credit

15. In the year 2018, broad money supply, improved to a growth of 10.1 percent compared to 8.8 percent in the year to December 2017. This was owed to an increase in the net foreign assets (NFA) of the banking sector despite a reduction in the growth of net domestic assets (NDA) of the banking system. The decline in growth of NDA was largely reflected in the decrease in net domestic credit to Government.

16. During the period January-December 2018, annual growth of credit to the private sector grew by 2.4 percent compared to 2.5 percent during the same period in 2017. Specifically, lending to finance and insurance, consumer durables, business services, private households and manufacturing sectors grew by 17.5 percent, 11.0 percent, 8.3 percent, 6.8 percent and 6.0 percent, respectively. This offset the substantial loan repayments recorded in the mining, transport and communication and agriculture sectors in the year 2018. Private sector credit growth is expected to strengthen in 2019 relative to 2018, with the anticipated higher economic activity and easing credit risk.

1.1.7 Balance of payments

17. The overall balance of payments position was at a deficit of US$ 1,361.2 million (1.5 percent of GDP) in the period January- October 2018 from a surplus of US$ 723 million (0.9 percent of GDP) in the same period of 2017. This deficit was due to a decline in the financial account despite an improvement in the capital and current accounts.

18. The current account balance reduced by 8.4 percent to a deficit of US$ 4,709.6 million (5.1 percent of GDP) in the period January - October 2018 compared to a deficit of US$ 5,141.9 million (6.5 percent of GDP) same period in 2017. This is a big improvement reflecting a strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food and SGR–related equipment imports and the decline in international oil prices. The current account deficit is estimated at 5.2 percent of GDP in 2018, and is expected to narrow to 5.1 percent in 2019.

1.1.8 Foreign Exchange Reserves

19. Foreign exchange reserves have increased from about 3.0 months of import cover in 2003 to above 5.5 months of import cover in 2018. This fulfils the requirement to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover and thus provide an adequate buffer against short term shocks in the foreign exchange market.

20. The banking system's foreign exchange holding remained strong at US$ 11,668 million in October 2018 from US$ 9,698 million in October 2017. By end January 2019, the usable official reserves stood at US$ 8,076 million or 5.3 months of import cover. Commercial banks holdings were at US$ 3,114 million in 2018 from US$ 2,357 million in 2017.

1.1.9 Nairobi Securities exchange

21. In the capital market, activities slowed down with equity share prices declining as indicated by the NSE 20 Share Index. The NSE 20 Share Index was at 2,958 points by end- January, 2019 compared to 3,737 points by end January, 2018. The depressed share prices resulted in lower market capitalization of Ksh 2,251 billion from Ksh 2,660 billion over the same period. The decline reflects trends in the global equities markets as investors shift to bond markets in expectation for a further hike in the U.S. interest rates on strong jobs and economic data.

1.2 Fiscal performance

1.2.1 FY 2018/19 Budget

22. Multiple projects and programs are ongoing while others have already been implemented during the first half of the financial year 2018/2019 but budget absorption remains a critical issue.

23. A considerable number of the project activities during the FY 2017/18 were either not completed or paid for and continue to be implemented and paid for during the current fiscal year though this has not necessarily affected the planned activities. The County Government through the relevant department plans on continued close monitoring of the projects/programmes through quarterly reports to ensure timely implementation of corrective measures and to avoid unnecessary fiscal pressures resulting from the accumulation of pending bills.

24. The County Assembly approved the FY 2018/19 second supplementary budget necessitated by the revision of the County Allocation of Revenue Act, 2018 due to inclusion of UHC allocation to pilot counties. The total budget estimates amounts to Kshs. 8,836,544 071 comprising of Kshs 5,953,793,326 for recurrent and Kshs 2,882,750,745 for development expenditure. These expenditures are financed by the locally collected revenue and the allocation from the equitable share and conditional grants as shown below;

Table 1: Sources of Revenue for the 2nd Supplementary Budget FY 2018/19

No	Description	Specific Grants	AS PER AMMENDED CARA, 2018
1	**Equitable Share**		**5,024,000,000**
2	Conditional Grants	County Referral Hospital	407,861,272
		Compensation for user fees foregone	13,701,379
		Rehabilitation of village polytechnics	28,795,000
		Road maintenance levy fund	132,277,544
		KDSP – World Bank	43,740,998
		DANIDA	16,605,000
		Transforming Health facilities for universal care(WB)	50,000,000
		Universal Health Care Programme	319,788,780
		Kenya Climate Smart Agricultural Project (KCSAP)	117,000,000
		Agricultural Sector Development Support Programme	17,424,659
		Kenya Urban Support Program	277,839,100
		Total	**1,425,033,732**
3	Estimated Local Revenue		1,000,000,000
4	Balance brought forward		1,387,510,339
	Estimated total amount for budgeting		**8,836,544,071**

1.2.2 Revenue Performance

25. By end of December 2018, cumulative revenue receipts amounted to Kshs. 2,235,274,576, comprising of Kshs 1,904,252,669.10 from the national sources and Kshs 331,021,907 as local revenue. The amount of local Revenue collected during the first half of the FY 2018/19 was Kshs 331,021,907 as compared to Kshs 274,175,484 over the same period in the FY 2017/2018. This indicates an increase of 20.73% which should be of great improvement. Notably, the major sources of local revenue remain as hospital levies, parking fees, single business permit, liquor license and land rates.

Table 2: Cumulative Revenue Out-turn, July – December 2018

	AMOUNT RECEIVED AS AT 31.12.2018
Equitable share allocation	1,557,440,000.00
Level 5 hospitals allocation	20,393,063.60
Development of youth polytechnics	-
Road maintenance levy fund	33,719,250.00
Compensation for user fees foregone allocation	-
Transforming Health Care System (WB) THUSCP	15,081,052.50
World Bank Kenya Climate Smart Agriculture (KCSAP)	40,980,203.00
Kenya Devolution Support Programme (KDSP) LEVEL I (WB)	-
Kenya Urban Support Project (KUSP	236,639,100.00
Universal Healthcare In Devolved Units Programme-DANIDA-UHDSP	-
TOTAL EXCHEQUER	**1,904,252,669.10**
LOCAL REVENUE	**331,021,907**
TOTAL REVENUE	**2,235,274,576.1**

Source: Department of Finance and Economic Planning, 2019

1.2.3 Expenditure Performance

26. Recurrent expenditure for the first half of FY 2018/19 was Ksh. 2,176,519,482.65 representing 39.42% of the approved budget. The department of Health services led in absorption at 50.87% while Office of the County Secretary absorbing the least at 6.88%.

Table 3: Recurrent Expenditure - July To December 2018

Head/Department	Approved Supplementary Estimate I	Actual Expenditure	Percentage Absorption
Executive Office of the Governor and Deputy Governor	155,681,487.00	42,300,277.00	27.17
Office of the County Secretary	222,579,318.00	15,323,829.00	6.88
Finance & Economic Planning	493,992,792.00	153,528,162.00	31.08
Lands, Housing, Physical Planning and Urbanization	52,609,464.00	15,059,527.00	28.63
Health Services	2,449,640,746.00	1,246,073,275.00	50.87
Gender, Youth and Social Services	123,235,646.00	18,910,111.00	15.34
County Public Service Management	182,569,365.00	80,617,801.00	44.16
Agriculture, Livestock and Fisheries	366,278,275.00	122,143,697.00	33.35
Trade, Culture, Tourism and Cooperative Development	62,987,961.00	10,433,986.00	16.57
Education, Sports, Science and Technology	413,263,471.00	104,874,734.00	25.38
Water, Sewerage and Sanitation Services, Environment and Natural Resources	139,550,264.00	52,874,768.00	37.89
County Assembly	659,451,249.00	263,103,200.65	39.90

County Public Service Board	41,224,314.00	12,670,649.00	30.74
Transport, Public Works, Infrastructure and Energy	158,940,194.00	38,605,466.00	24.29
TOTAL	**5,522,004,546.00**	**2,176,519,482.65**	**39.42**

27. Development expenditure for the first half of FY 2018/19 was Ksh. 335,837,477 representing 11.28% of the approved budget. The department of Finance and Economic Planning led in absorption at 43.59%. Most of the departments had not started absorbing their budgets by end of this period. However, in the last 1 ½ months absorption has greatly improved.

Table 4: Development Expenditure- July to December 2018

Head/Department	**Approved Supplementary Estimate I**	**Actual Expenditure**	**Percentage Absorption**
Executive Office of the Governor and Deputy Governor	53,100,000.00	0.00	0.00
Office of the County Secretary	15,187,292.00	0.00	0.00
Finance & Economic Planning	381,193,346.00	166,167,696.00	43.59
Lands, Housing, Physical Planning and Urbanization	357,552,031.00	605,239.00	0.17
Health Services	284,550,200.00	3,566,808.00	1.25
Gender, Youth and Social Services	20,377,939.00	0.00	0.00
County Public Service Management	5,000,000.00	0.00	0.00
Agriculture, Livestock and Fisheries	204,723,443.00	15,319,790.00	7.48
Trade, Culture, Tourism and Cooperative Development	119,372,969.00	0.00	0.00
Education, Sports, Science and Technology	163,299,351.00	36,530,996.00	22.37
Water, Sewerage and Sanitation Services, Environment and Natural Resources	320,310,330.00	0.00	0.00
County Assembly	5,000,000.00	1,718,013.00	34.36
County Public Service Board	-	-	-
Transport, Public Works, Infrastructure and Energy	1,046,459,185.00	111,928,935.00	10.70
TOTAL	**2,976,126,086**	**335,837,477**	**11.28**

1.3 Fiscal Policy

28. In the medium term the overall fiscal deficit will be maintained at sustainable levels to ensure debt is maintained within sustainable levels. The fiscal debt was 9.1 percent of the GDP in FY 2016/17, 7.2 percent in FY 2017/18 and is expected to reduce to 6.3 percent in FY 2018/19 and further to 3.1 percent by FY 2022/23. This deliberate fiscal consolidation plan, also resonates well with the East African Monetary Union (EAMU) protocol target ceiling of 3.0 percent of GDP.

29. The Government will continue to restrict growth in recurrent expenditures while doubling its effort in domestic resource mobilization in order to reduce the fiscal deficit. Enactment and implementation of the tax amendment law and the Finance Act 2018 will ease administrative blockages, improve compliance and boost revenue collection, thereby supporting the fiscal consolidation efforts.

30. In order to increase efficiency, transparency, and accountability of public spending, a Public Investment Management (PIM) Unit will be established. This will streamline the initiation, execution and delivery of public investment projects especially through implementation of PIM

regulations under the Public Finance Act. This will also curtail escalated projects costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

31. As a share of GDP, expenditures are projected to decline from 24.4 percent in the FY 2017/18 to 23.9 percent in the FY 2019/20 and further to 22.2 percent in the FY 2022/23.

1.4 Economic Outlook

32. In projecting Kenya's economic growth, the global growth outlook and the emerging challenges are taken into account. The policies and strategies outlined in "The Big Four" plan as prioritized in the Third Medium Term Plan (2018-2022) of Vision 2030 are also key in this projection.

33. Kenya's economic growth is projected to increase by 6.1 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23. To support this growth, there is need for an improvement in agricultural and manufacturing activities armored by improved weather conditions, strong service sector, stable macroeconomic environment, continued public infrastructural investments and sustained business and consumer confidence.

34. The Government policies aims at supporting the fiscal consolidation agenda which will boost debt sustainability position and give flexibility for counter cyclical fiscal policy interventions whenever appropriate.

1.5 Risk to the Economic Outlook

35. Globally, economic outlook risks relate to:

(i) Trade tensions among major advanced economies regarding imposition of tariffs on selected imports by the United States from its main trading partners particularly China, and likely retaliatory measures;
(ii) The prolonged uncertainty regarding Brexit negotiations and financial market instability resulting from uncoordinated and abrupt monetary policy normalization; and
(iii) Noneconomic factors such as political uncertainties and geopolitics in the Middle East and some countries in the sub-Saharan Africa region.

36. Domestically, the economy will continue to be exposed to risks arising from adverse weather conditions until the mitigating measures of food security under "The Big Four" Plan are put in place. Additional risks could emanate from public expenditure pressures especially recurrent expenditures.

37. The Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability.

II. CREATING JOBS, TRANSFORMING LIVES – HARNESSING "THE BIG FOUR"

2.0 Overview

38. The 2019 CFSP is informed by the current Budget Policy Statement which is the second to be prepared under the Jubilee Government's second term, reaffirming the priority policies and strategies outlined in "The Big Four" Plan and as prioritized in the Third Medium Term Plan III of the Vision 2030. In this regard, the Government has taken decisive steps to harness the implementation of various policies and programmes under each of the four pillars namely:

(i) supporting job creation by increasing value addition and raising the manufacturing sector's share to GDP;
(ii) focusing on initiatives that guarantee food security and nutrition to all Kenyans;
(iii) Providing universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and
(iv) Supporting construction of at least five hundred thousand (500,000) affordable new houses to Kenyans

39. Implementation of the policies and programmes under the four pillars is expected to accelerate and sustain inclusive growth, create opportunities for productive jobs, reduce poverty and income inequality and provide a better future for all Kenyans. To enable achievement of "The Big Four" Plan, the Government has initiated key policies, legal and institutional reforms across all the Big Four sectors. In addition, the National Government is collaborating with County Governments to create an enabling environment that attracts investments in "The Big Four" programmes.

40. To finance "The Big Four" Plan programmes, the National Government has engaged both the private sector players and development partners. Significant progress has been made in this respect, with private sector and development partners coming on board to fund the Big Four projects and programmes. Already, the Government has registered 150 new investment proposals thanks to improved ease of doing business.

41. To further encompass the private sector investment, the National Government has provided incentives which include investing heavily in power generation, modern roads and railway, education and health. This is expected to ease the conduct of business in Kenya. The National Government is also in the process of creating a one-stop Centre for Investment Information at Ken Invest which is 70 percent complete and already operational.

42. Finally, to further enable achievement of the programmes under "The Big Four" Plan, the Government will continue to implement various policies under the Economic Transformation Agenda.

These will be centered on five key pillars namely: (i) creating a conducive business environment; (ii) investing in sectoral transformation; (iii) infrastructure expansion; (iv) investing in quality and accessible social services; and (v) consolidating gains made in devolution. Significant achievements have been realized on all the five pillars.

2.1 The Big Four Plan

2.1.1 Supporting Value Addition and Raising the Share of Manufacturing Sector to GDP

43. The National and County Government will continue to support job creation by increasing the manufacturing base and supporting innovation across the entire value chain – whether in buying new solutions, building their own, or partnering with others to innovate. To expand the manufacturing base, reforms will be scaled up in the following areas: textile industries and leather parks; agro-processing; the blue economy; the automotive sector and manufacture of pharmaceutical products. Other important sub-sectors will include production of construction materials; oil, gas, and mining; iron and steel; and ICT.

44. To support the leather industry, the Government will put in place a legal and policy framework to the leather value chain to increase the sector's contribution to GDP through development of leather industrial parks, establishment of Leather Products Production Centres and Centres of Excellence, improve hides and skins quality and training and capacity building of manufacturing MSMEs.

45. On agro-processing, the Government will continue to invest in value addition for tea; coffee; cotton; meat; milk; hides, skins and leather; fruits; nuts and oils. Other areas will include investments in warehousing and cold chains, aquaculture, fish feed mills and fish processing industries.

46. As the Government transforms the manufacturing sector, new job opportunities that require deeper skills and knowledge will be created. To meet this demand, the Government has heavily invested in Technical and Vocational Education and Training (TVET) in each of the 290 constituencies. The objective is to enhance the quality of TVET graduates to meet the local industrial needs and become internationally competitive.

47. To further support the manufacturing sector, the Government has scaled up reforms in order to address the challenges that have continued to hamper the growth of manufacturing firms in the country. These challenges have included but not limited to: limited access to credit, high cost of production and unfair competition occasioned by illicit trade and contrabands. In this regard, to expand access to credit, the Government is promoting provision of financial support and credit to Micro, Small and Medium Enterprises (MSMEs) and increasing the number of MSMEs supported through Technology Incubation and Common Manufacturing Facilities.

48. To reduce the cost of doing business for manufacturers, the National Government has waived and simplified most of the fees and levies that hinder small business. However, this is an area that requires close coordination and cooperation with County Governments since most of the levies remain payable to County Governments. This therefore, necessitates harmonization of fees and levies at both the National and County level.

49. To rid local manufacturers of unfair competition, the Government has heightened the fight against illicit trade and contrabands. Going forward, the Government will continue to scale up these operations in order to protect genuine businesses and traders as well as protect consumers from substandard and unhealthy products.

2.1.2 Enhancing Food and Nutrition Security to all Kenyans by 2022

50. To heighten food and nutrition security, the both National and County Governments are committed towards increasing food production, boosting smallholder productivity, and reducing post-harvest losses and the cost of food. The focus will therefore be directed on expanding irrigation schemes, increasing access to agricultural inputs, implementing programmes to support smallholder farmers, fisher folk and pastoralists to sustainably produce and market various commodities, and supporting large-scale production of staples.

51. Overall, the strategies under the Food and Nutrition Security Pillar target to: reduce the cost of food, reduce the number of food insecure Kenyans, reduce chronic malnutrition among children under 5 years, increase agriculture contribution to GDP and create 1,000 production SMEs and 600,000 direct and indirect jobs and increase the average daily income of farmers. To improve food security, the National Government also targets to increase maize, rice, potato, meat, honey and fish production by 2022.

52. To reduce over reliance on rain fed agriculture, the National Government aims to increase land under irrigation. Specifically, the Government further intends to develop the irrigated areas to increase production and productivity, increase area under smallholder irrigation and water storage through expansion of water pans under household irrigation. water harvesting projects are also key so as to bridge the gap between production and consumption.

53. To promote the growth of the livestock sub-sector, the National Government will expedite the review of the National Livestock Policy; Finalization of Livestock Feeds Policy, Livestock Breeding Policy, Livestock Feeds Regulations and enactment of the Dairy Industry Bill. Further, to improve livestock productivity, the National Government plans to produce more doses of assorted vaccines, straws of semen and distribute livestock breeding materials annually. It also aims to promote fodder and pasture production and conservation. To improve value addition and

marketing, the National and County Government will procure and install milk coolers across the country, promote diversification of livestock products and establish feed lots.

54. To mitigate losses among smallholder farmers and boost their productivity, the Government will upscale crop and livestock insurance with the goal of cushioning farmers against climate related risks. This will also contribute to stabilization of farmers' incomes, increased investment in agriculture through leveraged access to finance and enhanced farmers' risk mitigation.

2.1.3 Providing Universal Health Coverage to Guarantee Quality and Affordable Healthcare to All Kenyans

55. Over the next four years, the National Government will implement policies and programmes under the Universal Health Coverage Pillar. The primary goal of these initiatives is to increase access to quality health care and reduce medical costs incurred by Kenyans. To achieve this, the National Government launched the pilot phase configuring the National Hospital Insurance Fund (NHIF) with the Universal Health Coverage in four Counties namely; Kisumu, Machakos, Nyeri and Isiolo.

56. The residents of these Counties will receive free health care services in all health facilities from their local health centers all the way to the referral facilities. The representative sample of four Counties will generate the required feedback to guide the countrywide rollout of the universal health programme to the rest of the Counties over the next 18 months.

57. To increase the uptake of NHIF, the Government has expanded the programme to cater for comprehensive medical cover for students in public secondary schools, elderly and vulnerable persons in all the NHIF-accredited mission and private hospitals. The Government will also continue to implement and improve the Linda Mama Programme. By the year 2022, the Government targets to have covered 1.36 million women under this Programme

58. Nyeri being among the pilot counties for universal health coverage is committed to ensure the optimal outreach to cover all the intended beneficiaries and attainment of the ultimate objective. The primary goal of these initiatives is to increase access to quality health care and reduce medical costs incurred by Kenyans. The county will receive Kshs. 780 million part of which will go to the Kenya Medical Supplies Agency (KEMSA) and the other allocated directly to the health facilities.

59. There are also plans to strengthen the provision of secondary and tertiary healthcare services; increase the number of referral health facilities and use of e-health systems in delivering health care; promote the use of alternative sources of financing health care and the role of the private sector in healthcare; and strengthen primary healthcare systems through empowerment of communities, equipping of primary healthcare facilities and recruitment of additional health workers.

2.1.4 Provision of Affordable and Decent Housing for All Kenyans

60. As a key pillar in "The Big Four" Plan, the National Government aims to meet the constitutional right on the right to accessible and adequate housing. Currently, more than 6.4 million Kenyans are living in slums due to unavailability of affordable housing. For this reason, through the affordable housing project the Government targets to support provision of at least 500,000 affordable houses to Kenyans by 2022.

61. To this end, the National Government has developed the appropriate legal framework and policy foundation. Unlocking land for affordable housing supply is a critical enabler to building affordable houses. Already, the Government has identified appropriate sites for this program and availed 7,000 acres of land to roll out this program.

62. To finance the affordable housing project, the National Government is engaging the private sector and development partners. In September 2018, the Kenya Government signed a deal with United Nations Office for Project services (UNOP) to deliver 100,000 affordable housing units. The agreement will boost the realization of affordable housing pillar. In addition, the Government has established the National Housing Development Fund which will mobilize capital, offer certainty of sales in the form of an off-take undertaking to developers, and provide accessible finance for house buyers through a National Tenant Purchase Scheme. The Housing Fund is the anchor of our Public Private Partnership led housing model; it is the fund that will be the primary off-taker of approved building developments designed and implemented under this programme.

63. The National Government has also established the Kenya Mortgage Refinance Company (KMRC), whose purpose is to address funding constraints hindering the growth of the primary mortgage market and reducing the funding cost of residential mortgages and availability of housing finance to Kenyans. KMRC will therefore provide secure long-term funding to financial institutions thereby increasing the availability and affordability of mortgage loans to Kenyans.

64. The County Government is committed to collaborate with the national Government in realization of the big four agenda. This will be through provision of the necessary incentives and enablers.

2.2 The County Development Agenda

65. The county government has continued to make tremendous development milestones in the recent past. The development agenda of the county is founded on the principles of Kenya's Vision 2030, the Sustainable Development Goals, the Big Four Agenda, the Governor's Development Agenda and the CIDP. However, it is crucial to note the county government has experienced multiple challenges in the implementation process such as the huge amount of pending bills and

limited resources. Nevertheless, these challenges have not hampered the development agenda of the county.

2.2.1 Food and Nutritional Security

66. The county government is committed to the realization of this agenda. In the last financial year, over Kshs. 228 Million was allocated to the agriculture sector to boost agricultural development and consequently boosting overall rural development. The Government, in partnership with the University of Nairobi, Kenya Agriculture and Livestock Research Organization (KALRO), Soil Cares and other partners identified high soil acidity levels as one of the biggest challenges in the County. To address the challenge, the county procured and distributed 100,000 bags of agriculture lime to the farmers at a total cost of Kshs. 50 Million. The lime, with time will reduce acidity levels in the soils and definitely increase productivity.

67. Extension service delivery in the County has been hindered by inadequate transport facilities. During the year, the department procured vehicles and motorcycles to enhance the mobility of both the agricultural extension officers and Artificial Insemination providers. This enhanced service delivery and increased the extension service coverage by 40%. The Government has also factored in 5 small capacity vehicles in the 2019/2020 Annual Development Plan. Additional plans are also underway to employ more extension officers to ensure all farmers are reached and supported to increase their yields and get linked to markets.

68. To address the fish value chain, 226 fish ponds in various parts of the County were rehabilitated and installed with pond liners. A demonstration on cage fishing technology in the County was also set up at Chinga dam where 10 cages were established and each stocked with 1,000 mono-sex post- fingerlings. The county government intends to increase the production of fish by restocking 30 public dams and collaborate with the National Government, State Directorate of Fisheries to restock the rivers specifically for Trout variety. The County partnered with UNIDO in the just ended Sustainable Blue Economy Conference to showcase opportunities in Nyeri County. Nyeri County is also hosting an 8 year 14 billion IFAD/GOK funded project called Aquaculture Business Development Project (ABDP).

69. Dairy farming is one of the flagships projects in the County. The county government has so far installed 12 milk coolers. Further, the County government plans on continuing to support Countywide free artificial insemination services to the dairy farmers. In the just ended financial year, the County Government spent Kshs. 10 million to procure semen and liquid nitrogen and so far over 20,000 dairy cows have been served. Further, scheduled and emergency vaccinations were administered for the control of livestock pests and diseases.

70. To improve on Agricultural mechanization, the County Government has procured and rehabilitated agricultural equipment and implements with the aim of reviving the Agriculture Machinery Station (AMS) at Naromoru. This initiative has improved not only mechanization

service delivery but has also increased the revenue streams. Wambugu Agricultural Training Centre has continued to serve as a source of good and appropriate agricultural technologies for farmers. To strengthen its capacity and make it a centre of excellence, the County Government has put up a modern hostel. In addition, a common user facility is under renovation to enhance on value addition technologies.

71. To contribute towards the County greening program, the County Government procured and distributed fruit tree seedlings worth Kshs.30 Million within the County. This initiative will help improve the livelihoods of Nyeri farmers by complementing their income through fruit farming. To address soil fertility and soil health issues, the County Government has planned to undertake soil profiling and mapping in the County and also procure soil testing kits.

72. Additionally, the County Government has purposely targeted 28,000 households in Kieni Sub Counties who are food insecure for rolling out the food security initiative programme. The programme will include such activities as fodder establishment, rearing local poultry, planting of early maturing beans, establishment of kitchen gardens, water harvesting and drip irrigation technology amongst others.

73. The County Government is also working closely with the Coffee Sector Implementation Committee and is one of the counties earmarked for pilot implementation of coffee reforms recommended by the Presidential Taskforce. The pilot will address areas of data collection specifically automation of all processes, increased production-more so providing subsidized fertilizers, seedlings and other inputs. It will also enhance processing-specifically repairing wet mills, marketing and market development and access to affordable credit. It also seeks to strengthen legislative and regulatory framework, capacity building to counties and offer extension and advisory services and finally adoption of coffee standards.

2.2.2 Efficient and Effective Public Service

74. The County Government has undertaken a number of reforms that are all geared towards enhanced and improved service delivery to the citizens of Nyeri from its civil servants. Some of the initiatives include; staff motivation, staff training, launch of employees' code of conduct, launch of digitized staff identification cards, staff audit, approved staff establishment, good employee relations, development of staffing plan, and digitization of H.R records

2.2.3 Trade, Tourism and Enterprise

75. The county Government has constructed and rehabilitated several County markets in the financial year 2017/2018.The government has completed the New Mudavadi Market, Ihururu Market and Nyeri Town Open Air Market. The administration has also rehabilitated several other County markets including Kimahuri, Karogoto, Gachatha, Nairutia and Waihara market.

Additionally, the National Government handed over Karatina market which accommodates approximately 2000 traders who will be operating in a modern and organized trading environment.

76. The department is currently working on the Market Areas Management Bill which will facilitate efficient and effective management of public markets. The County Government will continue to build more modern markets in the coming financial years to improve the business environment for the people.

2.2.4 Investment Attraction, Retention and Expansion

77. In order to attract more investment in the County, the Government has developed the Nyeri County Investment Portfolio document which provides details of investment opportunities in Nyeri County. In this portfolio document, viable opportunities have been outlined with the aim of providing substantial information on the potential areas of investments existing in the County. Moving ahead, the county government will continue to further review the Policy and legislative framework with the aim of increasing the ease of doing business in Nyeri County. The Government also intends to expand the Enterprise Development Fund (EDF) and enhance capacity building for cooperatives and enterprise development.

78. Moreover, the County Government in collaboration with the National Museums of Kenya (NMK) mapped and prepared a documentary for all the tourist and heritage sites in Nyeri County.

79. To ensure informed growth that is both structured and strategic, the County Government is currently actively involved in the establishment of the Central Kenya Economic Bloc. The Government will continue to collaborate and engage with stakeholders in mutually beneficial arrangements that will bring sustainable development to Nyeri County and to its citizens.

2.2.5 Accessible and Quality Health Care

80. The County Government has implemented renovation works at the Nyeri County Referral Hospital Outpatient block, Mother and Child Health Care (MCH) casualty, Laboratory, Pharmacy Block, Gender Based Violence Block and renovation of the mortuary; further to that, Construction of a Drugs Store and newborn unit at Karatina Sub-County Hospital, the county government has also constructed an Outpatient block at Mt Kenya Hospital. The government has also partitioned the newborn unit, labor ward & theatre recovery room and also constructed MCH and renovated the outpatient unit at Mukurwe-ini Sub-County Hospital. Additionally, various constructions, equipping and renovations have also been conducted at various local dispensaries and hospitals across the county.

81. In general health status, the County is experiencing an epidemiological transition from communicable infectious diseases towards non-communicable diseases. This presents a 'double burden' of diseases that entails a lingering communicable disease burden with an increased burden

of non-communicable conditions including diabetes, cancers, hypertension and cardiovascular diseases.

82. Universal Health Coverage (UHC) has been identified as one of the "Big Four Agenda" of National development and economic priorities towards achieving the Kenya Vision 2030. Nyeri County has been identified as one of the four UHC phase 1 pilot Counties. The County has been identified due to its perceived high burden of Non-Communicable Diseases. Under the UHC program, Nyeri County will receive 780 Million, of which three hundred and ninety-nine million (Kshs 399 M) will be sent directly to Kenya Medical Supplies Agency. The county residents will receive free healthcare services in all health facilities from their local health Centres all the way to the referral facilities.

2.2.6 Education and Technology

83. The County Government has scrapped the levies previously charged in the public ECDE Centres. The County government has had a number of programmes and activities in the education sector in the year under review. Significant progress has been made in the following areas; Recruitment of ECDE care givers, capacity building workshops for ECDE teachers, provision of teaching and learning materials to the ECDE Centers, construction of ECDE classrooms, toilets and general rehabilitation. Additionally, the County Government has also been involved in the construction, renovation and equipping of Youth Polytechnics and Vocational Training Centres.

84. Additionally, the County Government has also managed to provide Elimu Fund bursaries to needy students across the County to aid them in pursuing their educational goals.

85. In regard to youth empowerment and sports, the county has undertaken various projects and programs which include renovation and upgrading of sports stadiums and organizing various sports events including the Inaugural Dr. Wahome Gakuru Half Marathon, KYISA games and the County Cross Country Championship.

2.2.7 Leveraging of Technology

86. In matters regarding, Leveraging of Technology, the County Government has entered into strategic agreements with firms to provide broadband services to government offices and other select places. An MOU with Jamii Telecommunications Limited (JTL) has been signed for the provision of internet services within the County. This has made Nyeri one of the 'best connected' Counties in the country. 4G network type is available in Nyeri County. In regard to the purchase of tools and equipment, the department purchased tools and equipment for the Information, Communication and Technology (ICT) course. The tools and equipment were distributed to various institutions for use. Consequently, the Government was able to launch a revenue management system known as *NyeriPay*.

87. The UHC registration was flawless because of the good connectivity in the County. The County Government intends to create a number of hot spots in the towns within the County for internet provision.

2.2.8 Spatial Planning and Housing.

88. The County Government through the Department of Lands, Physical Planning, Housing and Urbanization, has rolled out the preparation of the County Spatial Plan through outsourcing at a cost of 119 Million. This plan is anchored on the Constitution of Kenya, 2010, and the County Governments Act, 2012. This is a Geographical Information System (GIS) based spatial plan that will guide land use developments in the County for the next (10) ten years. It will aid in unlocking the potential of the County and provide the development path. The spatial planning process is highly consultative all the way from the ward level. It will also involve National Government agencies, the private sector and the populace at large. This Policy framework will be the basis upon which all other urban and rural plans will be anchored on. The spatial plan will be linked to the budget through a Capital Investment Plan.

89. In line with the *'Big Four Agenda',* the Government is geared towards providing 2000 affordable housing units per year to Nyeri residents. This is in accordance with the MOU signed in April 2018 between the County Government of Nyeri and the Permanent Secretary in charge of National Housing. The County Government has identified close to 20 acres of land across the County viable for this project. Feasibility studies on urban renewal at Blue Valley Estate have also been conducted. The report has given proposals on how to undertake implementation. Likewise, the County Government is also exploring the Public Private Partnership (PPP) option.

90. For economic growth within the County municipalities, it will be enhanced through the Kenya Urban Support Programme (KUSP). The programme aims to incentivize establishment and strengthening of urban institutions in accordance with the Urban Areas and Cities Act, 2011. The programme also aims to support formation of urban development plans as well as initial preparation of urban infrastructure investments. Accordingly, enhanced funding for towns and cities is expected to further deepen service delivery at sub-County level. These will begin with feasibility study on decongesting Nyeri Central Business District (CBD), Environmental Impact Assessment (EIA) on the proposed transport termini of Asian Quarter (bus station, modern stalls, Business Park and social amenities) and construction of transport termini at Asian quarter.

2.2.9 Empowering the Youth and Other Vulnerable Groups

91. The County Government rolled out an internship program. This program is providing 200 young graduates with an opportunity to get working experience in various fields for a period of one year, while they receive a stipend of Ksh. 10,000 every month.

92. In the month of July, 2018, the Government conducted empowerment sessions for Women, Youth and Persons with Disabilities. The program was designed to empower the target groups to take advantage of various programs/projects as well as preparing them to counter various challenges. The leaders of these groups were sensitized on Business Financing Opportunities, Access to Government Procurement Opportunities (AGPO), Safety Awareness, the Bima Afya Programme, Drugs and Substance Abuse and Opportunities in the County Vocational Training Centres. This was done by the respective departments in partnership with other state and non-state actors, including Women Enterprise Fund, Youth Enterprise Fund, Kenya Red Cross Society and NACADA. The program aimed at reaching out to 100 participants per Sub-County and was therefore able to reach over 800 members of these special groups in the County. Appreciating the Policy direction by the President on Access to Government Procurement Opportunities, the Government has been and remains committed to the empowerment of the Youth, Women and Persons with Disabilities by offering them business opportunities through awarding of tenders to this special groups.

93. The Government has continued and will continue with the implementation of the BIMA Afya program. This program provides NHIF cover to 6000 vulnerable members of the society and targets the poorest of the poor, among them orphans, senior citizens (elderly), vulnerable persons with disabilities among others, who would otherwise not afford the cost of health insurance

94. Issues of Youth and Persons with disabilities are crosscutting, and therefore a multi-sectoral approach must be adopted in addressing them. To mainstream this, the Government is in the process of developing separate Policies to guide the mainstreaming of issues of youth and persons with disabilities empowerment.

95. Government, through the department of Youth, Gender and Social Services has continued to address fires and other disasters. To mitigate the effects of fires and other emergencies, the process of acquiring two fire engines and establishing fire stations in Kieni-East, Kieni West, Mukurwe-ini and Othaya Sub-Counties is underway.

2.2.10 Infrastructural Development.

96. Infrastructural development is a core aspect of the BIG Four Agenda that will aid in economic growth, job creation, empowering small businesses and provide access to services to the Nyeri County Residents. Through the department of Transport, Infrastructure, Roads, and Energy the county has been able to improve access roads through grading and gravelling where approximately 320 Kms of access roads have been upgraded to gravel standards through the 8 Kms per ward program where Kieni Sub-counties received additional 10 Kms per ward through the Affirmative Action Program. Other initiatives under this department include opening of new roads, bridges, re-carpeting of tarmac roads within the major towns through the RMLF and installation of street

lights in major towns and shopping Centres to improve security and pro-long the business working hours.

2.2.11 Resource Sustainability

97. The County has embarked on an all-inclusive mission to support Water Services Providers (WSPs) and community water projects with an aim of increasing accessibility to clean water for domestic use and irrigation purposes. In the year under review, the county government allocated over Kshs 270 Million to the department of Water, Environment, Natural Resources and Sanitation to enhance water development. In addition, the funds were intended for environmental conservation and protection of water catchment areas.

98. The County programs towards conservation of water catchment areas have centered on planting of both indigenous trees and bamboo. In the period under review, 31,828 seedlings were distributed to various Water Resource Users Associations (WRUAs) and planted. In addition, 5,848 fruit seedlings were planted in 81 schools within the 8 sub-counties; 32,924 seedlings were planted in collaboration with self-help groups, community forests and individual farms. The seedlings covered areas such as Gatumbiro, Tumutumu, Nyeri hills, Chania, Muthira and Ragati River riparian, Thuti, Tanyai and Narumoru forests.

99. In ensuring uninterrupted water supply for consumption and irrigation, several dams have been rehabilitated and desilted. Most of the rural community residents, lack water storage facilities at household level. As a result, a significant amount of water deficit especially during the dry season is experienced. To address this, the county government constructed new masonry water tanks with a capacity of 100 to 225 cubic meters.

100. In an effort to eradicate water borne diseases, the county Government embarked on the construction of 2 water treatment plants with a capacity of 2000 cubic meters each at Narumoru and Titie. Phase 1 of these plants is almost complete at a total cost of Kshs 25.5 Million and Phase 2 of Titie plant is under implementation at a cost of Kshs 15.27 Million.

101. Nyeri County has a lot of seasonal rivers, it is for that reason that the county has focused on underground water production by drilling boreholes and equipping them with the necessary pumping equipment procured through Rural Electrification Authority (REA).

102. Other water project from stake holders' proposals were undertaken, which include; procurement of pipes, fittings and water intakes at a total cost of Kshs 73.73 Million for various community-based water projects as well as for the 5 Water Service Providers. The pipes and fittings were equitably distributed to all the 8 Sub Counties to bridge the gap in access to water.

103. The county government has also continuously collaborated with other stakeholders such as Tana-Athi Rivers Development Authority (TARDA), Life Empowerment for Transformation International (LEFTI), Upper Tana project, National Irrigation Board (NIB), International Fund

for Agricultural Development (IFAD) in the provision of water and conservation of environment. Such collaborations have resulted in implementation of various projects such as; construction of masonry tanks, dam rehabilitation, boreholes drilling, water pans, and springs development.

104. The Government will upscale the conservation exercise and the County greening initiative programme. This will be done by providing farmers and interested groups with fruit tree seedlings. The County allocated Kshs 3M for procurement and distribution of seedlings to farmers and other stakeholders.

105. The Government has targeted the procurement of a dumping site, truck and specialized machine for waste management. This will enhance the provision of healthy and sustainable solid waste collection and management. Further, the County is in the process of rolling out the waste management program in rural areas.

106. The Government will also continue to liaise with various bodies Like National Environment Management Authority (NEMA), Water Resources Management Authority (WARMA), Kenya Forest Service and Kenya Wildlife Service in order to assist the local community in acquiring all the legal documents pertaining to water abstraction and borehole drilling. Through the Department of Water, Environment, Natural Resources and Sanitation, the County Government will also strengthen all the Water Service Providers in the County through the surveillance of operations and monitoring of the Unaccounted-for Water (UFW). The county government also plans on supporting these institutions financially through supply of pipes, fittings and water meters. This move will improve the quality of service they provide and increase the area of coverage.

2.2.12 Financial Sustainability and Resilience

107. The County Government has undertaken robust financial planning and budgeting with a view to meet service delivery obligations. The administration has embarked on initiatives to eliminate wasteful expenditure. Local revenue has been increased from Kshs 643 Million to Kshs 760 Million. The county government is committed to achieve the current financial year's target of 1 Billion due to the passage of the Finance Act 2018.

108. On the other hand, the amendments to the Revenue Administration Amendment Act (2018) remedied the challenges and the loopholes in the collection of revenue. The Revenue Directorate now has the necessary powers to collect revenue without undue hindrances. The County administration also launched (NyeriPay) an automated system of revenue collection to streamline revenue collection and seal loopholes that contributed to loss of revenue.

109. The County Government has also made a number of internal adjustments in the governance structure to enhance efficiency, effectiveness and accountability. These adjustments include setting up an Executive County Audit Committee, developed a County Integrated Performance

Management System (IPMS) that will help align performance with Strategic Goals of the County, set up a Voucher Examination Unit to validate and authenticate payment vouchers before any payments are made, developed a Records Management Policy to ensure proper storage of documents., developed a Legal Affairs Policy and Manual.

110. The County Government is also in the process of approving a Fleet Management Policy, has a Human Resource Policy and Procedures Manual and already has a Code of Conduct for Public Officers within the County.

2.2.13 Engaged Citizenry

111. The county administration is in the process of pioneering a civic education and public participation unit, under the department of public administration, to ensure the engagement of citizens and guarantee inclusivity in service delivery. This will ensure that the public is actively involved and engaged in the management of county affairs. The county communications unit will also guarantee better and controlled engagement through a consistent county newsletter, media briefings, social media and even a 24 hours' county call center while alluring the people to engage the county government more constructively and openly.

III. FY 2019/20 BUDGET AND THE MEDIUM TERM FRAMEWORK

3.1Fiscal Framework Summary

112. The FY 2019/20 Budget framework will continue with the fiscal consolidation policy to strengthen our debt sustainability position. With the fiscal consolidation strategy, all county departments will have to adopt the culture of doing more with less that is available with a view to promote sustainability and affordability.

113. Sustainability, affordability and strict prioritization are therefore expected to be the norm rather than an exception under this County Fiscal Strategy Paper. To achieve this, we need to ensure that:

- Spending is directed towards the most critical needs of the county and is well utilized;
- More outputs and outcomes are achieved with existing or lower level of resources; and
- Departments and other county units request for resources are realistic and take into account the resource constraints, in light of the Government's fiscal consolidation policy.

114. The fiscal framework for the FY 2019/20 Budget is based on the National and County Government's policy priorities and macroeconomic policy framework set out in the first and second chapter of this document.

3.1.1 Revenue Projections

115. In the FY 2019/20 revenue collection is projected at Kshs. 1 billion which is equivalent to the projection in FY 2018/19. This revenue performance will be supported by the County Revenue Administration (Amendment) Act, 2018 already in force and enactment of the Finance Act, 2019. The installation and commissioning of the newly acquired revenue management system will also provide an avenue to enhance revenue collection especially by eliminating cash handling in most of the own revenue streams.

3.1.2 Expenditure Projections

116. The key policy documents guiding the County Government's expenditure decisions are the "Big Four" Plan of the National Government and the CIDP (2018-2022) spelling out the development priorities of the County Government. In addition, the Annual Development Plan outlines the priority projects and programme expected to be implemented in the FY 2019/20 and this shall be adhered to when preparing the budget estimates for the same period.

117. The overall expenditure will be comprised of recurrent expenditure within 70 percent of total budget in FY 2019/20. It is important to note that the highest percentage will be allocated to personnel emoluments emanating from the current wage bill pressure to finance the health workers CBA's and other emerging needs.

118. The projected development expenditures are expected to be at least 30 percent of total budget in line with the provisions of the PFM Act, 2012. Most of the outlays are expected to support critical infrastructure. Part of the development budget will be funded by equitable share, loans and grants from development partners, transfers from National Government Agencies, while the balance will be financed through domestic resources.

3.1.3 Deficit Financing

119. Reflecting the projected expenditures and revenues, fiscal policy will ensure a sustainable path of public expenditure by sustaining the county expenditures within the budget limits. The county expenditures will therefore be restrained to assure debt sustainability and intergenerational equity in line with the Constitution of Kenya, 2010 and the fiscal responsibility principles in the PFM Act, 2012.

120. The overall budget for the Financial Year 2019/20 will be balanced where only pending bills and possible carry overs from FY 2018/19 will be settled through the vote on budgetary reserves

in FY 2019/20. This may result from shortfall in the current projected revenue collection and late disbursement of funds by the National Treasury necessitating ways of addressing the outcomes of the deficit.

121. The County Treasury remain steadfast in strengthening the fiscal policy to eliminate possible deficit. This will be achieved through strengthening revenue mobilization and widening revenue base, containing unproductive expenditures and leakages during the medium term period.

3.1.4 Key Priorities for the 2019/20 Medium Term Budget

122. The Medium-Term Budget 2019/20 – 2021/22 will prioritize on the ongoing activities for the achievement of the county development agenda as outlined in the CIDP (2018-2022) and Annual Development Plan (2019/20) taking into account:

- Responsible management of public resources;
- Building a resilient, more productive and competitive economy;
- Delivering better public services within a tight fiscal environment; and
- The need to deepen governance, anti-corruption and public financial management reforms to guarantee transparency, accountability and efficiency in public spending.

3.1.5 Allocation Baseline Ceilings

123. The baseline estimates reflect the current departmental spending levels on various programmes. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of salaries and gratuity for employees, medical and motor vehicle insurance covers, water and electricity bills among others.

124. Development expenditures have been shared out on the basis of the county flagships in CIDP (2018-2022) and ADP (2019/20) priorities. The views of the public as observed and recorded during the public participation exercise in preparation of this document also informs the prioritization of projects. The following criteria was used in apportioning capital budget:

- *On-going projects:* emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- *Conditional grants and donor funds:* priority was also given to adequate allocations for donor funds and other conditional grants which is the portion that the County Government must finance in accordance with the underlying conditions governing these funds by development partners.
- *Strategic policy interventions:* further priority was given to policy interventions covering the entire county with benefit to a wide cross section of the society, social equity and environmental conservation.

3.1.6 Finalization of Spending Plans

125. The finalization of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. Since detailed budgets are scrutinized and the resource envelope firmed up, in the event that additional resources become available, County Government will utilize them to accommodate key county strategic priorities. Specifically, the following will receive priority:

- Interventions identified during the public participation forums for the FY 2019/20 budget and over the medium term
- Strategic interventions in the areas touching on the county development agenda as outlined in the CIDP with impact on improving food security, improving infrastructure and other social economic enablers of development.
- Specific consideration to enhance job creation for the youth based on sound initiatives identified within and outside the normal budget preparation.

IV. DEPARTMENTAL ALLOCATION OF RESOURCES

4.0 Introduction

126. The preparation of this County Fiscal Strategy Paper, 2019 takes into account the requirements of the Constitution of Kenya 2010 and the PFM Act 2012 which includes but not limited to collection and consideration of views of the public and other stakeholders to inform the choice of projects and programmes to be implemented in the FY 2019/2020. These forums also provided a platform for project prioritization considering the scarcity of resources available for the competing needs.

127. The County Treasury was also guided by the County Government's transformative agenda as outlined in County Integrated Development Plan (2018-2022) and the Annual Development Plan 2019/20. However, it is important to note that significant changes have occurred with the adoption of end to end process in procurement of goods and services in line with the President's Executive Order No. 2 of 2018 on public procurement. These changes demand capacity building of the technical personnel to equip them with necessary skills to adopt and efficiently operate with the system updates and changes for optimal service delivery.

128. To address the emerging challenges, focus will be geared towards continuous training and capacity building in participatory and programme based budget process, resource allocation, and

prioritization of projects. Further, there is need to identify and train staff at departmental levels on reporting on budget and projects implementation.

4.1 Departmental Budgeting

129. The County Executive Committee Member in charge of Finance and Economic Planning will issue guidelines to the county departments and spending units on the preparation of FY 2019/20 budget with specific ceilings as adopted by the County Assembly. The departments are expected to prepare their budgets within the approved ceilings. Each department is expected to plan, formulate, execute and report on their budgets. The FY 2019/20 budget for the County will therefore be prepared in line with the Public Finance Management Act, 2012 and its attendant regulations of 2015.

4.2 Resources available

130. In line with the government's commitment to spend within it means, the County Treasury projects a total budget of Kshs 7,473,175,520 for the 2019/20 financial year as provided for in the Budget Policy Statement, 2019. This translates into a 11 per cent decline as compared with the FY 2018/19 revised estimates. This downward trend can partly be attributed to the inclusion of balance brought forward from the FY 2017/18 and the Universal Health Care allocation in the revised estimates for the FY 2018/19 The budget will be funded through external and internal revenue sources.

4.3 External Sources

131. This will consist the equitable share of revenue raised nationally and conditional grants from the national government and donors. It will also include transfers from National Government Ministries and Agencies channeled through the County Revenue Fund.

132. During FY 2019/20, the county expects to receive Kshs 5,301,000,000 as equitable share from the consolidated fund as proposed in the Budget Policy Statement, 2019. In addition, the County Government expects to receive Conditional grants from the national government as contemplated under Article 202(2) of the Constitution. The expected amount is Kshs 407,861,272 for Nyeri Level V Hospital, Kshs 13,701,379 for compensation for user fees foregone, Kshs 55,143,298 for youth polytechnics and Kshs. 541,842,102 from loans and grants.

4.4 Internal Sources

133. These are the local revenues from specific county revenue raising measures through imposition of land rates, parking fees, entertainment taxes, as well as any other tax and user fees and charges as authorised to impose. In the FY 2019/20 budget the local revenue is projected at

Kshs 1 billion, the same amount anticipated in the FY 2018/2019. The installation and commissioning of the revenue management system, dubbed 'Nyeri Pay' and the enactment of the Revenue Administration (Amendment) Act. 2018 is expected to ensure realization of the targeted collection.

4.5 Allocation of Revenue among Departments

134. Departmental allocation for recurrent and development spending during FY 2018/19 is provided in table 4 below;

Table 5: Approved Supplementary Budget Allocations by County Departments and Units, July 2018 – June 2019

DEPARTMENT	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL	% OF TOTAL
County Assembly	659,451,249	11.03	5,000,000	0.17	664,451,249	7.52
Executive Office of the Governor and Deputy Governor	159,781,487	2.67	40,000,000	1.40	199,781,487	2.26
Office of the County Secretary	234,579,318	3.92	15,187,292	0.53	249,766,610	2.83
Finance & Economic Planning	560,992,792	9.39	311,193,346	10.88	872,186,138	9.87
Lands, Housing, Physical Planning and Urbanization	52,609,464	0.88	358,752,031	12.55	411,361,495	4.66
Health Services	2,809,429,526	47.00	244,550,200	8.55	3,053,979,726	34.56
Gender, Youth and Social Services	123,235,646	2.06	20,377,939	0.71	143,613,585	1.63
County Public Service Management	182,569,365	3.05	5,000,000	0.17	187,569,365	2.12
Agriculture, Livestock and Fisheries	372,337,949	6.23	216,088,428	7.56	588,426,377	6.66
Trade, Culture, Tourism and Cooperative Development	62,987,961	1.05	119,372,969	4.17	182,360,930	2.06
Education, Sports, Science and Technology	413,263,471	6.91	163,299,351	5.71	576,562,822	6.52
Water, Sewerage and Sanitation, Environment and Natural Resources	139,550,264	2.33	320,310,330	11.20	459,860,594	5.20
County Public service Board	41,224,314	0.69	0	0.00	41,224,314	0.47
Transport, Public Works, Infrastructure and Energy	164,940,194	2.76	1,040,459,185	36.38	1,205,399,379	13.64
TOTAL	**5,976,953,000**	100.00	**2,859,591,071**	100.00	**8,836,544,071**	**100.00**

Source: Department of Finance and Economic Planning, 2019

4.6 Fiscal Discipline

135. The County Government is cognizant of the scarcity of resources at its disposal to be distributed among the competing needs. This necessitates a tight balancing act to ensure optimal allocation of the available funds to the most deserving priorities. The government will continue ensuring prudence in expenditure of public funds where funds are directed to critical needs and well utilized while cutting expenditure on non-priority areas. Further, it will sustain revenue mobilization efforts by expanding the revenue base and opening up of more streams to reduce over reliance on external sources from the national government and development partners. and release more funds for development.

4.7 Equity in Allocation of Resources

136. The county will continue to pursue policies that promote equity in order to reduce poverty, foster wealth creation and jobs for the youth. Equity-enhancing policies, particularly investment in infrastructure development and human capital such as education and health will accelerate

economic growth in the long run and ensure sustainable social economic development. The government will also continue designing measures to ensure affirmative action for marginalised and underdevelopment areas in resource allocation to ensure overall fairness.

V. 2019/20 EXPENDITURE FRAMEWORK

5.0 Resource Envelope

137. The resource envelope that is utilized for the setting of departmental ceilings and allocations is based on the fiscal and budget framework outlined in Section IV and was informed by the budget policy statement 2019.

138. In this resource envelope, the Equitable share from national government is expected to finance approximately 70.93 percent of the total county budget for FY 2019/2020. The proportion of income received from the national government as equitable share is determined by the Commission on Revenue Allocation (CRA) formulae. However, it is important to note the ratio of equitable share relative to the locally raised revenue for FY 2019/20 is high. In this regard, it is important for the county administration to continually concentrate on imposing measures to improve its local revenue collection in the medium term. In financing the FY 2019/20 budget, the county's own revenue collection is projected to be 13.38 percent of the entire budget.

139. The difference between the budgetary estimates and the equitable share will be funded through the county own generated revenue, loans and grants. The County will also reinforce its potential to increase its local revenue collection as an approach to meet the expanding and strained budgetary requirements. Further, the county will continue engaging and partnering with the private sector development partners to fund some of the development activities during the year FY 2019/20.

140. 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.

5.1 Spending Priorities

141. The County has developed the second-generation County Integrated Development Plan (CIDP) for the period 2018-2022 and Annual Development Plan 2019-2020 in which the county residents were involved through countywide consultative forums to identify and prioritize strategic development agendas and programmes. These programmes are also guided by the Medium-Term Plan (MTP) III of the Kenya's vision 2030, and the "big four" agenda. The following criteria was used in appropriating of capital projects:

- **Ongoing projects:** Emphasis was given to completion of ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity, and employment creation.
- **County flagships:** These are projects that are considered to have a huge impact or a multiplier effect cutting across multiple wards and departments and that require a significant proportion of the county appropriation.
- **County newly proposed projects:** Proposals from the public participation and the departments were also considered in the determining of the departmental allocations.
- **Strategic policy thrusts and interventions:** Further priority was given to policy intervention covering the entire county for social equity and environmental conservation.

142. The above projects and policy interventions as contained in the planning documents have high impact on poverty reduction, investment, equity, employment and wealth creation. In addition, the Constitution and the PFM Act, 2012 requires the national and county governments to promote budgetary transparency, accountability and effective financial management of their respective jurisdictions. Therefore, inefficient and wasteful public expenditure will be eliminated at all costs in order to promote public trust in public spending.

143. In finalizing the preparation of the 2019/20 MTEF budget, the County Government will continue to pursue the policy of cutting expenditure on the non-productive areas and programmes and ensuring that resources are directed to priority programmes that have a huge impact.

2018/19 Expenditure Estimates

144. In the course of budget implementation during the first half of the FY 2018/19, several challenges emerged. They include: delayed disbursement of funds, changes in the IFMIS procurement process, and low absorption of development funds. In addition, there were various interventions that have necessitated for the preparation of the first and second supplementary budgets to factor in conditional grants from development partners and the Universal Healthcare Programme under the National Governments' Pilot Programme of promoting Universal Healthcare access for all.

5.2 Medium-Term Expenditure Estimates

145. The table below shows the projected baseline ceilings for the FY 2019/20 budget estimates classified by county departments and units.

Table 6: Projected Budget Allocations FY 2019-2020

	2018/2019 BUDGET						2019/2020 BUDGET		
	APPROVED BUDGET			REVISED BUDGET			PROPOSED CEILINGS		
	RECURRENT	DEVELOPMENT	TOTAL (Kshs)	RECURRENT	DEVELOPMENT	TOTAL (Kshs)	RECURRENT	DEVELOPMENT	TOTAL (Kshs)
County Assembly	582,406,942	50,000,000	632,406,942	659,451,249	5,000,000	664,451,249	659,447,249	50,000,000	709,447,249
Executive Office of the Governor and Deputy Governor	126,877,487	102,000,000	228,877,487	159,781,487	40,000,000	199,781,487	115,420,638	80,000,000	195,420,638
Office of the County Secretary	220,479,318		220,479,318	234,579,318	15,187,292	249,766,610	231,156,582	21,000,000	252,156,582
Finance & Economic Planning	471,622,792	376,000,000	847,622,792	560,992,792	311,193,346	872,186,138	537,047,021	64,781,901	601,828,922
Lands, Housing, Physical Planning and Urbanization	52,609,464	356,000,000	408,609,464	52,609,464	358,752,031	411,361,495	46,961,612	326,000,000	372,961,612
Health, Public Health and Sanitation Services	2,343,300,734	210,000,000	2,553,300,734	2,809,429,526	244,550,200	3,053,979,726	2,492,640,746	211,746,003	2,704,386,749
Gender, Youth and Social Services	110,785,646	9,000,000	119,785,646	123,235,646	20,377,939	143,613,585	90,468,597	46,498,695	136,967,292
County Public Service Management	182,569,365	12,000,000	194,569,365	182,569,365	5,000,000	187,569,365	64,976,918	0	64,976,918
Agriculture, Livestock and Fisheries	324,538,275	109,074,458	433,612,733	372,337,949	216,088,428	588,426,377	314,936,664	112,056,909	426,993,573
Trade, Culture, Tourism and Cooperative Development	62,987,961	92,000,000	154,987,961	62,987,961	119,372,969	182,360,930	57,185,517	95,475,690	152,661,207
Education, Sports, Science and Technology	341,072,573	123,000,000	464,072,573	413,263,471	163,299,351	576,562,822	321,914,348	155,244,640	477,158,988
Water, Sewerage and Sanitation, Environment and Natural Resources	139,550,264	270,000,000	409,550,264	139,550,264	320,310,330	459,860,594	133,664,918	228,617,551	362,282,469
County Public service Board	38,146,814		38,146,814	41,224,314	0	41,224,314	34,466,959	0	34,466,959
Transport, Public Works, Infrastructure and Energy	158,940,194	807,093,533	966,033,727	164,940,194	1,040,459,185	1,205,399,379	130,935,093	850,531,267	981,466,360
TOTAL	**5,155,887,829**	**2,516,167,991**	**7,672,055,820**	**5,976,953,000**	**2,859,591,071**	**8,836,544,071**	**5,231,222,864**	**2,241,952,656**	**7,473,175,520**

Source: Department of Finance and Economic Planning, 2019

5.3 Baseline ceilings

5.3.1 Recurrent expenditure projections

146. The total recurrent budget for FY 2019/2020 will be Kshs 5.23 billion as compared to Kshs 5.97 billion in FY 2018/19 revised Budget estimates, representing a significant decrease by 12.39%. The deduction in recurrent expenditure is a necessary intervention to release resources for funding development projects and programmes to boost the rate of economic growth and social development. The recurrent estimates account for approximately 70% of the total county budget which consist of all non-discretionary expenditures such as payment of statutory obligations, namely, wages, salaries, pension, payee and utilities, taking first charge.

5.3.2 Development expenditure projections

147. On the other hand, 30% percent of the total appropriation estimate is reserved for funding planned development projects and programmes in line with the PFM Act, 2012. The development expenditures are shared out on the basis of the county priorities as outlined in the CIDP (2018-2022) and the Annual Development Plan for FY 2018/19, ongoing projects and programmes, the views of the public and stakeholders involved during preparation of this documents, and the county flagship projects.

CONCLUSION

148. In order to enhance performance of the County departments, the County Treasury in conjunction with the National Treasury and Planning will continue to build the capacity of the staff and ensuring optimal allocation and utilization of resources. The ceilings set in this document will guide in the preparation of the FY 2019/20 Budget. In addition, this document is prepared at a time when the needs of the county by far outweigh the available resources. It is therefore, crucial for all county department to ensure that they optimally allocate the available resources in a manner that reduces wastage and ensures the attainment of maximum social and economic benefits for the people of Nyeri.

ANNEX I: OWN REVENUE SOURCES COLLECTED IN THE FIRST HALF OF THE FY 2018/2019

REVENUE STREAM	ANNUAL TARGET (KSHS.)	TOTAL HALF-YEAR	PERCENTAGE PERFORMANCE
Ordinary Local Revenue & A-i-A			
Liquor Licence	52,154,900	8,929,000	17.12
Commission 3%	2,000,000	500	0.03
Agricultural Mechanisation Station	1,155,400	556,050	48.13
Wambugu Agricultural Training Centre	7,900,000	3,082,335	39.02
Veterinary Charges	5,380,000	2,533,358	47.09
Slaughtering Fees	3,776,780	1,271,340	33.66
Slaughter House Inspection Fees	1,726,890	908,485	52.61
Nyeri Slaughter House	702,000	0	0.00
Kiganjo Slaughter House	120,720	0	0.00
Sale of Fertilizer/lime	2,204,890	3,053,570	138.49
Business Permits (e-SBP)	131,712,154	11,762,569	8.93
Ambulant Hawkers Licences (Other than BSS Permits)	452,000	281,595	62.30
Market Entrance/Stalls/Shop Rents	51,803,210	12,704,613	24.52
Weights and Measures	1,425,920	1,162,080	81.50
Central Kenya show annual permit	500,000	0	0.00
Co-operative Audit	2,000,000	246,200	12.31
Hospital Services	290,333,510	146,215,122	50.36
Public Health	17,131,050	6,864,735	40.07
Burial Fees	174,060	9,700	5.57
Public Toilets	600,000	236,500	39.42
Garbage Dumping Fee/waste disposal charges	1,051,960	59,650	5.67
Refuse Collection Fee	40,331,880	10,176,067	25.23
Miscellaneous Income	1,242,820	1,679,713	135.15
Document Search Fee	555,470	79,000	14.22
Tender Documents Sale	1,759,800	0	0.00
Impounding Charges/Court Fines, penalties, and forfeitures	2,037,060	1,047,080	51.40
Application Fee	20,735,690	3,455,014	16.66
Business Subletting / Transfer Fee	124,160	20,000	16.11
Parking Fees	67,207,372	14,806,730	22.03
Enclosed Bus Park	75,788,760	31,618,870	41.72
Parking Clamping/Penalties/Offences fees	2,966,560	855,860	28.85
Cess (Quarry, Produce, Kaolin, e.t.c.)	35,783,528	18,957,415	52.98
Land Rates	85,456,080	8,206,272	9.60
Other Property Charges	698,970	74,868	10.71
Ground Rent - Current Year	3,343,060	396,498	11.86
Ground Rent - Other Years	2,902,141	768,601	26.48
Stand Premium/Commissioner of Lands	100,000	0	0.00
Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees	2,249,510	170,000	7.56
Plot Transfer Fee	1,555,000	294,700	18.95
Housing Estates Monthly Rent	18,582,300	12,808,689	68.93
Housing Estates Monthly Rent (Kiawara, Majengo & Kingongo Phase 3)	1,234,800	0	0.00
Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey, Occupation Cert, boundary dispute e.t.c.)	1,565,800	3,492,761	223.07
Sign Boards & Advertisement Fee	25,498,425	6,502,505	25.50
Buildings Plan Approval Fee	11,572,000	6,872,173	59.39
Buildings Inspection Fee	3,818,570	2,156,240	56.47
Right-of-Way / Way-Leave Fee (KPLN, Telkom, e.t.c.)	1,765,800	3,484,860	197.35

Consent to Charge Fee/Property Certification Fee (Use as Collateral)	1,789,800	590,700	33.00
Agency Fee (Fees from KHC, Insurance Firms, e.t.c.)	100,000	0	0.00
Sales of Council's Minutes / Bylaws	406,000	72,000	17.73
Benevolent Fund	1,646,000	114,000	6.93
Debts Clearance Certificate Fee	3,457,200	844,900	24.44
Social Hall Hire, IFAD Hall	235,000	70,500	30.00
Stadium Hire	3,500,000	162,000	4.63
Fire-Fighting Services	4,877,000	1,199,739	24.60
Nursery Schools Fee (KRT)	315,000	41,350	13.13
Nursery Schools Fee (Kingongo)	227,000	59,100	26.04
Nursery Schools Fee (Nyakinyua)	208,000	66,300	31.88
Registration of School, Training/Learning Centre Fee	58,000	0	0.00
TOTAL	**1,000,000,000**	**331,021,907**	**33.10**

Source: Directorate of Revenue, 2019

ANNEX II: SOURCES OF BUDGET FUNDING IN FY 2019/20

No.	Description		Total in Kshs
1	**Equitable Share**		**5,301,000,000**
2	Conditional Grants	County Referral Hospital	407,861,272
		Compensation for user fees foregone	13,701,379
		Rehabilitation of village polytechnics	55,143,298
		Road maintenance levy fund	153,627,469
		Loans and Grants	541,842,102
		Total	**1,172,175,520**
3	Estimated Local Revenue		1,000,000,000
	Estimated total amount for budgeting		**7,473,175,520**

ANNEX III: HIGHLIGHTS ON PUBLIC PARTICIPATION ON PREPARATION OF THE CFSP, 2019 AND THE MTEF BUDGET 2019/2020, 2021/22,2022/2023 HELD IN ALL EIGHT SUB-COUNTIES ON 14.02.2019

- The participants in Chinga proposed to have more nurses deployed in the dispensaries and also ensure supply of medicines in the facilities. There was also a proposal to have Nyakoine-Kirite and Chinga River access roads opened up.
- To improve on food security, several irrigation projects were proposed such as Changachicha, Kagonye, Wariundu, Gaturuturu, Gikoe, Kahuro Kanjoro, Thegenge, Sagana and Kirungii Irrigation Projects.
- On value addition, the residents of Iriani ward, Othaya wanted to be assisted in value addition of tea and milk.The participants from Iriani Ward mathira proposed milk coolers at Kiamwangi, Ihwagi and Itundu.
- There was concern on the current status of Kiamwangi, Ihwagi, Gikooro, Gatondo and Itudu ECDE classrooms that needed to be renovated. There was also the need to construct ECDE classrooms in Mugunda and Dedan Kimathi Ward.

- In Ruringu ward there was suggestion of toilet construction in Chorongi Giakanja, Ithenguri and Kwa Nderi ECDE.
- To promote sports and social activities within the County, there were proposals to fence Kiriti stadium and improve Karatina and Kaiyaba stadiums. The residents of Ruguru ward requested to be allocated land at Kagati to construct a stadium.Mugunda ward residents also proposed to construct a stadium and construct a sports and social hall at Kabate.
- To improve communication within the wards, the residents proposed various access roads to be graded, levelled and murramed. This was noted across all the wards.
- The participants in Mukurwe-ini proposed construction of markets at Thangathi, Kiuu Ngooru, Kiahungu and kimondo markets among others.
- There were proposals to have washrooms with running water and also furnish all the dispensaries and health centres with adequate drugs, laboratory reagents inorder to have functional laboratories.
- All vocational training centers to be equipped with fast internet to enable the youth in their research and academic work.
- There was a proposal to create fund to assist people living with disability in all wards.
- The participants in Naromoru proposed construction of Narumoru Sewerage system. The participants across the wards proposed water project such as Irigithathi/ Muguthu/Kanani, Guraga and Magutu water projects.
- There was a suggestion by the participants to have the name of Governor's residence project to be changed to County Governor's Mansion or County palace.
- The Participants recommended that the most critical needs in health are drugs and human resource for service provision.
- There urgent need for automation of the revenue collection and management system and be extended to the Sub-county levels.
- There is need to do more durable roads or change to low volume tarmac. Also proposed use of county owned machinery to reduce costs hence do more roads. Water, Environment and Natural Resources
- Concerns were raised on environmental conservation especially in Mt.Kenya and Aberdares forests through reduction of logging. Tanyai forest was also mentioned to be considered in tree planting. Conservation of the riparian areas and dams especially in Kieni to reduce the effect of prolonged drought. Planting of indigenous trees was also advocated for.
- To mitigate the effects of drought participants said there is need for measures to reduce reliance on firewood and explore other renewable sources such as solar and biogas.
- The participants said there is need to check on the governance issues of the cooperative societies before county government support is extended.
- The issue of Wamagana Fish Processing plant was raised in regard to its underutilization. The participants were informed that efforts are underway for its revival through enhancement of fish

supply.

- The participants were concerned over the idle markets which are already complete e.g. Kiganjo and Kamakwa- there is need for enforcement for people to operate from designated areas; Kiganjo market was proposed to be converted to Nyeri Furniture Market as this is a big industry and being on a major high way.
- In order to converting Nyeri town to a 24-hour economy- there is need to bring on board key players i.e. security, transport and explore on culture change. Government office could also consider working in shifts.
- There is need for county signage and directions from all points of entering and internal for important sites and trading centers.
- All participant supported the proposal to establish a talents academy covering all aspects.
- There was a proposal to establish a fund to support youth activities e.g. Mr. & Miss Tourism.
- Participants also appealed to the government to revitalize Ruring'u studio which was operational until security issues led to its closure.
- Developing Nyeri tourism centers e.g. Chinga and Hohwe dams to be equipped with boats like Uhuru Park to form Leisure Park for families.
- The participants also appealed to the government to support entrepreneurship for the youth such as poultry among many others.