REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

LAIKIPIA COUNTY FISCAL STRATEGY PAPER

FEBRUARY 2016

COUNTY VISION AND MISSION

Vision

A Peaceful and Prosperous Model County

Mission

To facilitate equitable sustainable development through improved service delivery, technological adoption and advancement and effective resources management

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

This County Fiscal Strategy Paper for the FY 2016/17 sets out the county's priority programmes to be implemented in the FY 2016/17 as outlined in the County Annual Development Plan 2016/17 and the Second Medium Term Plan of the Vision 2030. In addition it conforms to the direction of the 2016 Budget Policy Statement (BPS) at the national level as captured in the latter's theme: "**Sustaining Economic Prosperity for all Kenyans**". More specifically, the CFSP recognises the challenges identified in the BPS and sets out measures to mitigate them.

The County Government of Laikipia is committed to improved service delivery to the public. Key pillars in the CFSP include: water access, health services, road transport infrastructure, agriculture and livestock development, trade and enterprise development, land based natural resource management, education services, public administration systems and tourism. These pillars are also reflected in the BPS through its five key pillars: Creating a conducive business environment for job creation; Investing in sectoral transformation to ensure broad based and sustainable economic growth with a major focus on agricultural transformation to ensure food security; Infrastructure expansion to facilitate economic transformation in transport, logistics, energy and water; Productive sectoral policies towards agricultural transformation, manufacturing, tourism and sports; Investing in social sectors for quality and accessible health care services, quality education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity; and further consolidating gains made in devolution in order to provide better service delivery and enhanced economic development.

The productive sector depends greatly on land resources and favourable weather conditions. Improved infrastructure, storage and marketing shall continue to be addressed towards increased sector productivity. Entrepreneurial activities amongst the youth, women, and persons with disabilities will also be enhanced. Social protection for the elderly and vulnerable shall also be addressed. The county revenue base shall continue to be enhanced towards increased resource envelope and collaboration with private sector and development partners to complement in the implementation of programmes.

Duncan Mwariri Wanjiru,
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I recognise the County Treasury staff led by CECM for Finance and Economic Planning, Mr. Duncan Mwariri and his technical team who provided the necessary information and technical assistance in the preparation of the strategy paper. In addition I recognize the staff of the Economic Planning Unit led by the Director, Mr. Charles Nderitu and his team consisting of Mr. Joseph Kamau, Mr. Joseph Mwangi, Mr. Evans Kamau, Mr. Alex Nzau, Mr. Wilson Wanyoike, Mr. Duncan Mugera and Budget Supplies Officer, Mr. Julius King'ori for their invaluable contribution into the compilation of the Strategy Paper.

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Henry K. Mbuthia,
Chief Officer,
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ABBREVIATIONS AND ACRONYMS

B	Billion
BPS	Budget Policy Statement
CFSP	County Fiscal Strategy Paper
CRA	Commission on Revenue Allocation
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
M	Million
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NSE	Nairobi Stock Exchange
PFMA	Public Finance Management Act
PPP	**Public Private Partnership**

CONTENTS

CHAPTER ONE
INTRODUCTION

1.1 Introduction

Kenya has continued to implement the two-tier system government comprising of national and county governments as stipulated in the Constitution of Kenya, 2010. The county governments are responsible for spearheading development in their respective areas of jurisdiction. They are to achieve this through a participatory process that links planning and budgeting as provided for in Section 102 of the County Government Act, 2012.

The Public Finance Management Act, 2012 gives guidelines on the budgeting process. Towards ensuring a comprehensive budget process, the county governments are expected to prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by the 28th February of each year. The preparation of the CFSP is provided for in section 117 of PFM Act.

1.2 Legal Basis for the Preparation of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is prepared in accordance with Section 117 of the Public Finance Management (PFM) Act. The law states that:

- The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- 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.
- The County Treasury shall seek and take into account the views of the Commission on Revenue Allocation (CRA), the public, any interested persons or groups and any other forum that is established by legislation.

- It further states that the County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Fiscal Responsibility Principles for the County Government

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. Section 107(1-2) of Public Finance Management Act states that; in managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

1) The County government's recurrent expenditure shall not exceed the county government's total revenue.

2) Over the medium term a minimum of thirty percent of the County government's budget shall be allocated to the development expenditure.

3) The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.

4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

5) The County debt shall be maintained at a sustainable level as approved by County Assembly.

6) Fiscal risks shall be managed prudently

7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking in to account any tax reforms that may be made in the future.

CHAPTER TWO
RECENT GLOBAL, NATIONAL AND COUNTY ECONOMIC DEVELOPMENT

2.1 Introduction

Laikipia County is not isolated from the effect of global and national economic issues that do arise. These issues have had either positive or negative effects on the economic development of the county. This section highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

2.2 Macroeconomic Environment

The leading economic indicators by Kenya National Bureau of Statistics indicated the provisional estimates of Gross Domestic Product (GDP) recorded the country's economy growth at 5.8 per cent in the months of July to September 2015. This was a slight improvement compared to 5.2 per cent recorded during the same period in 2014. This growth was mainly attributed to strong expansions in Agriculture; Energy; Mining Construction; Financial and Insurance; Wholesale and Retail Trade; and Transport and Storage.

The average inflation rate in the last quarter of 2015 was 7.35 per cent representing an increase of 1.17 percent compared to the same period in 2014. Inflation rate slowed down to 7.78 per cent in the month of January 2016 from 8.01 per cent recorded in the month of December 2015.

The overall Consumer Price Index increased by 0.65 per cent from 164.72 in December 2015 to 165.37 in January 2016. The upward pressure came mostly from food and non-alcoholic drinks driven by El Nino weather phenomenon. This phenomenon brought heavy rains and caused problems in transportation and agricultural sector.

The overall producer prices went down by 0.57 per cent in the fourth quarter of 2015 compared to an increase of 4.70 per cent recorded in the third quarter of 2015. This decline is highly attributed to a decline in electricity prices and cost of manufacture of food products.

The Kenya Shilling exchange rate demonstrated mixed performance against major international currencies. The currency appreciated against the US dollar to Ksh 102.31 in Week Four of January 2016 from Ksh 102.37 in Week Three of January 2016. Against the Japanese Yen, the Kenya Shilling appreciated to Ksh 86.34 in Week Four of January 2015 from Ksh 87.21 in Week Three of

January 2016. Against the Sterling Pound, the Shilling depreciated to Ksh 146.29 in Week Four of January 2016 from Ksh 145.56 in Week Three of January 2016 and against the Euro, it appreciated to Ksh 111.15 in Week Four of January 2016 from Ksh 111.47 in Week Three of January 2016.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shillings to Ksh 33.953 in Week Four of January 2016 from Ksh 33.946 in Week Three of January 2016. Against Tanzania Shilling, the Kenya Shilling appreciated to Ksh 21.40 in Week Four of January 2016 from Ksh 21.32 in Week Three of January 2016 and depreciated to Ksh 15.213 in Week Three of January 2016 from Ksh 15.22 in Week Two of January 2016 against the Burundi Franc.

The average yield rate for the 91-day Treasury bills increased to 11.36 per cent in January 2016 from 9.81 per cent in December 2015. The average yield for the 182 -day bills increased to 13.45 per cent in January 2016 from 11.43 percent in December 2015. In January 2016 the 364 -day treasury bills increased to 14.07 percent from 12.50 percent in December 2015.

Remittance inflows to Kenya in September 2015 increased by 0.9 percent to USD 128.4 million compared to USD 127.4 million in September 2014 but decreased by 3.4 percent in relation to inflows in August 2015. The decline reflected a decrease from North America and the rest of the world. Diaspora remittances, increased foreign investor participation in the NSE and enhanced confidence following successful issuance of the sovereign bond continues to support the Kenya shilling exchange.

The inter-bank rates rose to 6.129 per cent in the month of January 2016 compared to increase of 5.193 percent in the month of December 2015. The Nairobi Securities Exchange 20 share index dropped from 5,156 points in November 2015 to 5,113 points in December 2015, while the total number of shares traded increased from 666 Million to 900 Million shares during the same period. The total value of NSE shares traded expanded from Ksh. 14.34 Billion to Ksh. 31.58 Billion over the same period.

2.3 Implementation Progress at the County Level

In the financial year 2015/16 the county expected to receive revenue of Ksh. 3,949,548,893 comprising of Ksh 3,449,548,893 from equitable share of the national revenue and Ksh. 500,000,000 from local collections. In addition, the following conditional grants are expected: Ksh. 63,610,400 for free maternal health care; Ksh. 9,305,967 for compensation for user fees forgone; Ksh. 95,744,681 for leasing of medical equipment: Ksh. 43,820,742 for roads maintenance; Ksh.18, 845,096 World Bank support for county health facilities; Ksh. 11,350,000 DANIDA support for county health facilities and Ksh. 206,000,000 grants from development partners .In addition Ksh 484,000,000 was received as 2014/15 pending bills.

From the period of July 2015 to January 2016 the total exchequer releases were Ksh. 1,466,058,279 representing 42.50% percent of the total allocations from national government. In addition the total exchequer releases on conditional grants received were Ksh. 46,043,064.00. From July 2015 to December 2015 the county had collected Ksh. 229,948,391 from local sources representing 45.99 percent of the annual local revenue target.

The development expenditure as at January 2016 was Ksh. 449,719,173.00 (33.46 per cent of the vote) while recurrent expenditure was Ksh 992,191,458.41 (36 per cent of the vote). Implementation of the 2015/16 budget up to January 2016 was largely on recurrent expenditure. Late finalization of the procurement plan and delays in disbursement of funds by the national government affected timely implementation of planned activities. The county government has however achieved milestones in operationalization of developments funds such as enterprise fund and cooperative movement development fund. Infrastructural projects started in previous years as phases continued to be funded to their completion.

CHAPTER THREE
MACRO-ECONOMIC POLICY FRAMEWORK AND MEDIUM TERM OUTLOOK

3.1 Introduction

This section explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term**.** In addition, analysis on significant internal risks to the outlook is highlighted.

3.2 Kenya's Economic Prospects

Kenya's economic growth as envisaged in the economic pillar of the Vision 2030 continues to perform below the 10 per cent growth rate. Nevertheless, the economic growth has remained resilient recording a growth rate of 5.8 per cent by the end of September, 2015. The growth rate is projected at 6.1 per cent in 2016. This steady and consistency growth over the medium term is projected to pick up to about 6.3 per cent and 6.5 per cent in 2017/18 and 2018/19 respectively.

Continued growth will be supported by increased production in agriculture (barring any adverse weather), wholesale and retail trading, communication and ICT, tourism, construction and transport. The County Government will continue enhancing policies aimed at optimal funding of county sectors. This will be supported by adequate implementation of existing policies and legislative framework to bolster the economic potentials in the county. In addition, efforts will be enhanced aimed at improving investors' confidence, county's competiveness as a business hub as well as a tourist destination. Overall, the targeted growth rate is critical towards increased wealth creation, labour absorption and reduced poverty incidences.

The economy continues to benefit from the relatively strong growth in the region in terms of exports. In this view, measures will continue to be in place aimed at diversifying and promoting Kenya's exports globally in the medium term.

3.3 Budget Allocations and Revenue Enhancement

The Draft Budget Policy Paper, 2016 provides a total county allocation of Ksh. 285, 362.2 Million in 2016/17. This records an upward trend from Ksh. 259,774.5 Million in the financial year 2015/16. In the medium term, the allocations will continue on a steady growth based on revenue growth adjustments. In addition, focus on conditional grants is anticipated to remain steady in the health services and roads infrastructure sectors. The county equitable allocations are based on the existing formula which uses five parameters with specific weights, namely: population size (45 percent); equal share (25 percent); poverty index (20 percent); land area (8 percent); and, fiscal responsibility (2 percent). This formula will continue to be in place in the medium term awaiting the development of another formula. Mean time, the County Government will focus on the implementation of legislations aimed at enhancing local revenue collection. This is to ensure that targets on all local revenue streams are fully realized. The County Government recognizes the need to further up-scaling on mobilization of additional resources from external sources.

3.4 Public-Private Partnership

Taking into account limited public resources, the County Government will fast track the participation of the private sector in infrastructure development in the medium term. This is under a robust public-private partnership (PPP) agenda co-ordinated by the PPU Unit. The participation of the private sector is critical in meeting the economy's resource requirements while developing the appropriate market environment to promote efficiency. All this is premised on a macroeconomic stability, deeper structural reforms, cordial intergovernmental relations and enactment of enabling legislations/regulations. In addition, the enactment of the Companies Act, 2015 is expected to provide further incentives in trade and investment at the national level impacting positively at the county.

3.5 Risks to the Outlook

A number of risks associated to the outlook may pose uncertainties thus influencing key decisions on increase or decrease of the fiscal forecasts. The risks to the economic outlook for 2016/17 and the medium-term include:

a) National Macro Economic Stability

External factors may contribute towards negative variances on the performance of the economic growth. This may in turn lead to lower local revenue collections. The national government in collaboration with county governments will undertake appropriate measures to minimize negative variances thereby safeguarding macroeconomic stability. Inflation is expected to revert within 5.0 percent target and interest rates and shilling exchange rate expected to be stable.

b) Seasonal Weather Patterns

The projected prospects assume normal weather patterns in 2016 and the medium term. Laikipia County is dominantly semi arid with a significant population in the agriculture sector and associated linkages in a rural set up. Stability of the weather patterns will influence positive growth in the key production sectors including agriculture, forestry and tourism. The short rains season during October to December 2015 received above normal rainfalls as predicted. In addition, periodic seasonal outlooks will be provided over normal seasons, prolonged dry seasons, and enhanced rains. Long rains and short rains seasons are expected in the period March-May 2016 and October-December 2016 respectively.

c) Tourism

The National Government initiative to enhance domestic tourism has continued to have positive bearings on the county. Withdrawal of travel advisories by major tourists' source countries has contributed towards the performance of this sector. Laikipia County being part of the northern circuit receives a large number of tourists due to its attraction sites such as Thomson Falls in Nyahururu, a wide range of wildlife in the conservancies, a rich Maa culture; annual sports events; proximity to snow capped Mt Kenya among others. Issuance of travel advisories by major tourists' source countries may contribute towards the slowed performance of this sector.

d) Budget Allocations and Revenue Enhancement

The improved economic performance will translate to increased revenues for the county as the law requires the division of revenues between the Counties and the National Government to be at least 15 per cent of the audited financial position of the country. However, public expenditure pressures, especially recurrent expenditures, continue to pose fiscal risk to the County Governments. Looking ahead, the county government will continue mitigating internal risks. These risks include delays in passage of the finance related bills, labour unrest by the unionized members, court cases on revenue collections, weak implementation of large development projects and competing political interests which would adversely affect the outcomes of development expenditures. On the recurrent expenditures, consistent reduction on wastages and increased efficiency will be nurtured to facilitate service delivery. Expenditure management will be strengthened with enhanced use of the Integrated Financial Management Information System (IFMIS) and e-procurement across the county.

CHAPTER FOUR

FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2016/17 AND THE MEDIUM-TERM

4.1 Introduction

This section highlights the projections for county revenue, recurrent expenditure and development expenditure. It also describes the overall deficit and its financing, the underlying risks, structural measures and strategic interventions.

4.2 County Revenues

In the financial year 2015/16 the county revenue was estimated at Ksh. 4,539,380,283 comprising of Ksh. 3,449,548,893 from equitable share of the national revenue up from 3,009,821,026 in the financial year 2014/15.Local revenue was estimated at Ksh. 500,000,000. Conditional grants of lease of medical equipment Ksh. 95,744,681; Ksh 43,820,742 for road transport maintenance; Ksh 9,305,967 as compensation for user fees foregone, free maternal care and DANIDA, other loans and grants Ksh. 206,000,000, and Ksh. 160,000,000 for health facilities improvement (HFIF).

The 2016 Draft Budget Policy Statement, as prepared according to Section 190 of the PFM Act set out the division of county governments' share of revenue among the counties for the FY 2016/17. From these allocations, the Laikipia County will get an equitable share of Ksh. 3,789,329,234. In addition, the County government will get a conditional allocation of Ksh. 9,305,967for compensation of user charges. Other conditional allocations include Ksh. 63,640,000 for free maternal health care, Ksh. 57, 190,153 for road maintenance, Ksh. 95,744,641 for lease of medical equipment and Ksh. 65,814,676 as loans and grants. This makes the revenues expected from the national government for the FY 2016/17 amount to Ksh. 4,081,024,712. Revenue from local sources is projected at Ksh. 550,000,000. Extra budgetary provisions will also include HFIF to the tune of Ksh. 160,000,000.

Table 1: Summary of County Revenues in 2014/15-2016/17

Type of Revenue	2014/15 (Ksh)	2015/16 (Ksh)	2016/17 (Ksh)
Equitable share	3,009,821,026	3,449,548,893	3,789,329,234
Local Revenue	440,000,000	500,000,000	550,000,000
Total	**3,449,821,026**	**3,949,548,893**	**4,339,329,234**

NB: Exclusive of Conditional Grant

4.3 County Expenditure

Following the limited resources facing the County Government, departmental funding requirements will have to be in line with the county and national goals and objectives as outlined in the County Fiscal Strategy Paper (CFSP) 2016 and the County Integrated Development Plan (2013-2017). In this regard, departments will have to rationalize and prioritize their expenditure programmes in the FY 2016/17 and medium term to focus only on the strategic interventions and projects that are captured in these documents. The expenditure has to be geared towards promotion of service delivery that supports social development, economic growth and transformation of the County.

In 2016/17, overall expenditures at the County are projected at Ksh 4,791,024,671 compared to the revised budget for 2015/16 of Ksh4, 539,380,283. The expenditure for 15/16 is exclusive of Ksh. 484,000,000 on pending bills, Ksh 50,000,000 AIA and Ksh. 56,000,000 Transitional Authority grant carried over since 2014/15.

4.4 Development Expenditure

In 2016/17, overall development expenditures are projected at Ksh. 1,400,000,000 representing **32.26 percent** of the total budget. Development spending in 2016/17 will focus on roads improvement, water infrastructure, upgrading of health facilities, school infrastructure, market infrastructure, environment conservation and land based resource management. The major spending departments include: Finance and Planning Services, Agriculture, Infrastructure Lands and Urban Planning. Development spending in 2015/16 of Ksh. 1,344,235,000 was mainly on health facilities upgrading, water dams, roads improvement, urban parking, health supplies, wildlife fences, school infrastructure, ward development and security support infrastructure.

4.5 Recurrent Expenditure

The estimated amount for recurrent expenditure in 2016/17 is projected at Ksh. 2,939,329,234 from Ksh. 2,747,313,893 in 2015/16. Salaries and the wage bill in 2016/17 have been estimated at Ksh. 2,260,817,935 compared to budget level of Ksh. 2,274,723,500 in 2015/16. This spending item is expected to stabilize over the medium term following staff rationalization at the county and national level in match of skills and functions. The major spending departments include; County Assembly Services, County Administration, Finance and Planning Services.

4.6 2016/17 County Fiscal Policy Statement

Strategies for sustainable economic activities are critical in order to provide fiscal space for priority expenditures. Wage adjustments for government departments are expected to be met within the departmental ceilings. With respect to goods and services, expenditure ceilings for sectors/departments are determined by the funding allocation for goods and services in the previous year budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in 2016/17 and then an adjustment factor is applied to take into account the general increase in growth of revenues. The expenditure on wages and benefits for public officers as provided by the PFM Act stands at 52.10 % way above the prescribed global standards of 35%.

Consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure (roads, water, health and markets), the uptake of development expenditures including funding from development partners is to be maintained at over 35 % (at 32.26 % in 16/17) and recurrent expenditure below 70 % (at 67.74% in 16/17). Most of the outlays are expected to support critical infrastructure that will crowd in private sector investment as well as critical interventions to remove binding constraints to accelerated growth. With improvement in procurement planning, the absorption capacity of project funds is expected to increase resulting in a higher investment level in infrastructure activities.

In view of challenges of climate change and unforeseen shocks, Emergency Fund provision of Ksh. 86,786,585 will be provided in the budget for 2016/17 from Ksh. 20,000,000 in 2015/16 to be applied in line with the Emergency Fund requirements limited to 2% of total government revenue as per Section 113 of the PFM Act.

4.7 Overall Deficit and Financing

To ensure fiscal discipline, the 2016 BPS encourages the County governments not to include deficits in their budgets in 2016/17 and medium term without a clear and realistic plan of how the deficit will be funded. It is in this regard that the County Government allocated resources for spending that are commensurate to the revenues expected in the 2016/17and the medium term.

During the 2016/17 fiscal year, the county budget shall be financed through transfers from the national government and revenue collected from local sources such as fees and charges, rates, among others as allowed by the governing Acts. The 2016/17 fiscal framework is therefore fully financed.

CHAPTER FIVE

RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

5.1 Introduction

This section provides for the available resources in terms of revenue and deficit finance vis-à-vis budgetary requirements. This is informed by the national objectives and goals as outlined in the 2016 Budget Policy Statement and the set out resource sharing guidelines.

According to Articles 201, 202 and 203 of the Constitution, revenue raised nationally is shared equitably among the two levels of governments and among county governments to enable them provide services and perform the functions assigned to them under the Fourth Schedule of the Constitution. The equitable division of revenue between the two levels of government takes into account the criteria specified in Article 203 of the Constitution. In addition, the Constitution requires that a minimum of 15 percent of all revenue collected by the national government be allocated to county governments. In the year 2016/17, the county governments will receive Ksh. 285 Billion that will be shared equitably. Laikipia County will receive Ksh 3,789,329,234 translating to 1.33 % of the equitable share.

The Commission on Revenue Allocation (CRA) Act, 2011 defines revenue as follows:
"...all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorized by an Act of Parliament, but excludes revenues referred to under Articles 209 (4) and 206(1)(a)(b) of the Constitution".
The definition of revenue, therefore, includes: income tax; value added tax; customs duties and other duties on imports and exports; excise tax; and any other tax or duty authorized by an Act of Parliament but excludes taxes which have been assigned exclusively to county governments by the Constitution. The definition also explicitly excludes: (i) charges imposed for the provision of a service (Article 209 (4)); (ii) money excluded by an Act of Parliament and payable into another public fund established for a specific purpose (Article 206(1) (a); and (iii) money retained by a state organ that received it for the purpose of defraying the expenses of the State organ (Article 206(1)(b).

5.2 Sector Priorities and Ceilings

This section provides the sector ceilings for the MTEF period ensuring continuity in resource allocation from the last financial year consistent with the MTEF budgeting approach. The ceilings include the strategic interventions, details of sector ceilings that will continue to be informed by well defined programmes and expected outputs.

5.2.1 Agriculture, Livestock, Irrigation and Fisheries Development Sector

The County Government will prioritize food security initiatives through enhanced production mechanisms targeting: farm input subsidies, extension services, water and soil conservation, irrigation, wildlife conflict management, disease control and surveillance, warehouses for cereals and industrial activities such as milk cooling plants and abattoirs.

5.2.2 Trade, Tourism, Enterprise Development and Co-operative Sector

The county government will prioritize establishment of market infrastructures in urban centres, strengthening revolving fund models, revitalizing co-operative societies, marketing of Laikipia as a tourist destination and creating a conducive environment for industrialization. Improved funding of priority projects under these programmes in 2016/17 will foster employment creation and support the productive sector in the county.

5.2.3 Land, Housing and Urban Development Sector

Improvement of road transport infrastructure and urban pavements have been identified as critical foundations whose implementation will greatly enhance the commercial and productive activities in the dominant rural households of the county. Spatial planning, survey and mapping, town planning and building standards, estate management and office space have been identified as priorities in land planning and housing management. Bridge infrastructures, parking lots, pedestrian paths, bus parks and pavements have also been factored in 2016/17 FY.

5.2.4 Education, ICT and Social Services Sector

Infrastructure at ECDE and polytechnics are key programmes in the sector. Implementation of enhanced ICT absorption initiatives in schools, offices and in service delivery will also gain incremental funding in line with the County ICT Road Map. To enhance social protection the sector will embark empowerment support services to persons living with disabilities and support to children rehabilitation and rescue centres. Improvement of social halls, conducting annual social cultural events, youth and women empowerment programs, bursary support programme for the needy and capacity building programs are also considered for allocation of resources. Sport and talent promotion will also be supported through improved infrastructure and annual events.

5.2.5 Health Sector

The increased need for service delivery systems, medical supplies, medical equipment, upgrading of the health facilities, maternity wings, ambulance services, preventive and primary healthcare, integrated health outreaches, mobile clinic programs and mental health service will guide the allocation of resources in this sector. The sector will also prioritize on acquisition of land for public cemeteries, capacity building of health workers, formulation of health care policies and regulations, upgrading and construction of existing and new mortuaries, waste management and acquisition of backup power generators. Collaboration with the national government and development partners will also be enhanced on specialized equipment leasing and technical support.

5.2.6 Water, Environment and Natural Resources Sector

A master plan for water enhancement will guide the short term, medium term and long term needs in the county spending. Rehabilitation of water supply sources (dams, boreholes, springs and storage tanks), as well as establishment of new water schemes in identified clusters has been factored. Rangeland management, electric fencing, community patrols, forestry and strengthening resource user associations will continue to be supported in 2016/17 FY. Waste and drainage management will also increase funding.

5.2.7 Public Service and County Administration Sector

The administrative units will be strengthened up to the ward levels and the offices supported towards effective delivery of devolved functions. Local initiatives in promoting a cohesive and peaceful county will be prioritized targeting: executive services, county administration, public safety, street lighting, alcohol control and improved office environment. Disaster risk reduction strategies will also be promoted towards increased resilience of the local communities.

5.2.8 Finance and Economic Planning Sector

Revenue collection enhancement is a critical service to the county. Integration of ICT in revenue collection, procurement, payrolls and financial management is a critical pillar in the Treasury operations. Integrated planning, budgeting, sectoral planning and monitoring and evaluation will be realized through public participation and concerted efforts of the relevant departments. To promote economic growth in the county, the government will continue funding development initiatives through Laikipia County Development Authority and the Wards Development Fund.

5.2.9 Legislative Services

The legislative services and oversight roles shall continue to be the main spending items as well as promotion of issue based transformative agenda.

5.3 Challenges to be Addressed

The following challenges and respective recommendations are highlighted:

The outlook for 2016 may face unpredictable weather patterns whose effects if not adequately mitigated; the county may record a poor economic performance. Information from Early Warning Systems requires to be acted on and departments fully supported with requisite funding.

Delays in exchequer releases and related issues caused by lengthy implementation of large development projects may result to slow uptake of development funds. The equitable share of devolved funds has continued to be progressive in enabling the county to realize its development goals. The Treasury will ensure adequate and timely release of allocated funds for effective and efficient implementation of activities and programmes.

Revenues collected locally fell short of target in the first half of 2015/16 recording 45% of the annual targets. Mainstreaming and automation of revenue collection shall be strengthened. Public Private Partnerships shall be embraced as well towards an increased county resource envelope.

Additional spending pressures have emerged mainly on staffing recruitment, working space, working tools and equipment. This will stabilize in the medium term in line with the activities of Capacity Assessment and Rationalization in Public Service.

Procurement processes have been cited as delaying most of the projects, leading to upward revision of costs. Adherence to Public Procurement and Disposal Act, 2015 amendments will ensure timely implementation of programmes. In addition, adherence to Annual Procurement Plans and e-procurement requirements will ensure consistent and timely implementation of departmental priorities.

The month of September 2015 had Ward Leaders Forum activities on tracking of activities for results. This will be strengthened through the monitoring and evaluation system to track and ensure timely implementation of projects and programmes by strengthening initiatives such as NIMES and Social Intelligence Reporting.

The requirements on public participation in governance and development have received improved performance. Nevertheless, there is need to embrace best practices in broadening citizenry inputs in policies, budget making and implementation of programmes/projects.

Table 2: Summary of Resource Allocations (Ksh)

DETAILS	2015/16	2016/17	2017/18	2018/19
Personal Emoluments Executive	2,094,889,014	2,063,000,000	2,269,300,000	2,496,230,000
Personal Emoluments Assembly	179,834,486	197,817,935	217,599,729	239,359,701
Operations and Maintenance Executive	271,863,000	457,711,167	503,482,284	553,830,512
Operations and Maintenance Assembly	200,727,393	220,800,132	242,880,145	267,168,160
Total Recurrent Expenditure	**2,747,313,893**	**2,939,329,234**	**3,233,262,157**	**3,556,588,373**
Development Expenditure	1,344,235,000	1,400,000,000	1,540,000,000	1,694,000,000
Total Development Expenditure	**1,344,235,000**	**1,400,000,000**	**1,540,000,000**	**1,694,000,000**
Total Budget	**4,091,548,893**	**4,339,329,234**	**4,773,262,157**	**5,250,588,373**

NB: The figures exclusive of conditional grants

Table 3: Sector Allocations in 2015/16

Sector	Total Allocation	Personnel Emoluments	Recurrent Allocation	Development Allocation
County Assembly	411,561,879	179,834,486	200,727,393	31,000,000
Agriculture	121,226,000	253,345,586	17,170,000	104,056,000
Education, ICT and Social Services	115,098,000	72,572,954	15,500,000	99,598,000
Public Service and County Administration	2,409,122,014	181,903,639	86,452,000	227,781,000
Land, Housing and Urban Development	273,500,000	97,078,108	11,500,000	262,000,000
Trade, Tourism ,Enterprise Development and Co-operatives	78,700,000	21,112,132	10,000,000	68,700,000
Health	39,000,000	1,168,707,316	39,000,000	163,100,000
Water, Environment and Natural Resources	132,240,000	84,825,531	10,240,000	122,000,000
Finance and Economic Planning	348,001,000	215,343,748	82,001,000	266,000,000
Total	**3,928,448,893**	**2,274,723,500**	**472,590,393**	**1,344,235,000**

Table 4(a): Sector Ceilings in 2016/17 and Medium Term

Sector	2016/2017 Total Projections	2016/2017 Personnel Emoluments	2016/2017 Projections Recurrent	2016/2017 Projections Development
County Assembly	418,618,067	197,817,935	220,800,132	0
Agriculture	414,582,900	249,489,086	25,093,814	140,000,000
Education, ICT and Social Services	221,543,278	71,468,227	20,075,051	130,000,000
Public Service and County Administration	499,772,584	179,134,649	170,637,935	150,000,000
Land, Housing and Urban Development	413,667,903	95,600,357	18,067,546	300,000,000
Trade, Tourism ,Enterprise Development and Co-operatives	136,850,798	20,790,757	16,060,041	100,000,000
Health	1,471,179,590	1,150,916,911	70,262,679	250,000,000
Water, Environment and Natural Resources	305,616,848	83,534,292	22,082,556	200,000,000
Finance and Economic Planning	457,497,267	212,065,723	115,431,544	130,000,000
Total	**4,339,329,234**	**2,260,817,935**	**678,511,299**	**1,400,000,000**

NB: Conditional Grants not included in the 2016/2017 Sector Projections

Table 4(b): Sector Ceilings in 2017/18 and Medium Term

Sector	2017/2018 Total Projections	2017/2018 Personnel Emoluments	2017/2018 Projections Recurrent	2017/2018 Projections Development
County Assembly	460,479,874	217,599,729	242,880,145	0
Agriculture	456,041,190	274,437,994	27,603,195	154,000,000
Education, ICT and Social Services	243,697,606	78,615,050	22,082,556	143,000,000
Public Service and County Administration	549,749,842	197,048,113	187,701,729	165,000,000
Land, Housing and Urban development	455,034,693	105,160,392	19,874,301	330,000,000
Trade, Tourism ,Enterprise Development and Co-operatives	150,535,877	22,869,832	17,666,045	110,000,000
Health	1,618,297,549	1,266,008,602	77,288,947	275,000,000
Water, Environment and Natural Resources	336,178,533	91,887,721	24,290,812	220,000,000
Finance and Economic Planning	503,246,994	233,272,295	126,974,699	143,000,000
Total	**4,773,262,157**	**2,486,899,729**	**746,362,429**	**1,540,000,000**

NB: Conditional Grants not included in the 2017/2018 Sector Projections

Table 4(c): Sector Ceilings in 2018/19 and Medium Term

Sector	2018/2019 Total Projections	2018/2019 Personnel Emoluments	2018/2019 Projections Recurrent	2018/2019 Projections Development
County Assembly	506,527,861	239,359,701	267,168,160	0
Agriculture	501,645,308	301,881,794	30,363,515	169,400,000
Education, ICT and Social Services	268,067,366	86,476,555	24,290,812	157,300,000
Public Service and County Administration	604,724,826	216,752,925	206,471,901	181,500,000
Land, Housing and Urban development	500,538,162	115,676,432	21,861,731	363,000,000
Trade, Tourism ,Enterprise Development and Co-operatives	165,589,465	25,156,816	19,432,650	121,000,000
Health	1,780,127,304	1,392,609,462	85,017,842	302,500,000
Water, Environment and Natural Resources	369,796,386	101,076,493	26,719,893	242,000,000
Finance and Economic Planning	553,571,693	256,599,524	139,672,169	157,300,000
Total	**5,250,588,373**	**2,735,589,701**	**820,998,672**	**1,694,000,000**

NB: Conditional Grants not included in the 2018/2019 Sector Projections

Table 5: Conditional Grants 15/16 and 16/17

Conditional Grant	F/Y 2015/16 (Ksh.)	F/Y 2016/17 (Ksh.)
Road Maintenance Levy Fund	43,820,742	57, 190,153
Lease of Medical Equipment	95,744,681	95,744,641
Loans and Grants	206,000,000	65,814,676
Free Maternity Services	63,610,000	63,640,000
Compensation for User Fees Foregone	9,305,967	9,305,967
DANIDA Grants	11,350,000	-
Total	**429,831,390**	**234,505,284**

Table 6 (a): County Projected Local Revenue

Year	F/Y 2013/14	F/Y 2014/15	F/Y 2015/16	F/Y 2016/17	F/Y 2017/18	F/Y 2018/19
Local Collections (Ksh)	0	440,000,000	500,000,000	550,000,000	600,000,000	650,000,000

NB: Projections as per the Strategic Plan 2014/15-18/19

Table 6(b): County Projected Extra Budget Item

Conditional Grant	F/Y 2015/16 (Ksh.)	F/Y 2016/17 (Ksh.)
Health Facility Improvement Fund	160,000,000	160,000,000

Annexes

Annex 1: Sector Ceilings in 2016/17 and Medium Term (Extracts from Annual Development Plan 2015/16)

Sector	2016/2017 Total Projections	2016/2017 Projections Recurrent	2016/2017 Projections Development	2017/2018 Total Projections	2017/2018 Projections Recurrent	2017/2018 Projections Development	2018/2019 Total Projections	2018/2019 Projections Recurrent	2018/2019 Projections Development
County Assembly	418,618,066	418,618,066	0	460,479,874	460,479,874	0	506,527,861	506,527,861	0
Agriculture	133,348,600	18,887,000	114,461,600	146,683,460	20,775,700	125,907,760	161,351,806	22,853,270	138,498,536
Education, ICT and Social Services	126,607,800	17,050,000	109,557,800	139,268,580	18,755,000	120,513,580	153,195,438	20,630,500	132,564,938
Public Service and County Administration	345,656,300	95,097,200	250,559,100	380,221,930	104,606,920	275,615,010	418,244,123	115,067,612	303,176,511
Land, Housing and Urban development	300,850,000	12,650,000	288,200,000	330,935,000	13,915,000	317,020,000	364,028,500	15,306,500	348,722,000
Trade, Tourism ,Enterprise Development and Co-operatives	86,570,000	11,000,000	75,570,000	95,227,000	12,100,000	83,127,000	104,749,700	13,310,000	91,439,700
Health	222,310,000	42,900,000	179,410,000	244,541,000	47,190,000	197,351,000	268,995,100	51,909,000	217,086,100
Water, Environment and Natural Resources	145,464,000	11,264,000	134,200,000	160,010,400	12,390,400	147,620,000	176,011,440	13,629,440	162,382,000
Finance and Economic Planning	382,801,100	90,201,100	292,600,000	421,081,210	99,221,210	321,860,000	463,189,331	109,143,331	354,046,000
Total	**2,162,225,866**	**717,667,366**	**1,444,558,500**	**2,378,448,454**	**789,434,104**	**1,589,014,350**	**2,616,293,299**	**868,377,514**	**1,747,915,785**

Annex 2: Sector Ceilings (Personnel Emoluments- Annual Development Plan) in 2016/17 and Medium Term

Sector	2015/16 Budget Estimates	2016/2017 Projections	2017/2018 Projections	2018/2019 Projections
County Assembly	179,834,486	200,000,000	220,000,000	242,000,000
Agriculture	253,345,586	268,800,000	295,680,000	325,248,000
Education, ICT and Social Services	72,572,954	77,000,000	84,700,000	93,170,000
Public Service and County Administration	181,903,639	193,000,000	212,300,000	233,530,000
Land, Housing and Urban development	97,078,108	103,000,000	113,300,000	124,630,000
Trade, Tourism ,Enterprise Development and Co-operatives	21,112,132	22,400,000	24,640,000	27,104,000
Health	1,168,707,316	1,240,000,000	1,364,000,000	1,500,400,000
Water, Environment and Natural Resources	84,825,531	90,000,000	99,000,000	108,900,000
Finance and Economic Planning	215,343,748	228,480,000	251,328,000	276,460,800
Total	**2,274,723,500**	**2,422,680,000**	**2,664,948,000**	**2,931,442,800**

Annex 3: Local Revenue Collection First Half Financial Year 2015/16

Category	July	Aug	Sep	October	November	December
Local Revenue	28,819,633	15,738,628	55,353,371	24,801,790	14,303,547	14,682,583
Hospitals Cost Sharing Revenues	12,474,247	10,629,081	12,685,650	12,048,871	9,874,945	18,536,045
Total	41,293,880	26,367,709	68,039,021	36,850,661	24,178,492	33,218,628
Grand Total						**229,948,391**

Annex 4: Exchequer Releases 2015/16 on Recurrent Expenditure

Summary	Approved Budget	Exchequer Quarter 1	Exchequer Quarter 2	Budget Balance
County Administration	2,181,341,014.00	323,500,000.00	551,724,857.00	1,306,116,157.00
Finance and Planning	82,001,000.00	20,397,500.00	15,603,380.00	46,000,120.00
Health	151,000,000.00	45,000,000.00	52,887,463.00	53,112,537.00
Agriculture	17,170,000.00	4,292,500.00	4,292,500.00	8,585,000.00
Infrastructure	11,500,000.00	2,875,000.00	2,875,000.00	5,750,000.00
Education and Sports	15,500,000.00	3,875,000.00	3,875,000.00	7,750,000.00
Trade	10,000,000.00	2,500,000.00	2,500,000.00	5,000,000.00
Water	10,240,000.00	2,560,000.00	2,560,000.00	5,120,000.00
Assembly	380,561,879.00	65,000,000.00	123,000,000.00	192,561,879.00
Total	**2,859,313,893.00**	**470,000,000.00**	**759,318,200.00**	**1,629,995,693.00**

Annex 5: Exchequer Releases 2015/16 on Development Expenditure

Sector	Approved Budget	Exchequer Quarter 1	Exchequer Quarter 2	Budget Balance
Agriculture	104,056,000.00		10,000,000.00	94,056,000.00
Culture and Sports	99,598,000.00			99,598,000.00
County Administration	283,781,000.00			283,781,000.00
Infrastructure	305,820,742.00		32,129,474.00	273,691,268.00
Finance and Planning	864,000,000.00	200,000,000.00	186,237,463.00	477,762,537.00
Health	391,109,967.00		59,352,326.00	331,757,641.00
Water	122,000,000.00			122,000,000.00
Trade	68,700,000.00		10,500,000.00	58,200,000.00
Assembly	31,000,000.00		10,000,000.00	21,000,000.00
Total	**2,270,065,709.00**	**200,000,000.00**	**308,219,263.00**	**1,761,846,446.00**

Annex 6: Equitable Share Releases

Equitable Share Received from National Government from National Government				
Date	**Budget**	**Amount Released**	**% of Amount Released**	**Description**
19.9.15		275,963,911.00		County equitable share
1.10.15		310,459,400.00		County equitable share
29.10.15		275,963,912.00		County equitable share
27.11.15		293,211,656.00		County equitable share
18.12.15		310,459,400.00		County equitable share
	3,449,548,893.00	**1,466,058,279.00**	**42.50%**	

Annex 7: Equitable Share Releases

Grants Received From National Government				
Date	Budget	Amount Released	% of Amount Released	Description
30.10.15	9,305,967.00	2,013,590.00	21.64	Dispensaries user fees foregone
3.11.15	63,610,400.00	21,900,000.00	34.43	Maternal health care
2.12.15	43,820,742.00	22,129,474.00	50.50	Road maintenance levy
	Total	**46,043,064.00**		

Annex 6: Conditional Grants

Conditional Grants Recurrent and Development	**2015/16 Allocations (Ksh)**
Pending bills and outstanding liabilities	598,000,000
Facility Improvement Fund	112,000,000
Construction of County HQs	56,000,000
Road maintenance	43,820,742
Leasing of Medical equipment	228,009,967
Total Allocations	**1,037,830,709**
Conditional Grants Recurrent and Development	**2016/17 Allocations (Ksh)**
Compensation for user fees foregone	9,305,967
Free maternal healthcare	63,640,000
Road Maintenance Levy Fund	57,190,153
Leasing of Medical Equipment	95,744,681
Loans and Grants	65,814,676
Total Allocations	**291,695,477**