COUNTY GOVERNMENT OF UASIN GISHU

THE COUNTY TREASURY

2016 COUNTY FISCAL STRATEGY PAPER

(C-FSP)

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FOREWARD

This is the third County Fiscal Strategy Paper (C-FSP) prepared by the county government since the devolved system of governance took root. The policy document draws its legal basis from section 117 of the PFM Act 2012 which requires the County Treasury to develop C-FSP and submit to the County Assembly by 28th February of each year. The section and Regulations 26, 27 and 28 of the Act further require the County Treasury to align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement, and apply fiscal responsibility principles given in section 107 of PFM Act 2012.

The County Fiscal Strategy Paper is the county government's primary financial policy document setting out the priority programmes the government intends to implement over the medium term. It therefore specifies 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. C-FSP 2016 seeks to consolidate the targeted broad policies and strategic interventions contained in the C-FSP 2014 and reaffirmed in the C-FSP 2015 for more output and outcomes. In this C-FSP the county has reprioritized the development needs of it residents so that policies and strategic interventions will focus on: water; agriculture; health services social services; and road infrastructure.

The fiscal policy contained in this policy document will support economic activity within a context of sustainable public financing. We will adopt a balanced budget in the FY 2016/17 budget and MTEF. Expenditures will be guided by sector objectives as captured in the County Integrated Development Plan (CIDP). The county government will strengthen initiatives to increase revenue even as it pursues expenditure productivity; re-orienting spending from non-essential to productive areas.

With the policies and strategic interventions in the C-FSP 2016 we hope to fast track our transformative agenda with a view to actualizing the socio-economic transformation. Consequently, we will accelerate our economy towards a prosperous and attractive county as envisaged in our vision.

MR. SHADRACK SAMBAI
CEC – FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The 2016 CFSP presents broad strategic macroeconomic issues and medium term fiscal framework for the county together with a summary of county government spending plans, as a basis of the 2016/17 budget.

The preparation of this policy paper was a collaborative effort. The information on this paper was obtained from the County Government Departments and Agencies and the citizens of the county.

Special recognition goes to all the Chief Officers from line ministries who together with their technical officers provided information that went into this policy paper through the Sector Working Groups.

Special recognition goes to all County Executive Committee Members for their contribution towards this policy paper. I would also want to recognize the efforts of the County Executive Member for Finance, Mr. Shadrack Sambai under whose leadership and supervision this assignment was undertaken. Special thanks go to the Budget and Planning team for their time and tireless effort in putting together this CFSP.

I would also like to further extend my appreciation to all stakeholders for contributing towards the development of this paper.

Finally, special appreciation and gratitude goes to His Excellency the Governor and His Excellency the Deputy Governor for their general leadership in the development discourse of the county.

MR. PETER CHESOS
CHIEF OFFICER – FINANCE AND ECONOMIC PLANNING

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1.0 Introduction

This chapter discusses overview of the C-FSP 2016 which presents; county development priorities; and outline of the document.

1.1 Overview

County Fiscal Strategy Paper (C-FSP) 2016 is the third prepared by the county government since its inauguration. Section 117 of the PFM Act 2012, the County Treasury is required to prepare the County Fiscal Strategy Paper (C-FSP) which should be submitted to the County Assembly by 28th February of each year. The section and Regulations 26, 27 and 28 of the Act further require the County Treasury to align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement, and apply fiscal responsibility principles given in section 107 of PFM Act 2012.

The County Fiscal Strategy Paper is the county government's primary financial policy document setting out the priority programmes the government intends to implement over the medium term. It thus seeks to 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.

This C-FSP 2016 seeks to consolidate the targeted broad policies and strategic interventions contained in the C-FSP 2014 and reaffirmed in the C-FSP 2015 for more output and outcomes. These policies and interventions were trained on addressing the transformative agenda contained in the previous two C-FSPs, namely (a.) investing in agricultural transformation and food security; (b.) investing in infrastructural development; (c.) investing in quality and accessible healthcare services and quality education; (d.) ensuring conducive business environment; and (e.) governance and innovation for efficient service delivery.

The C-FSP 2016 has been developed against the backdrop of a strong macroeconomic performance in Kenya in the face of headwinds from the global economic slowdown. The economy grew by 5.3 percent in 2014 and is projected to rise to 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent over the medium term. This robust economic growth is supported by continued investment in infrastructure, construction, mining, lower energy prices and improved agriculture following improved rains. Inflation is expected to remain within target over the medium term. Interest rates are also expected to remain low and stable and the exchange rate competitive.

1.2 County Development Priority Areas

Development process in Uasin Gishu County requires huge resource base that is not within reach of the county government. With limited resources against huge development requirements, the government, with the participation of the public, has identified priority areas that will drive growth agenda of the county. With the shifting priority needs it has been considered wise to rearrange county development priority areas as follows: water; agriculture; health; social services; roads infrastructure; and public administration. These priority areas have been aligned to the Budget Policy Statement (BPS) of the national government. These are the areas that the government will concentrate resources on in line with the needs of the county. However, this does not mean other areas will not attract allocations; those areas will also be allocated resources so that the transformative agenda of the county is realized for the achievement of ***Creating an attractive County in Kenya and beyond***.

Priority I: Water.

Adequate access to water is important for industrial development, domestic and livestock purposes. Clean water access ensures that residents of Uasin Gishu County are protected from water related diseases, thus having a healthy and productive population. The county government has made some progress by increasing the volume of water available for use by desilting a number of dams and constructing an additional treatment plant at Kipkabus. The six water supplies within the county have also been rehabilitated to improve on their efficiencies in operation.

However, this feat has not been adequately achieved across the county, with the county government therefore giving more premium to water subsector with the aim of increasing the volume and access to clean and portable water. The strategic interventions in the next financial year and over the medium term will be directed towards improvement of water resources management; construction of water supplies; rehabilitation of existing water supplies; rehabilitation of dams by desilting; promotion of rain water harvesting; and drilling of boreholes to improve water supply in the county.

Specifically, in the financial year 2016/2017 the county government has targeted rehabilitation of seven (7) existing water supplies, construction of water supplies, rehabilitate dams through de-silting, and promote rain water harvesting by providing an additional 10,000 litre storage tanks and engage in the drilling of boreholes. All the level IV hospitals will also be supplied with clean water.

Priority II: Agriculture

Agriculture remains the main stay of Uasin Gishu County. It is therefore a major component of growth potential areas of the county's economy. The government has always concentrated its effort on increasing agricultural productivity for increased incomes for farmers. Sluggish progress in the subsector has been blamed on low agricultural production, poor market access, lack of value addition and post-harvest losses.

So far substantial progress has been made towards improving agricultural productivity through strengthened research and extension services, soil testing and improved application of appropriate technologies and mechanization of agriculture. Over 120,000 farmers have been reached and trained on good agricultural and husbandry practices through farmer group trainings, farm visits, exchange farm visit, field day among others; over 190,000 animals have been vaccinated against various diseases, more than 247 dips renovated and 398 dip committees trained on dip management; and subsidized AI service programme has been rolled out in 18 dairy groups across the county, 8 farms supported through sexed semen and 450 groups supported with superior poultry breeds. To boost horticultural production, a Horticulture Business Strategy (HBS) was developed in which 31 fruit nurseries were established.

To reduce post-harvest losses, 2 cereal stores have been renovated, a cold storage facility established and farmers supported with 2 grain driers. And to increase fish production, the county government supported 500 farmers with 1000 fingerlings each, supported establishment of a fish feed extruder and the process of establishing a Fish Hatchery in partnership with University of Eldoret is ongoing.

The county government's strategy for FY 2016/17 and over the medium term will be to upscale its efforts in improving production and productivity, value addition and marketing in agriculture, livestock and fisheries. To increase storage capacity of the county and reduce post-harvest losses, the county government will invest in the construction of four (4) 30,000 bag capacity cereal stores and 8 light diffuse stores for potatoes for post-harvest management. Improving production and productivity will also involve liming of the soil to reduce acidity; subsidy to farmers (including subsidized fertilizers); and strengthening horticulture strategy (Horticulture Business Strategy). The government will also implement *Kijana na Acre* programme, a county flagship project targeting two youth groups per ward; and establish 150 acres of livestock feeds demo centres to support dairy farmers with pasture seeds and forage. The focus will also be on strengthening extension services to reach out to more farmers by employing various approaches including individual farm visits, on-farm demonstrations, farmer group trainings, field days and farm tours among others.

In addition, the county government will strengthen value addition and marketing of livestock products by building a modern abattoir (class A). To improve livestock genetic resource base, subsidized AI services will be up scaled and an Animal Genetics Resource Centre (AGRC) established. The government will also complete the hatchery being developed in collaboration with University of Eldoret for improved fish production. To enhance livestock diseases control, the government intends to construct and rehabilitate dips and train dip committees on dip management as well as supplying acaricide. Further, to modernize dairy production in the county, the county government will invest in modern livestock housing; construct a modern hostel; equip ATC Chebororwa with modern farm equipments and machineries; and establish a service and fabrication workshop at AMS.

Priority III: Health Services.

A healthy population guarantees high levels of productivity for increased incomes and employment. The health services in the county targets enhanced health status of residents of Uasin Gishu and reduced prevalence of communicable diseases and conditions.

Phenomenal progress has been made in the health services sector. Upgrading and renovation of existing health infrastructure for provision of high quality services is ongoing. The upgrading of six Health Centres to Sub-County Referral Hospitals will serve as referral centres for Ward hospitals. Once complete, the Sub-County hospitals are expected to transform health care in the county. In addition, construction of Eye Hospital at Huruma Hospital has been completed. This facility will provide specialized eye treatment, being the first such public facility of its kind in the county. A further 98 dispensaries and health centers across the county have been renovated and 22 new facilities constructed to improve access to health services in the rural areas.

Physical movement of clients from one level of care to another remains an integral part of our approach to provision of essential health care. In strengthening referral systems in the county, 12 new modern ambulances have been acquired for adequate and reliable respond to emergencies within the shortest time with no direct cost to the clients. To reduce prevalence of communicable diseases and conditions, outreach programmes been put in place with areas not easily accessible given priority. Maternal and child neonatal care have been promoted with construction of maternity wings in most of level 2 facilities.

The county government has invested heavily on provision of essential medical supplies and technologies including equipping and automation of health facilities; and construction of a modern drug store. Staffing needs have also been substantially addressed, though it is noteworthy that more should be done, especially when resources are available; a total of 377 health care workers across all cadres have been employed and deployed to meet staffing needs for the upgraded facilities.

In 2016/17 and over the medium term, the county government will continue to concentrate its efforts on improving preventive and promotive health care, and expansion and equipping of all health facilities and stocking them with requisite drugs and other supplies. It will also support screening of emerging diseases, for example cancer among others, as well as improve mobility of public health services. In collaboration with the national government and other development partners the county government will train healthcare workers so as to equip them with necessary skills for provision of quality health care services. Community functional units will also be strengthened and improved.

Priority IV: Social Services.

Social cohesion and integration within the county and beyond is a requisite for the realization of development. The county government will strengthen initiatives aimed at addressing social issues affecting residents of the county, especially the vulnerable groups. The outstanding issues include poverty, destitute, street children, orphans and vulnerable children, youth, women, elderly, persons with disability, HIV/AIDS, drugs and substance abuse, public participation among others. To address these issues, the government will encourage promotion of sports and talents among youth, providing necessary equipment for talent nurturing and enhancing social cohesion and mobilize communities to participate in decision making and development. This will be achieved through supporting youth and women for self-reliance, upgrading and expanding the sport facilities, promoting goodwill between the county stakeholders, regulating drugs and substance abuse among others.

Further, the county government will initiate support fund for the vulnerable group where necessary and collaborate with the national government and other stakeholders in supporting this group as a way of integrating them into the development process of the county. The government will also enhance rehabilitation of street children. In addition, to create employment, the county government will seek to enhance the portion of tenders accessed by the youth, women and people with disabilities (PWDs) from thirty (30) percent to forty (40) percent.

Priority V: Infrastructure.

Infrastructure development is the driving force in the development process of the county. It reduces the cost of doing business; enhances competitiveness; transforms the county into a regional hub; and achieves the twin objective of food security and market linkage. Investing in modern infrastructure therefore supports sustained agricultural transformation, encourage expansion of commerce, grow export of goods and services and expand economic opportunity for residence of Uasin Gishu, thus creating employment.

This will be realized through roads infrastructure development, with the roads subsector intending to increase access to transport and communication in the county. This will be achieved through making of roads; decongesting the Central Business District of Eldoret Town and improve roads access; and connecting the missing links in the roads network.

The implementation of making of roads will entail upgrading existing earth roads to gravel standard; upgrading the existing gravel roads to bituminous standard. So far the County Government has achieved over 2013.45 km of grading; 385.62 Km of roads gravelled; and 73.55 Km opened. Fifteen (15) Bridges and Box Culverts construction are also at various stages of implementation and others have been completed. The drainage works have been awarded to youth, women and persons with disabilities and a total of 600m of culverts installed. Solar and conventional street lights were also implemented in the various areas within the county.

In the financial year 2016/2017 the county government intends to implement grading and gravelling of 1500 Km and 300 Km respectively of county roads. A number of drainage works have also been planned in the next financial year and over the medium term.

The strategy will also involve developing a programme to ensure timely, periodic and routine maintenance of the roads. It will further entail engaging or commissioning only qualified contractors with sufficient capacity to undertake the specified works. Other measures will involve enforcing compliance on the use of the right axle loads on all roads in the county. The

Department responsible for roads will establish sufficient technical capacity to oversee and supervise construction.

Decongestion of the Central Business District of Eldoret Town will involve surveying and designing as well as construction of by-passes, new roads, walkways and cycle ways in 2016/17 and over the medium term. It will also entail developing a comprehensive urban development plan which provides for all services and amenities expected of a modern city. To achieve this county government has lined up construction of roads to bituminous standards, 1.5 Km, in the CBD and other urban areas in 2016/17 financial year. It will also design and construct traffic signals in Eldoret town to control flow of traffic.

In connecting the missing links in the road network the county government has targeted construction of bridges and installing box culverts as well as construction of foot bridges. As a result the government targets to construct two bridges, eight box culverts and two foot bridges in the financial year 2016/17.

State of security plays a critical role in the development process of the county. It enhances confidence among investors, among others, with resultant increase in investments for employment creation. To improve security in the CBD and other urban areas the county government intends to construct and install a total of 200 street lights. It also plans to construct new NMT Roads Foot/Cycle paths of 1.5 Km for the purpose of improving safety to non-motorized transport users within CBD and estates.

Priority VI: Public Administration

The focus here will be improving service delivery by enhancing efficiency and effectiveness of public service delivery. Staff training and development has been earmarked so that the county government is well positioned to render effective and efficient service delivery especially to spur private sector growth. The government will also continue entrenching good governance and zero-tolerance to corruption. Efforts will be towards sensitizing staff on corruption prevention and deployment of integrity officer to help curb the vice. Operational framework allowing residents to report corruption cases will also be developed and strengthened.

To improve efficiency and effectiveness in public resource utilization and budget execution to facilitate economic transformation, the strategy will be to fully embrace use of Integrated Financial Management Information System (IFMIS) in all financial transactions including e-procurement; strengthen Program Based Budgeting in budgeting process; and strengthen staff capacity on public finance management. The government will continue with reforms on licensing, issuance of permits and registration/starting of business.

The county government will collaborate with the national government to enhance security (including anti-radicalization of youth) in the county to boost investor confidence as a way of creating employment for residents of the county.

1.3 Outline of the C-FSP 2016

Recent Economic Developments and Policy Outlook

Section II outlines the economic context in which the 2016/17 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook.

Fiscal Policy and Budget Framework

Section III outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate the transformation of the county as envisaged in the CIDP.

Medium-Term Expenditure Framework

Section IV presents the resource envelope and spending priorities for the proposed 2016/17 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the 2016/17 MTEF period.

SECTION II: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.0 Overview of Recent Economic Performance

Kenya's economy grew by 5.3 percent in 2014 attributed to significant investments in infrastructure; construction; mining; increased agricultural activities following improved weather; and lower energy prices. It is projected to grow by 5.6 percent in 2015, 6.0 percent in 2016 and 6.5 percent over the medium term, and is expected to be driven by continued performance improvement in agriculture; forestry and fishing; manufacturing; real estate; wholesale and retail trade; financing; and information and communication.

Overall month on month inflation was at 8.0 percent in December 2015 compared to 7.3 percent in November 2015. The increase is attributed to increase in several food items as well as alcoholic beverage, tobacco and narcotics. However in the same period there was a significant fall in the cost of electricity, kerosene and cooking gas.

The liquidity condition remained tight between September and October 2015 while short term interest rate remaining above Central Bank Rate. The average interbank rate averaged 6.2 percent as of 21st January 2016 compared to 7.3 percent in December 2015 and 8.8 percent in November 2015. The Kenya Bank's Reference Rate (KBRR) remained at 9.87 percent. Commercial banks average lending increased to 17.4 percent in December 2015 compared to 16.0 percent in December 2014.

The Kenya Shilling stabilised at Ksh102.2 against the US dollar as of 21st January 2016 having weakened against major international currencies for most of the year. The depreciation of the shilling is attributed to the global strength of US dollar on the international market and high demand in the domestic market. However, Kenyan shilling has been relatively less volatile compared with other major regional currencies due to remittances from Kenyans abroad.

Activity in the stock market remained vibrant in the year to December 2015. The NSE 20 share index improved to 4,003 points in December 2015 from 3,994 points in November 2015. Market capitalization that measures shareholders' wealth improved to Kshs 2,031 billion in December

2015 from Kshs 2,015 billion in November 2015 although lower than Ksh2,300 billion in December 2014.

2.1 Impact of National Macroeconomic Variables on County Development

The broad national parameters outlined have implications on the development process of the county. The prevailing macroeconomic stability in the country is necessary to create conducive environment for private sector investments as a basis for sustained economic growth, and ultimately, expanded economic opportunities in the county. The growth of the size of the economy releases resources for development activities in the county. The county government has been able to receive enhanced portion of the shareable revenue from the national government due to improved economic performance at the national level, thus enabling increased allocations to the various development programs. Also, prevailing interests rates and exchange rates affects investments in the county. When interest rates increases, public debt is adversely affected because borrowing becomes costly.

2.2 Implementation Progress of 2015/16 Budget and Emerging Challenges

The county fiscal framework is anchored on the following assumptions: strong local revenue collection; the county's equitable share from the National Treasury; a commitment to sound expenditure controls; and a commitment to maintaining sound balance between development and recurrent spending. Equally underscored is the need to eliminate non-essential expenditures, inefficient spending and leakages.

In the 2015/2016 County budget, total expenditure stood at Kshs.7,542,626,351, of which Kshs 4,593,801,153 is recurrent and Kshs 2,948,825,198 development. Revenue sources to finance this budget are Kshs. 5,190,879,968 from the county's equitable share; Kshs 1, 037,217,425 from local revenue collection; Kshs 1,093,088,839 unspent balances brought forward; and Kshs 221, 440,118 from grants.

Revenue Collection

In the first half period of 2015/2016 financial year, collected local revenue amounted to Kshs 254,217,531. A total of 1,738,944,788 was received from national treasury as part of the county's share of the shareable revenue. However, the underperformance of local revenue collection by county government is partly due to over projections of revenue targets and under-collections due to capacity challenges.

Expenditure performance

County Government expenditure during the first half of the financial year amounted to Kshs. 1,814,700,600. Out of this amount, recurrent expenditure took Kshs. 1,149,718,757 while development expenditure was Kshs. 664,981,843. The low display in the development expenditure is attributed to the slow uptake of the e-procurement by suppliers.

2.3 County's Economic Policy Outlook

This CFSP 2016 is prepared against the backdrop of a positive growth prospects for the county. The county growth will be supported by increased activity in the agriculture sector; wholesale and retail trade; ongoing capital investment projects in the county; and real estate. The county growth will also benefit from increased investments as a result of the recently held North Rift Regional Economic Bloc (NOREB) investment forum.

In addition, the county government will over the medium term implement policies set out in the CIDP and elaborated in this policy paper. The policy focus will be on increasing access to clean and portable water; increased agricultural production; having a healthy and productive population; enhanced social services; and increased investments in infrastructure.

Further, the county government will focus on increased revenue inflows and shift focus to public expenditure productivity that will form a viable alternative to reducing deficits. These inflows include increased investment spending by private sector players in agriculture and real estate as well exploring new competitive sources of private finance including PPP arrangements. In the medium term, it is also expected that revenue inflows in form of grants from external sources will be mobilized to support policy implementation across sectors and use of e-payment solutions such as recently launched *UGPay* will increase efficiency in revenue collection.

SECTION III: FISCAL POLICY AND BUDGET FRAMEWORK

3.1 County Fiscal Policy

The county government will continue with prudent fiscal policy to support economic activity within a context of sustainable public financing. The policy will be to re-orient expenditure towards priority development programmes of water, agriculture, health, social services and infrastructure; and improving efficiency in government expenditure as well. Further, the county will deepen reforms for resource mobilization towards improved local revenue collection; and pursue external resource mobilization to finance priority programmes outlined in the county's blue print - CIDP.

3.2 County Fiscal Framework

The medium term fiscal framework for the county government is as shown in table 3.1 below:

Table 3.1: County Government Fiscal Projections 2016/2017 – 2018/2019 (Kshs million)

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19
	Act	Rev Budget	*Proj.*	*Proj.*	*Proj.*
Bal B/F		1,093			
Revenue and Grants	**5,345**	**7,542**	**6,601**	**7,261**	**7,987**
Revenue	**5,330**	**6,227**	**6,601**	**7,261**	**7,987**
Local Revenue	800	1,037	1,000	1,100	1,210
National Transfers	4,530	5,190	5,601	6,161	6777
Grants	14.9	221			
Expenditure	**5,537**	**7,542**	**6,601**	**7,261**	**7,987**
Recurrent	3,110	4,594	4,489	4,938	5,432
Rec as a % of total allocation	56	61	68	68	68
Personnel Emolument	2,160	2,114	2,387	2,626	2,888
PE as % of CG Revenues	39	34	36	36	36
Development	2,435	2,949	2,112	2,323	2,556
Dev as a % of total allocation	43.97	39	32	32	32

Source: County Treasury, 2016

3.3 Fiscal Responsibility Principles

The county government appreciates the fact that the fiscal stance it takes today will have implications in the future. Therefore, in managing its public finances the county government shall adhere to the fiscal responsibility principles as provided in Section 107 of the Public Finance Management (PFM) Act 2012 as follows:-

a) Thirty percent of all expenditure is dedicated towards development expenditure.

In financial year 2014/15 the county government realized 43.9 percent development expenditure. In FY 2015/16 spending in capital projects is projected at 39 percent of total county government expenditure as shown in table 3.1. In financial year 2016/17 and in the medium term, a minimum of 32 percent of the county government's budget shall be directed to the development expenditures.

b) The country 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

Section 25 of PFM regulations sets the limit of wages and benefits at 35 percent of county government revenue. Wages and benefits is projected at 36 percent in financial year 2016/17 and is expected to remain at the same level over the medium term. As shown in Table 3.1, personnel emoluments (PE) declined from Kshs. 2,160 Million in financial year 2014/2015 to Kshs. 2,114 Million in financial year 2015/2016 due to a verified and cleansed county government payroll. It is further projected to rise in financial year 2016/17 because of the anticipated hiring of more health personnel and enforcement officers; and continued re-organization of the county government staff over the medium term to enhance efficiency and increased productivity in service delivery. However, the county government will be required to manage the rising wage bill to within the required limit of 35 percent.

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

Any borrowing by the county government will be channeled towards development expenditure only and not recurrent expenditure. The borrowing will be in line with the Constitution of Kenya, PFM Act 2012 and the borrowing framework by sub nationals. In financial 2016/17 and in the medium term, the county government may borrow to support the county government's development agenda.

d) Fiscal risks shall be managed prudently.

The county government will take into account any fiscal risks affecting revenue and any court decisions that are likely to affect revenue bases, revenue collections and government incomes. Further, each year a contingency provision not exceeding two percent of total county government revenue of the previous year's audited financial statements is factored in the budget to cater for emergencies and unforeseen expenditures.

3.4 Ongoing Fiscal Structural Reforms

The county government has managed to undertake reforms in the following areas: -

1) Automation of revenue to eliminate revenue collection leakages and expand revenue base. The county government expects that with the launch of *UGPay* the county will increase revenue collection in the medium term to support implementation of programmes outlined in the CIDP.

2) Rolled out operations of the Integrated Financial Management Information System (IFMIS) which has been fully embraced and utilized in the modules of expenditure and budgeting. The county is yet to fully utilize e-procurement and the reporting module due to slow uptake by suppliers and capacity challenges.

Going forward, the county government will strengthen revenue administration by undertaking organizational and modernization reforms in revenue collection. Also, expenditures will always be guided by sector objectives and priorities as outlined in the CIDP.

In addition, to improve on budget absorption, the county government will: Issue circulars and guidelines to user departments on budget execution; Improve the efficiency of the procurement department in use of e-procurement; Implement the Public Procurement and Asset Disposal Act 2015 that allows the creation of a force account for implementation of small projects at the community level; and Identify slow spending programmes that fails to meet targets due to procurement challenges, poor planning or other challenges and provide solutions.

Further, the county government will build up capacity in the utilization of e-procurement and reporting modules of IFMIS; and Undertake monitoring and evaluation of policies, programmes and projects to track their implementation. This will provide feedback on budget execution and thus achieve desirable outcomes.

3.5 County Debt Policy

In financial year 2016/17 and over the medium term, any borrowing by the county government will be for funding capital projects with high economic potential. The level of county debt shall not exceed twenty percent of the county's total revenue as outlined in the PFM regulations. Debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on its debt obligations. In addition, the county government shall ensure prudent public debt management, prepare an annual debt management paper as per the PFM Act 2012 and approve legislation that will guide the county in debt management process as per the PFM Regulations. Further, any borrowing will follow the borrowing framework by sub nationals approved by the Inter-governmental Budget Economic Council.

3.6 Budget Framework for FY 2016/17

The county government will adopt a balanced budget for financial year 2016/17. The county government will seek to implement critical programmes outlined in the CIDP and ADP that will accelerate socio-economic development by providing necessary support to the budget.

Revenue Projections

The 2016/17 Budget targets total revenue of Kshs 6,601 Million comprising of Kshs 1,000 Million local revenue and Kshs 5,601 Million National Transfer. This performance will depend on the ongoing reforms in revenue mobilization including revenue administration and automation which lead to the launch of *UGPay* system in February 2016.

Expenditure Forecasts

In the same period, the county government expenditure will be guided by the ADP towards realization of the CIDP. The overall expenditure is projected at Kshs 6,601 Million; recurrent Kshs 4,489 Million and development Kshs 2,112 Million. The county government will endeavour to allocate adequate resources towards development outlays and aspire to complete critical priority projects as outlined in chapter one.

3.7 Summary

Therefore, the aforementioned fiscal policy will avail resources to the county government to scale up investments in the priority areas outlined in the CIDP.

SECTION IV: 2016/17 BUDGET & MEDIUM TERM EXPENDITURE FRAMEWORK

4.1 Resource Envelop

The Fiscal policy underpinning the 2016/17 Budget and MTEF targets at raising revenue from estimated Kshs 6,601,025,716 to Kshs 7,987,241,117 over the medium term while containing growth of total expenditure. The fiscal stance envisages a balanced budget. However, any budget deficits over the medium term occasioned by change of county government priorities will be met by borrowing in line with the fiscal responsibility principles provided in the PFMA 2012 and borrowing framework for sub-nationals approved by IBEC and guidelines issued by CRA.

4.2 Medium-Term Expenditure Estimates

Table 4.1 provides the projected baseline ceilings for the 2016 MTEF, classified by sector and sub-sector.

Table 4.1: Medium Term Sector Ceilings, 2016/17 - 2018/19 (Kshs Millions)

Sector	MDAs	Estimates		Ceiling		Projections			
		2015/16		2016/17		2017/18		2018/19	
Items		Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross
PUBLIC ADMIN.	Governor	113,551,086	10,000,000	125,831,123	0	138,414,235	0	152,255,659	0
	% of Total Expenditure	2.47%	0.34%	2.80%	0.00%	2.80%	0.00%	2.80%	0.00%
	Finance	739,129,609	113,086,578	262,893,708	0	289,183,079	0	318,101,387	0
	% of Total Expenditure	16.09%	3.83%	5.86%	0.00%	5.86%	0.00%	5.86%	0.00%
	Planning	0	0	42,000,000	12,000,000	46,200,000	13,200,000	50,820,000	14,520,000
	% of Total Expenditure	0.00%	0.00%	0.94%	0.57%	0.94%	0.57%	0.94%	0.57%
	PSM	649,419,190	79,444,921	448,423,774	7,200,000	493,266,151	7,920,000	542,592,767	8,712,000
	% of Total Expenditure	14.14%	2.69%	9.99%	0.34%	9.99%	0.34%	9.99%	0.34%
	Administration	0	0	53,454,097	132,000,000	58,799,507	145,200,000	64,679,458	159,720,000
	% of Total Expenditure	0.00%	0.00%	1.19%	6.25%	1.19%	6.25%	1.19%	6.25%
	PSB	45,362,081	3,732,000	64,470,387	0	70,917,425	0	78,009,168	0
	% of Total Expenditure	0.99%	0.13%	1.44%	0.00%	1.44%	0.00%	1.44%	0.00%
	CA	502,451,352	24,646,490	522,451,352	0	574,696,487	0	632,166,136	0
	% of Total Expenditure	10.94%	0.84%	11.64%	0.00%	11.64%	0.00%	11.64%	0.00%
	Sub-Totals	**2,049,913,318**	**230,909,989**	**1,519,524,441**	**151,200,000**	**1,671,476,885**	**166,320,000**	**1,838,624,574**	**182,952,000**
	% of Total Expenditure	**44.62%**	**7.83%**	**33.85%**	**7.16%**	**33.85%**	**7.16%**	**33.85%**	**7.16%**
ARD	Agriculture	240,553,193	420,625,956	248,261,793	357,000,000	273,087,973	392,700,000	300,396,770	431,970,000
	% of Total Expenditure	5.24%	14.26%	5.53%	16.90%	5.53%	16.90%	5.53%	16.90%
	Trade	130,300,885	235,153,211	79,325,120	150,000,000	87,257,632	165,000,000	95,983,395	181,500,000
	% of Total Expenditure	2.84%	7.97%	1.77%	7.10%	1.77%	7.10%	1.77%	7.10%
	Lands	69,898,553	168,461,103	110,002,239	150,000,000	121,002,462	165,000,000	133,102,709	181,500,000
	% of Total Expenditure	1.52%	5.71%	2.45%	7.10%	2.45%	7.10%	2.45%	7.10%
	Sub-Totals	**440,752,631**	**824,240,270**	**437,589,152**	**657,000,000**	**481,348,067**	**722,700,000**	**529,482,874**	**794,970,000**
	% of Total Expenditure	9.59%	27.95%	9.75%	31.10%	9.75%	31.10%	9.75%	31.10%
I&ICT	Roads	398,869,829	858,841,694	540,052,992	207,652,024	594,058,291	228,417,226	653,464,120	251,258,949
	% of Total Expenditure	8.68%	29.12%	12.03%	9.83%	12.03%	9.83%	12.03%	9.83%
	Water	139,228,447	267,661,365	157,003,461	403,476,205	172,703,807	443,823,826	189,974,188	488,206,208
	% of Total Expenditure	3.03%	9.08%	3.50%	19.10%	3.50%	19.10%	3.50%	19.10%
	ICT & e-govt.	32,086,905	72,460,330	45,787,844	60,000,000	50,366,629	66,000,000	55,403,292	72,600,000
	% of Total Expenditure	0.70%	2.46%	1.02%	2.84%	1.02%	2.84%	1.02%	2.84%
	Sub-Totals	**570,185,181**	**1,198,963,389**	**742,844,297**	**671,128,229**	**817,128,727**	**738,241,052**	**898,841,600**	**812,065,157**
	% of Total Expenditure	12.41%	40.66%	16.55%	31.77%	16.55%	31.77%	16.55%	31.77%
Health	Health Services	1,226,902,476	293,400,000	1,489,582,873	343,000,000	1,638,541,160	377,300,000	1,802,395,276	415,030,000
	% of Total Expenditure	26.71%	9.95%	33.19%	16.24%	33.19%	16.24%	33.19%	16.24%
	Sub-Totals	**1,226,902,476**	**293,400,000**	**1,489,582,873**	**343,000,000**	**1,638,541,160**	**377,300,000**	**1,802,395,276**	**415,030,000**
	% of Total Expenditure	26.71%	9.95%	33.19%	16.24%	33.19%	16.24%	33.19%	16.24%
Education	Education	306,047,547	401,311,550	260,156,724	145,000,000	286,172,397	159,500,000	314,789,636	175,450,000
	% of Total Expenditure	6.66%	13.61%	5.80%	6.86%	5.80%	6.86%	5.80%	6.86%
	Sport and Youth Development	0	0	39,000,000	145,000,000	42,900,000	159,500,000	47,190,000	175,450,000
	% of Total Expenditure	0.00%	0.00%	0.87%	6.86%	0.87%	6.86%	0.87%	6.86%
	Sub-Totals	**306,047,547**	**401,311,550**	**299,156,724**	**290,000,000**	**329,072,397**	**319,000,000**	**361,979,636**	**350,900,000**
	% of Total Expenditure	6.66%	13.61%	6.66%	13.73%	6.66%	13.73%	6.66%	13.73%
	Grand Totals	**4,593,801,153**	**2,948,825,198**	**4,488,697,487**	**2,112,328,229**	**4,937,567,236**	**2,323,561,052**	**5,431,323,960**	**2,555,917,157**

4.3 County Sector Priorities

The medium term expenditure framework for 2016/17 – 2018/19 ensures continuity in resource allocation based on prioritized programmes outlined in the CIDP and other policy documents to accelerate growth. The recent achievements and key priority targets for each sector are based on the reports from the Sector Working Groups (SWG) undertaken in January 2016.

4.3.1 Agriculture, Rural and Urban Development (ARD) Sector

Agriculture, Livestock and Fisheries

The general objectives of the sub-sector include: increase agricultural production and productivity; Improve livestock production, value addition and marketing; and Increase fish production.

During the 2016/17 – 2018/19 MTEF period the sub sector will focus on implementing the following activities: construction of four 30,000 bag capacity cereal stores and 8 light diffuse stores for post-harvest management; roll out *Kijana na acre* project, a county flagship project targeting two youth groups per ward; and establishment of 150 acres of livestock feeds demo centres to support dairy farmers with pasture seeds and forage. In addition, the county government will build a modern abattoir (class A) to add value and market livestock products; establish an Animal Genetics Resource Centre (AGRC); upscale AI services; and complete the hatchery being developed in collaboration with University of Eldoret. Further, to modernize dairy production in the county, the county government will invest in modern livestock housing, construct a modern hostel and equip ATC Chebororwa with modern farm equipments and machineries. It will also establish a service and fabrication workshop at AMS.

Trade, Industrialization, Cooperative & Enterprise Development, Tourism & Wildlife Management

The sub-sector aims at providing reliable business information to investors and business community; Increase access to affordable financial services; Avail Business Development Services (BDS); Promote value addition in agricultural products; Promote trade and investment commerce; and Strengthen co-operative movement in the county.

During the 2016/17-2018/19 MTEF period, focus will be directed on construction of modern wholesale and retail markets countywide; provision of affordable and accessible credit to traders by allocating adequate resources to Joint Loans Board; train SMEs; organize trade fairs and investment forums. In addition, the county government will allocate resources to Co-operative Enterprise Development Fund for onward lending to individual co-operative societies and focus on reviving more than twenty dormant co-operatives societies. It will further promote tourism and wildlife conservation in the county.

Lands, Physical Planning and Housing

The sub-sector is responsible for documenting all public land in the county; issuance of title deeds to genuine land owners; development of a land information system; and enhancement of sustainable land use in the county by preparing Zoning Plans and County Spatial Plan

The priority activities for this sector in the 2016/17 to 2018/19 MTEF period include: land banking; establishment of a Land Information Management System (LIMS); preparation of valuation rolls; fencing of all public utility land; construction of new houses; mapping/cadastral survey of public utilities; establishment of geodetic control of first order; Topo survey for planning purposes; preparation of county spatial development plan; and development of Physical development plans and classification of urban areas. Table 4.2 below provides a list of the sector priorities:

Table 1.2: Sector Priorities – Agriculture, Rural & Urban Development

S/No	Sub- sector	Key Strategic Interventions
1	Agriculture, Livestock and Fisheries	Construction of cereal store and Diffuse store
		Implantation of *Kijana na acre* project
		Liming of soil to reduce acidity
		Strengthen horticulture business strategy
		Subsidy on agricultural inputs
		Livestock feeds improvement (demo centres)
		Construction of a modern abattoir
		Establishment of Animal Genetics Resource Centre (AGRC)
		Upscale AI services
		Supply of acaricides for disease control
		Completion of hatchery
		Construction of a modern livestock housing at ATC

		Construction of a modern hostel at ATC
		Equipping ATC with modern farm equipments and machineries
		Establishing a service and fabrication workshop at AMS
		Equipping AMS with modern equipments and machineries
2.	Trade, Industrialization, Cooperative & Enterprise Development, Tourism & Wildlife Management	Construction of wholesale and retail markets
		Enhance credit access to SMEs
		Upscale Co-operative Enterprise Development Fund
		Revival of dormant co-operative societies
3.	Lands, Housing and Physical Planning	Land banking
		Operationalization of County Housing Corporation
		Preparation of Valuation Rolls
		Establish a Land Information Management System (LIMS)
		Fencing of all public utilities
		Redevelopment of county houses
		Construction of new houses
		Mapping/cadastral survey of public utilities
		Establishment of geodetic control of first order
		Topo survey for planning purposes
		County spatial development plan
		Physical development plans
		Classification of urban centres
		Automation of plan approval process

4.3.2 Infrastructure Sector

The sector goal is to improve access to transport and communication; integrate ICT in county's development programme and operations; enhances the capacity of the county's fire, rescue and disaster mitigation, preparedness and response; and provide sustainable energy, portable water; clean, healthy, safe and sustainably managed environment and natural resources.

Roads, Transport & Public Works

During the 2016/17 – 2018/19 MTEF period, the sub sector priorities will aim at making all roads accessible by grading all earth roads; upgrading existing earth roads to gravel standard and opening of blocked drainage ways. In addition, to decongest the CBD of Eldoret Town prioritized programmes include: surveying, designing as well as construction of by-passes, new roads, NMT Roads Foot/Cycle. It will also entail developing a comprehensive urban development plan which provides for all services and amenities expected of a modern city;

construction of roads (1.5km) to bituminous standards in the CBD and other urban areas; and design and construction of traffic signals in Eldoret town to control flow of traffic. Further, in connecting the missing links in the road network, the county government targets to construct two bridges, eight box culverts and two foot bridges in the financial year 2016/17. Also, the sub sector will focus on timely, periodic and routine maintenance of the roads.

The county government also intends to construct and install around 200 street lights to improve security in the CBD and other urban areas. On disaster management, the county government plans for the design and construction of Fire and Emergency Facilities, as well as design and construction of Fire Training Facility at Maili Nne to help improve response and reduce effects of disasters.

Environment, Energy, Water and Natural Resources

In the 2016/17- 2018/19 MTEF period the sub sector will aim at increasing the volume and access to clean and portable water; enhance environment protection; and improve on solid waste management. This mandate will be directed towards rehabilitation of seven (7) existing water supplies; construction of water supplies; rehabilitation of dams through de-silting; and promote rain water harvesting by providing an additional 10,000 litre storage tanks and engage in the drilling of boreholes to improve water supply in the county. The sub sector will further uptake the county street lighting programme through an additional five hundred street lights connection to the national grid and conduct public demonstrations on energy saving.

To ensure improved solid waste disposal in the county, the sub sector will construct refuse collection shades and purchase additional skips, and construct additional sewerage treatment plants. The sub sector will also focus in the conservation of water catchment areas by planting an additional 10,000 indigenous seedlings, expand reticulations systems and rehabilitate springs during the financial year 2016/2017.

ICT and e-Government

To meet its mandate, the sub sector has prioritized the following programmes for the 2016/17 period and MTEF: establishment of WAN to link the Sub-Counties to the HQ so as to enhance sharing of common resources; acquiring one Human Resource Management System to manage human resource in the county; establishment of a data centre to ensure safety and ease recovery of county data; expand revenue system by procuring additional module for the system–phase III; networking and installation of 38 LAN and IP telephones to ensure that communication between HQ and satellite offices is enhanced; install and commission CCTV to enhance security in the CBD; and place information monitors/display screen in 3 strategic locations to improve dissemination of information. In addition, the county government will undertake automation of more health facilities to ensure reporting and accountability in the health facilities is enhanced; and equip and train county staff to enhance service delivery.

Table 4.3: Sector Priorities - Infrastructure

S/No	Sub- sector	Key Strategic Interventions
1.	Roads	Construction of Roads to Bitumen Standards
		Grading and gravelling of County Roads
		Construction of Stone Crusher and Bitumen plant
		Drainage Works
		Resealing/maintenance of bitumen roads
		Construction of Bridges and Box Culvert
		Construction of Foot Bridges
		Construction and Installation of Street Lights
		survey of county roads
		Construction of new NMT Roads Foot/cycle paths
		Construction of County Headquarters
		Design and construction of bridges, footbridges and box culverts
		Design and construction of fire and emergency facilities
		Design and Construction of Fire Training Facility at Maili Nne
		Installation of Ramps/Lifts in Public Buildings
		Equipping of Mechanical Workshop
		Repair and maintenance of government buildings
		Road marking
		Construction of bus/lorry parks
		Installation of traffic signals in Eldoret town
2.	Water	Rehabilitation of water supplies
		Supply all county hospitals with water
		Purchase of water master
		Purchase of water tanker
		New sewerage treatment plant
		To construct refuse collection shades in 6 markets(kesses, turbo, burnt forest, ziwa sirikwa and cheptiret)
		rehabilitation of dams
		Springs protection
		Drilling of boreholes
		Conservation of forests and water catchments areas
3.	ICT	Acquire a Human Resource Management System

		Establishing a WAN to link all the sub-counties to the HQ
		Establishing of Data recovery center
		Expansion of revenue system - Phase III
		installation of CCTV within the CBD
		Equip the information centers and train ICT champions
		Operationalize Youth innovation center
		Expansion of automation of health facilities to more health facilities
		Networking and installation of IP telephones in county offices
		Installation of information monitors/display screens in 3 strategic locations within Eldoret town and the county

4.3.3 Education Sector

The goal of the sector is to improve access to early childhood development; improve quality of education at all levels; improve transition rate at all levels; promote inclusive education in schools; promote sports and talents among youth; enhance social cohesion; and mobilize communities to participate in decision making and development as outlined in the CIDP. Major challenges facing the sector include; inadequate infrastructure at all levels, unavailability of ECDE teachers, inadequate mechanisms for assuring quality standard in education among others. Other outstanding issues include poverty, street children, orphans and vulnerable children, youth, women, elderly, persons with disability, HIV/AIDS, drugs and substance abuse and inadequate sports facilities, among others.

During the 2016/17 – 2018/19 MTEF period, focus will be directed on providing ECDE infrastructure; develop and equip youth polytechnics; upgrade Home Craft; and provide bursary and TIVET scholarships. In addition, the county government will seek to establish a cultural centre; develop sports infrastructure; and establish a rescue and rehabilitation center. Table 4.4 provides a list of these interventions.

Table 4.4: Sector Priorities - Education

S/No	key strategic interventions
1	Construction of ECDE classrooms and toilets
2	Allocate resources towards bursary
3	Infrastructure development in county polytechnics
4	Allocate resources towards TIVET loans
5	Upgrading of Home Craft
6	Proposed construction of a complex Cultural Center that includes museum, hall of fame exhibition, shades, Herbal Medicare and offices

7	Proposed construction of Music Production Studio
8	Construction of Perimeter Wall at Kipchoge Stadium and warm up field
9	Upgrading of 64 stadiums
10	Construction of Rescue and Rehabilitation Center
12	Fencing of proposed children home at Moiben (50 acres)
13	Establish support fund for the vulnerable groups
14.	Upgrade 30 playgrounds countywide

4.3.4 Health Sector

The objectives of the sector are to enhance health status of the residents and reduce prevalence of communicable diseases conditions as set out in the CIDP. To achieve these goals, the sector prioritized on improving accessibility, availability and quality of specialized health care.

Key programmes to be implemented in the MTEF period include: completion of the six sub county hospitals; completion of all on-going ward health facilities; upgrade and equip earmarked health facilities; construction of county maternity hospital and reference laboratory; construction of three incinerators; and establishment of a drug abuse rehabilitation centre. In addition, the county government will automate all health facilities and roll out comprehensive community strategy activities. Table 4.5 provides a summary of prioritized projects.

Table 4.5: Sector Priorities – Health

S/No	key Strategic Interventions
1	Completion of Sub County Hospitals
2	Automation of all health facilities
3	Completion of on- going ward health projects
4	Upgrading of health facilities
5	Equipping of health facilities
6	Construction of county reference lab
7	Construction of county maternity hospital
8	Construction of drug abuse rehabilitation centre
9	Rolling out of comprehensive community strategy activities
10	Purchase of vehicles for distribution of drugs
11	Purchase of Medical Supplies (drugs)
12	purchase of Medical Theatre Equipments
13	Construction of three (3) Incinerators

14	Support screening of emerging diseases

4.3.5 Public Administration Sector

The sector is mandated to ensure good corporate governance; enhance revenue collection; ensure implementation of the county integrated development plan; and strengthen the human resource function.

The priorities for this sector in the 2016/17 - 2017/18 MTEF period include: Management of county assets; establishment of an integrated monitoring and evaluation system to track progress of project implementation; conduct a baseline survey to collect accurate and reliable data; completion of sub county offices; construction and equipping of ward offices; establishment of the county radio station; and expansion of registry; as listed in table 4.6.

Table 4.6: Sector Priorities – Public Administration

S/No	Sub Sector	Key Strategic Interventions
1	Finance & Economic Planning	Asset Management
		Establish Monitoring & Evaluation System
		Conduct Baseline Survey
2	Public Service Management	Construction & completion of the 2nd three Sub –county offices
		Purchase of land for Ward Offices
		Construction of the Wards Office
		Equipping of the ward offices
		Establishment of the radio station.
		Expansion of both central Registry and Human Resource Registry