

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NAKURU

COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2019

OCTOBER 2019

© County Budget Review and Outlook Paper (CBROP) 2019

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FOREWORD

The 2018/19 County Budget Review and Outlook Paper has been prepared in the backdrop of the just concluded national census exercise and the protracted debate that pitted the Senate and the National Assembly on the division of revenue between the National and the County Governments for FY 2019/20. The above occurrences have implication on the allocation of resources to County Governments, implementation of its development programmes and service delivery. The delayed enactment of the County Allocation of Revenue Act associated with the division of revenue affected conclusion of the FY2019/20 County budget process. Under these circumstances the County Government relied on preliminary allocations in the 2019 approved Budget Policy Statement by the National Treasury to prepare the approved budget. Moving forward the County will undertake the review of the 2019/20 approved estimates to align it with enacted allocations in the 2019 CARA which was assented to by H.E the President on 18th September 2019.

The National economy registered an expansion of 6.3 percent in 2018 up from the 4.9 percent registered in 2017. The growth momentum continued in the first quarter of 2019, with the economy expanding by 5.6 percent despite the delayed rainfall. The growth momentum at national level is projected to continue culminating to a growth of 6.0 percent in 2019 underpinned by the resilient services sector, positive business sentiments, as programmed activities under the “Big Four” Plan gain traction. The underlying statistics will continue to inform the County Fiscal and Economic Policies in view of the gross 2019/20 County product report containing disaggregated National GDP figures at County level. This is with respect to various sectors and their contribution to the economy a case in point being Agriculture where Nakuru County registered the highest GCP to respective GDP ratio.

The budget credibility generally improved in the year under review due to realistic own source revenue targets. Overall performance in own source revenue registered a major improvement from actual collection of Kshs 2.2 billion in 2017/18 to Kshs 2.814 in 2018/19 the year under review in addition to surpassing the set target of Ksh. 2.685 billion. The improvement is attributed to improved

strategies and enhanced controls in management of revenue collection. The total County receipts amounted to Ksh. 18.491 billion (approximately 100.1 percent of the total projected receipts) against a target of Ksh 18.478 billion. All forecasted receipts from the National Transfers were received with the exception of Kshs. 218.4m under conditional grants (KDSP, THS-UC, NARIGP, Rehabilitation of Youth Polytechnics and ASDSP).

Total County expenditure amounted to Kshs. 12.56 billion against a target of Kshs 18.478 billion. Of this total figure for expenditure, 79% was utilized for recurrent expenditure while 21% was used for capital expenditure/ projects. The total expenditure figure for FY2018/19 at Kshs 12.56 billion represents an 11% increase from the actual total expenditure of Ksh. 11.331 billion for 2017/18 fiscal year. The approved expenditure for the 2019/20 fiscal year at Kshs 21 billion in nominal terms remains the largest so far. Further the County expenditure performance revealed under absorption of the budgeted figures thereby casting a doubt on credibility of budget process. The underperformance in capital budget is being addressed in the current financial with the change in strategy and the constitution of a Standing Project Implementation Committee through Executive Order No 1 of 2019.

Moving forward, County own source of revenues has been modified to reflect the average growth trends of 15% with projection reviewed upward to Kshs 3.1 billion in FY 2019/2020 up from Ksh. 2.685 billion projected in the current FY 2018/2019. This prudent approach to revenue forecasting managed to contain the rising pending bill experienced in the past and improved the credibility of the County budget estimates in 2018/19 and hopefully in future budget. The reforms in local revenue administration through legislative review, formulation of revenue enhancement plan and implementation of proposals in County OSR framework by National Treasury is expected to strengthen local revenue performance.

County Government overall expenditure will equal the forecasted County receipts for FY 2020/2021. In this regard the County Government total expenditure will reach Ksh 16.477 billion in the FY 2020/2021. Compensation to employees will account for 36.2 percent of the total County budget approximately Ksh 5.968 billion. Total County development expenditure will reach Ksh 5.849 billion from Ksh 10.573 billion in the FY 2019/2020.

DR. PETER E.K. KETYENYA
**COUNTY EXECUTIVE MEMBER,
FINANCE AND ECONOMIC PLANNING**

ACKNOWLEDGEMENT

The 2019 CBROP has been prepared in accordance with the Public Financial Management (PFM) Act 2012. It presents recent economic developments and actual fiscal performance of the Financial Year 2018/2019 and makes comparison to budget appropriations for the same year. It further provides updated economic and financial forecast to show changes from projections outlined in County Fiscal Strategy of 2019.

The preparation of 2019 CBROP paper was collaborative effort of County Departments and Entities through technical guidance from the Accounting Officers/Chief Officers. We acknowledge the input and comments of the County Assembly through the Clerk, Office of the Controller of Budget through Regional Representative, the Macro Working Group and the public through the sector hearing.

My appreciation goes to the Executive Member for Finance and Economic Planning for the good will and guidance provided during the entire period of preparation of this document. I am particularly grateful to the Accounting Officer Finance and the core team made of Heads of Accounting Unit who contributed in the preparation of draft financial statement a major input for preparation of CBROP. Finally, by I wish to thank all the staff in the Economic Planning Directorate and particularly the Budget Office for significant amount of time spent consolidating this policy document

In conclusion allow me to reiterate the importance of public participation in FY 2020/21-2022/23 Medium Term Budget preparation process by calling on all Sector Working Groups to devise an engagement framework that will deepen open public and stakeholders' participation and incorporation of the proposals received.

Kennedy Momanyi Ombati
CHIEF OFFICER
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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
AiA	Appropriation in Aid
CARA	County Revenue Allocation Act
CARPS	Capacity Assessment and Rationalization Programme
CBROP	County Budget Review and Outlook Paper
CDMS	County Debt Management strategy
CFSP	County Fiscal Strategy paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
COFOG	Classification of Functions of Government
CRA	Commission of Revenue Allocation
DORB	Division of Revenue Bill
DAs	Department and Agencies
DANIDA	Danish International Development Agency
FIF	Facility Improvement Fund
FMD	Foot and Mouth Disease
FY	Financial Year
IFMIS	Integrated Financial Management Information Systems
MTEF	Medium Term Expenditure Framework
PBB	Program Based Budget
PFM	Public Finance Management
RMFLF	Road Maintenance Fuel Levy Fund
SEZ	Special Economic Zone
SMEs	Small Microenterprises
SRC	Salaries and Remuneration Commission
SWGs	Sector Working Groups
THS-UC	Transforming Health Systems for Universal Care

Legal Basis for the Preparation and Publication of the County Budget Review and Outlook Paper

The County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

1. The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget
Appropriation for that year;
 - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal strategy paper
 - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal strategy paper; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicise the paper not later than fifteen days after laying the Paper before County Assembly.

County Government Fiscal Responsibility Principles

In line with chapter 12 of the Constitution of Kenya, Section 107 of the Public Financial Management (PFM) Act, 2012

- 1) The County Government's recurrent expenditure shall not exceed the county government's total revenue
- 2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- 3) The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.
- 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) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 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 into account any tax reforms that may be made in the future

I. INTRODUCTION

Background

This County Budget Review and Outlook Paper (CBROP) is the second to be prepared under the current administration and taking into account the reorganisation of County Government function thereon as envisaged in PFM Regulation 2015. In line with the law, the CBROP contains a review of fiscal performance of financial year 2018/19 and deviations from the approved estimates for FY 2018/19.

Objectives of the County Budget Review and Outlook Paper (CBROP) 2019

1. The 2019 CBROP aims to provide a review of the fiscal performance for the FY 2018/2019 and how the outcomes impact the County's financial objective contained in the County Fiscal Strategy Paper 2019 and fiscal responsibility principles as envisaged in the PFM Act 2012. This information together with the updated economic outlook provides a basis for revision of the current budget in the context of Supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium-term expenditure framework. Details of the fiscal framework, budget performance, medium term projections, priorities and sector ceilings will be firmed up in the CFSP 2019.
2. The CBROP will continue to be a key document that provides an important linkage between policy, planning and budgeting. The County embarked on implementation of 2nd County Integrated Development Plan 2018-2022 which continues to inform budgetary preparation and programming in the ensuing medium term and onwards. This year's CBROP will be embedded on the strategic priorities adopted in the 2019 approved CFSP.
3. The PFM Act 2012 and PFM Regulations 2015 have set high standards for compliance with MTEF budgeting process. Therefore it is expected that sector ceilings as per the approved CFSP of 2019 will form the indicative baseline ceilings for the next budget of 2020/21 to 2022/2023 MTEF period. These sector ceilings have been modified to reflect reorganization of County Government

functions as indicated in the **Annex IV and V** to CBROP and will set off the budget preparation process for the fiscal year 2020/2021.

4. The reorganisation of County Government function as envisaged by Regulation 56 of the PFM Regulations 2015 and Constitution of Municipal Board for Naivasha and Nakuru Municipalities call for review of sector ceilings to align them with the new realities of the County Government. Moving forward the resource allocation and planning process will be modified in the context of the above realities while this paper will provide preliminary ceiling for budget preparation purposes.
5. The updated National economic outlook will be firmed up in the 2019 CFSP to reflect any changes in economic and financial conditions. In compliance with Section 117(2) of the PFM Act 2012, the to finalise the CFSP will be finalized after the release National budget policy statement. The CFSP will be submitted to the County Assembly by 28th February 2020 as per the set deadline under the PFM Act 2012.
6. The paper is organised into four sections:
 - ✓ Section II provides a review of fiscal performance in FY 2018/2019 and its implication on the 2019 CFSP financial objectives;
 - ✓ Section III studies the recent economic developments and the updated National and County macroeconomic outlook;
 - ✓ Section IV and V contains the proposed sector budget ceilings and the Conclusion respectively.

II. REVIEW OF FISCAL PERFORMANCE IN FY 2018/2019

A. Overview

The fiscal year 2018/19 was the second for the new County administration which saw further reorganization of County Government including the constitution of Municipal Board in the major urban area of Nakuru and Naivasha as envisaged in the Urban and Cities Act. During the FY 2018/19, there was a major improvement in own source revenue performance compared to the similar period in FY 2017/18 with the recorded figure of 2.814 billion surpassing the set target of Kshs 2.685 billion. There was however less absorption of development expenditure in real figures with Ksh. 2.610 billion (33%) recorded compared to budgeted sum of Kshs 8.011 billion in the FY 2018/19 under review. The fiscal performance in 2018/19 was generally average. The overall budget outturn (on commitment basis) was 68% (Ksh. 12.560 billion) based on actual operating expenses (cash payments) as compared to the revised total estimates of Kshs Ksh. 18.478 billion.

Cumulative actual County revenue for FY 2018/19 including the fiscal balance amounted to Kshs 18.491 billion against a revised target of Ksh 18.478 billion. Total receipts from National equitable share of revenue was Kshs. 9.451 billion (51% of the total receipts). Other national transfers under Conditional allocation include Ksh. 38.7 million for foregone user fees, Ksh. 248.8 million for fuel levy fund, Ksh. 373.8 million for Nakuru Level 5 hospital and Kshs. 36 million for Rehabilitation of Youth Polytechnics. Loans and grants from Development Partners included Ksh. 52.8 million for THS-UC, Ksh. 43.9 (DANIDA), Ksh. 1.126 billion from World Bank under KUSP, Ksh. 100m KDSP Level II, Ksh. 50m for NARIGP, and Ksh. 8m for ASDSP. The county also benefited from Ksh. 99.9 million NHIF health grant for upgrading of selected Health facilities.

The County spent a total of Ksh 12.560 billion during financial year 2018/19 against a target of Ksh. 18.478 billion. The budget execution rate of 68% for the FY under review is on account of Recurrent expenditure at 95 percent of the annual

recurrent budget while development expenditure represents 33 percent of the annual development budget.

The under absorption of development funds continue to cast doubt on credibility of the budget which had seen an improvement attributed to realistic revenue estimates and reduction in instance of new pending bills. The inability by Departments to absorb funds allocated for development therefore raises serious concerns which must be addressed by relevant Accounting Officers if the county development agenda and service delivery is to be realised. In addition to internal challenges on budget absorption, erratic disbursement of funds from National Treasury continued to affect budget absorption rate.

During FY 2018/2019, a Special Audit was instituted by the Office of the Auditor General in collaboration with the CoB to establish the status of cumulative pending bills. The outcome of which was reclassification of the pending bills, recommendation for payment of eligible pending bill, the constitution and subsequent gazettelement of Pending Bills Committee to deal with the ineligible pending bill and future bills arising thereon.

The fiscal outcome for the FY 2018/19 budget did not fully comply with the fiscal responsibility principles and financial objectives set out in the PFM Act, 2012. The County Government development expenditure as a percent of total expenditure was 9 percent short of the statutory benchmark of 30.0 percent while the level of County Government wages and benefits to County Government revenues was 32 percent, within the target of 35.0 percent. The County Government also reduced incidences of recurrence of pending bill in the year under review to a minimum of 1% hence managing associated fiscal risks.

B. Fiscal Performance FY 2018/2019

Performance of Revenues

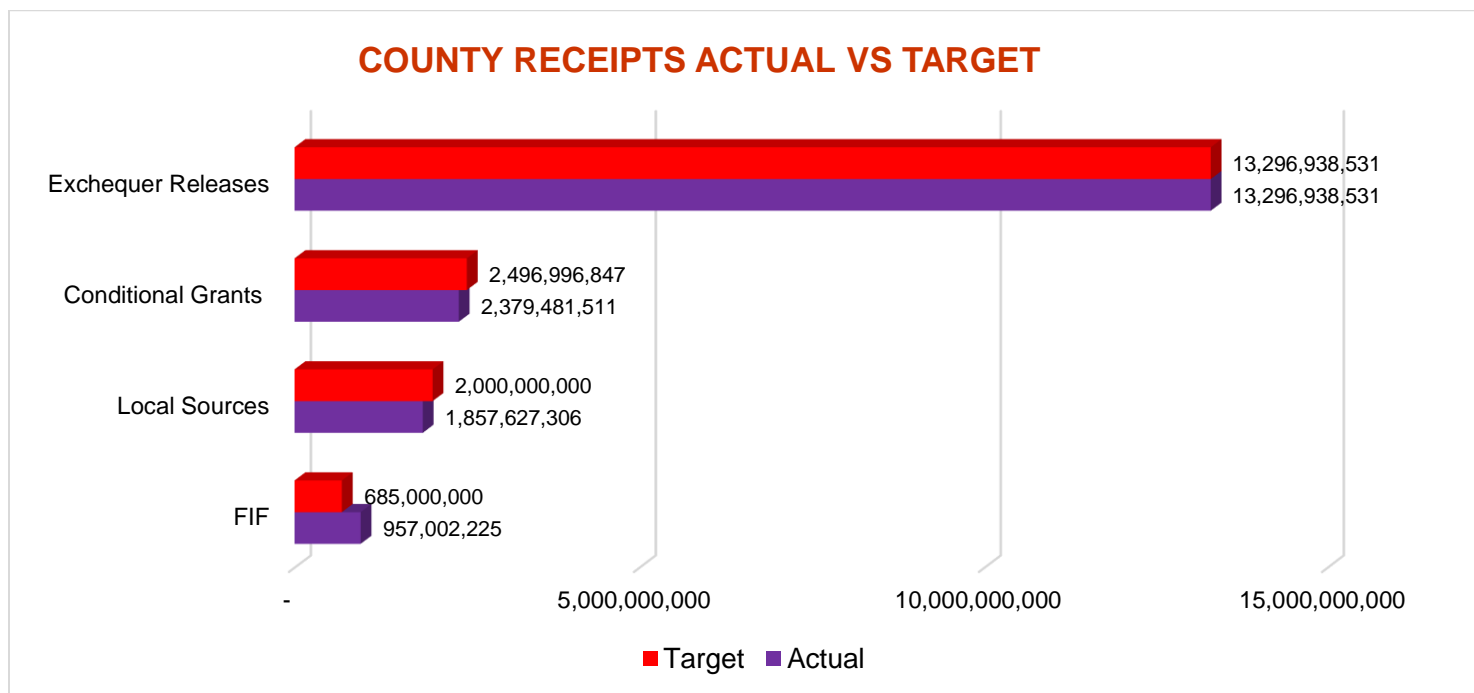
Total cumulative revenue including National transfers (equitable share and conditions transfers) fiscal balance and Own Source revenue collection amounted to Ksh 18.491 billion against a revised target of Ksh 18.478 billion (**Table 1**). Own source revenue collection amounted to Ksh 2.814 billion against a target of Ksh 2.685 billion occasioning a revenue surplus of Ksh 129 million attributed to Facility Improvement Fund. However, National transfers including Conditional donor grants amounted to Kshs 11.830 billion against a set target of Kshs 11.948 billion resulting in a deficit of Kshs 117.5 million majorly on account of NARIGP (Ksh. 90.3m), KDSP Level I (Ksh. 60.2m), ASDSP (Ksh. 13.9m), THS-UC (Ksh. 42.1m) and Rehabilitation of Youth Polytechnics (Ksh. 11.7m). The County also received additional funding of Ksh. 100.9 million on account of KDSP Level II during the implementation of FY2018/2019. This has subsequently been incorporated in the FY2019/2020 budget.

Table 1: County Government Total Revenues FY 2018/2019

No.	REVENUE SOURCE	ACTUAL 2017/2018	TARGET 2018/2019	ACTUAL 2018/2019	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
1	Local Sources	1,682,970,850	2,000,000,000	1,857,627,306	(142,372,694)	174,656,456	10%	92.9%
2	Facility Improvement Fund	597,551,764	685,000,000	957,002,225	272,002,225	359,450,461	60%	139.7%
	Own Source Revenue Sub Total	2,280,522,614	2,685,000,000	2,814,629,531	129,629,531	534,106,917	23%	105%
3	Balance in County Revenue Fund (Fiscal Balance)	2,562,737,954	3,845,538,531	3,845,538,531	-	1,282,800,577	50%	100.0%
4	Conditional Grants	1,075,515,577	2,496,996,847	2,278,507,115	(218,489,732)	1,202,991,538	112%	91.2%
5	C.R.A Equitable Share	9,271,400,000	9,451,400,000	9,451,400,000	-	180,000,000	2%	100.0%
	Transfers & Grants Sub Total	12,909,653,531	15,793,935,379	15,575,445,646	(218,489,732)	2,665,792,115	21%	99%
	EXTRA BUDGETED							
6	KDP Level II	-	-	100,974,396	100,974,396	100,974,396	0%	0.0%
	TOTAL	15,190,176,145	18,478,935,379	18,491,049,573	12,114,195	3,300,873,428	22%	100%

Source: Draft Nakuru County Financial Statement Sept. 2019

Figure I: County Receipts Actual vs Target by Source



Source: Draft Nakuru County Financial Statement Sept. 2019

Exchequer Releases

The County relies on release of funds comprising of fiscal balance, OSR collected and National transfers in form of exchequer releases to implement the budget and provide services. However, the actual national transfers of Kshs 11.830 billion fell below the projected transfers of Kshs 11.948 billion by Kshs 117.5m. Table 2 provides the review of the exchequer releases for FY 2018/19.

Table 2: Exchequer Releases

REVENUE SOURCE	ACTUAL 2017/2018	TARGET 2018/2019	ACTUAL 2018/2019	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Balance in County Revenue Fund	2,562,737,954	3,845,538,531	3,845,538,531	-	1,282,800,577	50%	100.0%
Balance in County Local Revenue Account				-	-	0%	0.0%
Donor Grants (DANIDA)	23,433,569	43,972,213	43,972,213	-	20,538,644	88%	100.0%
Loans and Grants CRA		-		-	-	0%	0.0%
Symbiocity Programme	26,500,000		-	-	(26,500,000)	-100%	0.0%
Kenya Devolution support program (KDSP) Level I	56,299,041	60,282,958	-	(60,282,958)	(56,299,041)	-100%	0.0%
Kenya Devolution support program (KDSP) Level II			100,974,396	100,974,396	100,974,396		
World bank National Agricultural and Rural inclusive growth Projects (NARIGP)	50,000,000	140,435,163	50,078,476	(90,356,687)	78,476	0%	35.7%
Health grant from National Government		99,999,999	99,999,945	(54)	99,999,945	0%	100.0%
Agricultural Sector Development Support Projects (ASDSP)		21,983,635	8,003,750	(13,979,885)	8,003,750	0%	36.4%
Conditional Allocation to compensate Forgone user fees	38,723,265	38,723,265	38,723,265	-	-	0%	100.0%
Conditional Fund -Kenya Urban Support Project (KUSP)		1,084,843,300	1,084,843,300	-	1,084,843,300	0%	100.0%
Conditional Fund -Kenya Urban Support Project (KUSP)		41,200,000	41,200,000	-	41,200,000	0%	100.0%
Conditional Fund -Leasing of Medical Equipment	95,744,681	200,000,000	200,000,000	-	104,255,319	109%	100.0%
Conditional Fund -Free Maternal Health				-	-	0%	0.0%
Road Maintenance Fuel Levy Fund (RMFLF)	345,811,895	248,847,131	248,847,131	-	(96,964,764)	-28%	100.0%
Conditional Allocation for Level- 5 Hospital	373,872,832	373,872,832	373,872,832	-	-	0%	100.0%
World Bank THS-UC Conditional allocation	29,698,860	95,036,351	52,877,203	(42,159,148)	23,178,343	78%	55.6%
Conditional Allocation for Rehabilitation of Youth Polytechnics	35,431,434	47,800,000	36,089,000	(11,711,000)	657,566	2%	75.5%
C.R.A Equitable Share	9,271,400,000	9,451,400,000	9,451,400,000	-	180,000,000	2%	100.0%
SUB TOTAL	12,909,653,531	15,793,935,379	15,676,420,042	(117,515,336)	2,766,766,511	21%	99.3%

Source: Draft Nakuru County Financial Statement Sept. 2019

OWN SOURCE REVENUE PERFORMANCE

Improved performance in Own Source Revenue which is comprised of local revenue (discretionary source) and Facility Improvement Fund (FIF) (non-discretionary source) collections within Level 4 and 5 hospitals was registered in FY 2018/19 as compared to a similar period in the FY 2017/18. An overall growth in OSR of 23% was recorded in the FY 2018/19 compared to FY 2017/18 with the actual being Ksh. 2.814 billion in FY 2018/19 compared to Ksh. 2.280 billion in FY 2017/18. Out of the actual collection of OSR, FIF attained an actual collection of Ksh. 957 million (140%) against the set target of Ksh. 685 million whereas local sources accounted for 1.857 (93%) out of a set target of Ksh. 2.0 billion.

An analysis of own source revenue with respect to individual revenue streams FY 2018/19 indicated that the major contributor to ordinary revenue include trade licenses Kshs 386m (20%), property tax Ksh 332m (18%), parking fee Kshs 277m (15%) Royalties Kshs 217m (12%) in that order as indicated in **Table 3**. The individual OSR stream were largely evenly distributed with those above and below the set target. Produce cess recorded the highest shortfall of Ksh 86 million followed by building plan fees at 85 million, parking fee at 53 million and house rent at 52. The performance of own source revenue was affected negatively by various factors including:

- Delayed enactment of the Nakuru County Finance Act 2018
- Court injunctions on implementation of the revenue yielding policy measures especially collection of cess from flower production
- Leakage and weak control associated with approval and payment of building plans
- Lack of updated tax base. and other revenue complementary laws.

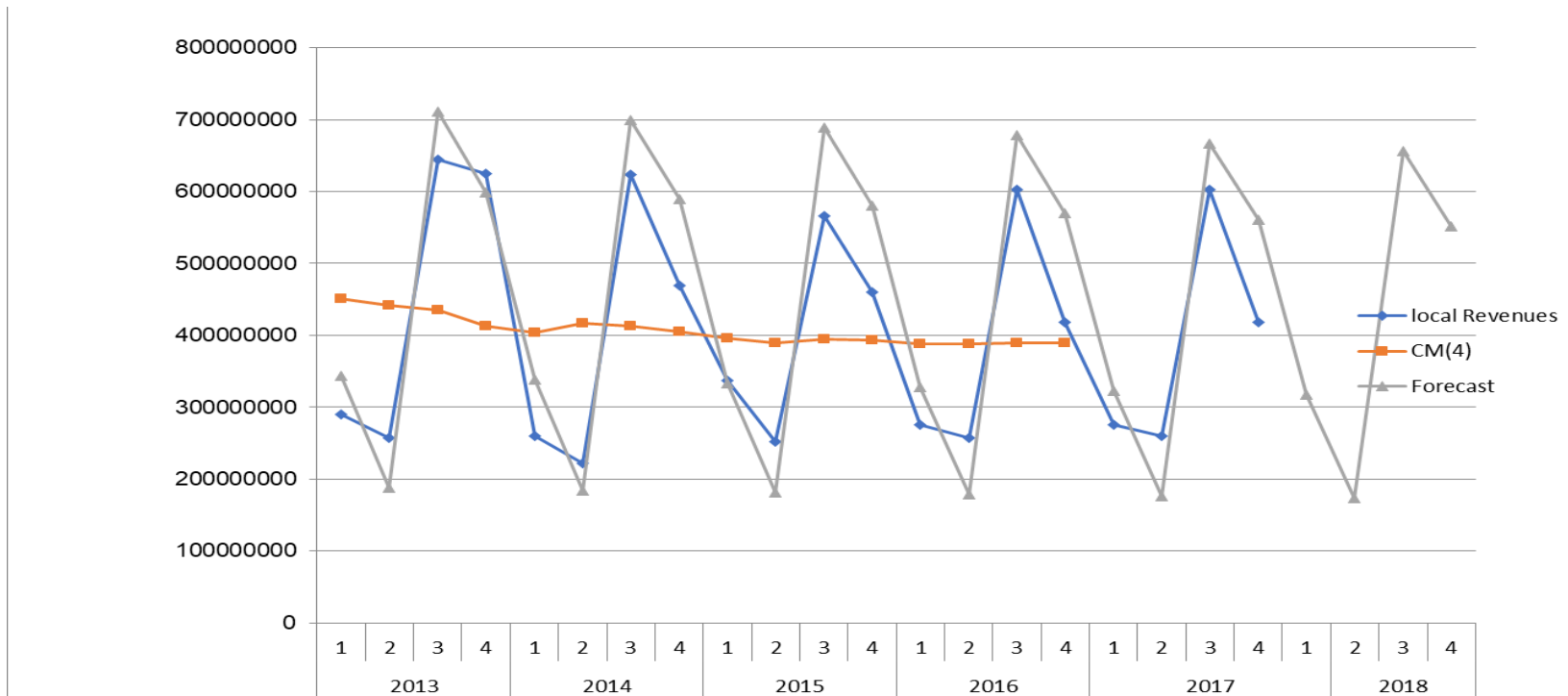
On the other hand, the attainment of the set target under property tax is disguised performance on account of lower target of 300 million compared to the period before devolution where the actual collection stood at Kshs 550 million (CBROP 2013). The above state of affairs can be associated with delay in approval of new valuation roll and enactment of property tax laws. The approval of a new valuation roll by the County Executive Committee and its tabling to the County Assembly for approval is expected to optimize future collection of revenue from property tax. The other raft of measures being undertaken include, enhancement of system controls, mapping for potential revenue bases, development of revenue enhancement plan and review and formulation of news laws.

Table 3: Own Source Revenue Streams

No.	REVENUE SOURCE	ACTUAL 2017/2018	TARGET 2018/2019	ACTUAL 2018/2019	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
1	Property tax (Plot rent and Land rates)	315,852,139	300,980,000	332,164,642	31,184,642	16,312,503	5%	110.4%
2	Trade License	342,784,519	400,000,000	386,404,655	(13,595,345)	43,620,136	13%	96.6%
3	Market Fees	55,338,887	107,220,000	63,565,826	(43,654,174)	8,226,939	15%	59.3%
4	Building Approval	21,566,973	120,310,000	34,642,241	(85,667,759)	13,075,268	61%	28.8%
5	Cess	19,928,183	100,000,000	13,927,667	(86,072,333)	(6,000,516)	-30%	13.9%
6	Royalties	201,570,346	104,460,000	217,040,996	112,580,996	15,470,650	8%	207.8%
7	Stock/ Slaughter fees	4,042,340	23,000,000	3,875,685	(19,124,315)	(166,655)	-4%	16.9%
8	House Rent	30,013,036	70,000,000	17,991,218	(52,008,782)	(12,021,818)	-40%	25.7%
9	Advertising	106,243,139	100,000,000	104,967,636	4,967,636	(1,275,503)	-1%	105.0%
10	Parking fees	259,477,415	330,100,000	277,001,387	(53,098,613)	17,523,972	7%	83.9%
11	Liquor Licensing	68,531,860	72,150,000	95,801,573	23,651,573	27,269,713	40%	132.8%
12	County Park Fees	5,500	750,000	73,400	(676,600)	67,900	1235%	9.8%
13	Water and Sewerage	-			-	-		
14	Health fees and charges	77,597,728	120,350,000	84,207,827	(36,142,173)	6,610,099	9%	70.0%
15	Other Fees and Charges	180,018,785	150,680,000	225,962,553	75,282,553	45,943,768	26%	150.0%
	Sub Total Local Sources	1,682,970,850	2,000,000,000	1,857,627,306	(142,372,694)	174,656,456	10%	93%
16	Facility Improvement Fund	597,551,764	685,000,000	957,002,225	272,002,225	359,450,461	60%	139.7%
	SUB TOTAL (AIA & Local Sources)	2,280,522,614	2,685,000,000	2,814,629,531	129,629,531	534,106,917	23%	104.8%

Source: Draft Nakuru County Financial Statement Sept. 2019

Figure II: County quarterly OWN Forecast MODEL



(Source of data: Financial Statements 2013-2018)

Figure II is the indicative performance of own revenue for the past 5 year on a quarterly basis and provides the accurate basis of forecasting the OSR (excluding FIF).

APPROPRIATION IN AID

In the FY2018/19, there was great improvement in Facility Improvement Fund collection which had an actual collection of Ksh 957m, Ksh. 272m more than what was targeted as indicated in Table 3 below. This can be attributed partly to the completion of the new state of art Margret Kenyatta Mother Baby Wing at Nakuru Level 5 Hospital in addition to enhanced automation and improved internal controls.

Table 4: Appropriation in Aid

REVENUE SOURCE	ACTUAL 2017/2018	TARGET 2018/2019	ACTUAL 2018/2019	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Facility Improvement Fund	597,551,764	685,000,000	957,002,225	272,002,225	359,450,461	60%	140%

Source: Draft Nakuru County Financial Statement Sept. 2019

Expenditure Performance

Total expenditure in the FY 2018/19 totalled to Ksh 12.560 billion against a revised target of Ksh 18.478 billion, representing an under spending of Ksh 5.9 billion (or 32 per cent deviation from the revised budget). This shortfall was attributed to lower absorption in development expenditures by the County Government Departments and Entities. County Government's recurrent expenditure amounted to Ksh 9.039 billion (excluding Ksh 910 million by County Assembly) against a target of Ksh 9.467 billion (excluding Ksh 999 million for County Assembly), representing an under-spending of Ksh 428 million mainly recorded in operations and maintenance, as well as wages and salaries.

Table 5 below shows the total County expenditure for FY2018/2019 by economic classification.

Table 5 : Expenditure Performance by Economic Classification

Economic Classification	ACTUAL	TARGET	ACTUAL	VARIANCE	PERCENTAGE GROWTH	BUDGET EXECUTION RATE	PERCENT OF TOTAL EXPND.
	2017/2018	2018/2019	2018/2019				
Current Expenditure							
Compensation of employees	5,856,996,527	6,042,890,314	5,989,957,706	(52,932,608)	2%	99%	48%
Use of Goods and Services	2,790,743,129	3,773,816,183	3,407,944,919	(365,871,265)	22%	90%	27%
Transfers to other Government entities (County Assembly)	594,928,545	650,646,255	551,729,063	(98,917,192)	-7%	85%	4%
Other Grants and transfers				-			
Sub Total	9,242,668,201	10,467,352,753	9,949,631,688	(517,721,065)	8%	95%	79%
Capital Expenditure							
Acquisition of Non-Financial Assets	1,598,957,077	4,995,827,323	1,530,092,694	(3,465,734,629)	-4%	31%	12%
Capital Grants to Governmental Agencies	323,001,581	2,728,293,490	918,009,568	(1,810,283,922)	184%	34%	7%
Other Development (County Assembly)	167,122,293	287,461,812	162,280,478	(125,181,334)	-3%	56%	1%
Sub Total	2,089,080,951	8,011,582,625	2,610,382,740	(5,401,199,885)	25%	33%	21%
Grand Total	11,331,749,152	18,478,935,378	12,560,014,428	(5,918,920,950)	11%	68%	100%

Source: Draft Nakuru County Financial Statement Sept. 2019

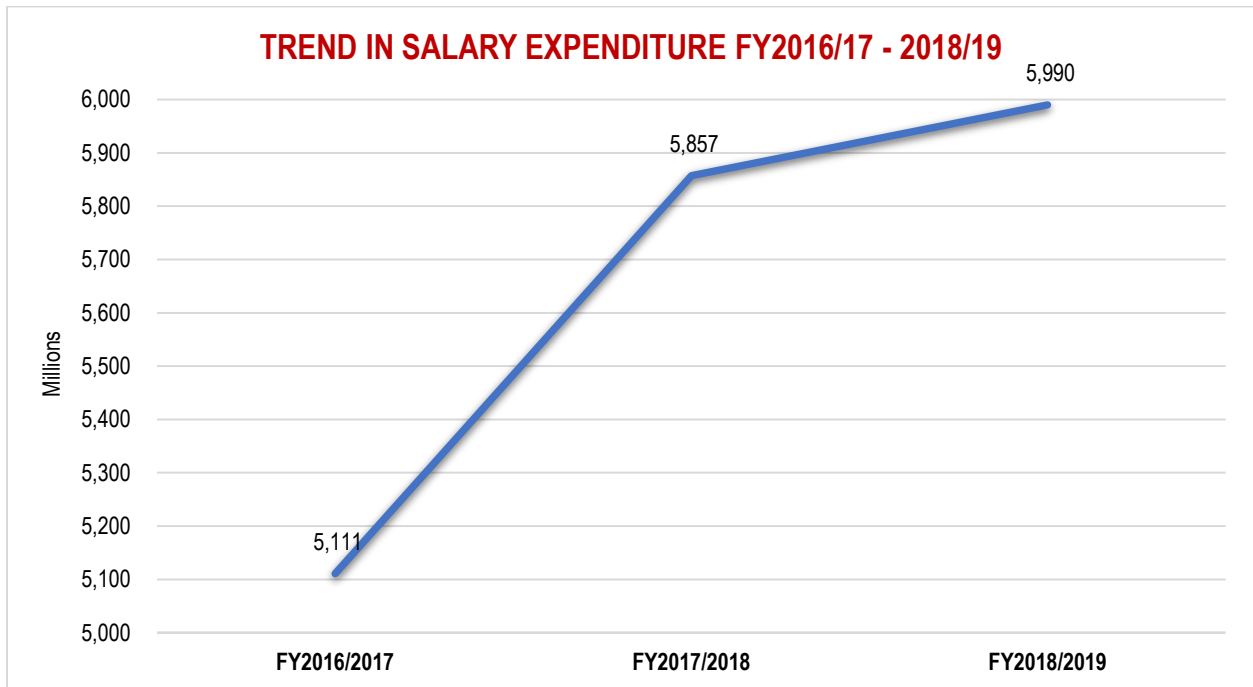
Note: The fiscal balance was due to late disbursement from exchequer and uncommitted project funds. The fiscal balance was Kshs 5.677 billion. This was re-budgeted in FY 2018/19 in compliance with PFM Act 2012 and PFM regulations 2015.

Personnel Cost

The continuous rise of the County Government's personnel cost obligation has been the subject of criticism in recent years. In 2018/19, actual personnel cost was Kshs 5.989 billion, about 2% increase or Kshs 132 million from the 2017/18 actual personnel cost spending of Kshs 5.856 billion. Looking back from 2016/17, personnel cost was Kshs 5.110 billion and in the following year 2017/18 it saw a significant increase to about Ksh. 5.856 billion. Although the County Government undertook a Staff Audit in 2018 to establish the cause of ballooning wage bill and other associated ills, this has not made any considerable change in the reduction of the growing personnel cost.

The huge leap in the personnel cost over the years is associate with to unsound personnel recruitment policies, increase in personnel emolument associated with Salary harmonization by SRC with the immediate being Phase III with the effective date of 1st July 2019 and CBAs by workers union. It is also important to note that 55% of personnel costs by the County Government is borne by Department of health. Despite the trend there is increasing pressure for more personnel within the new health facilities and other devolved function including Early childhood education, agriculture and infrastructure development. The current situation therefore calls for rightsizing of the County staff establishment.

Figure III: Growth of Personnel Emoluments

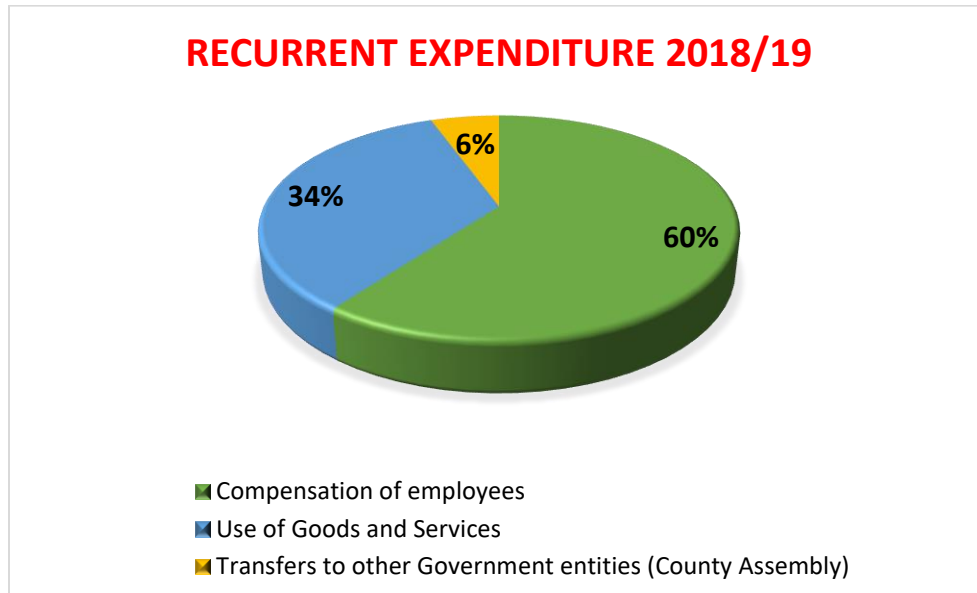


Source: Draft Nakuru County Financial Statement Sept. 2019

Recurrent Expenditure

Recurrent expenditure vis-a-vis the County Government's total spend has been on an upward trajectory which means that the bulk of the Government's spending is fed into recurrent items. In 2017/18, spending on recurrent items relative to the County Government's total spending was as high as 82 per cent. However, this percentage reduced to 79% in 2018/19 due to the huge capital expenditure allocation. The composition of total actual recurrent expenditure for FY 2018/2019 of Kshs 9.949 billion is as indicated in Figure IV below.

Figure IV: Composition of Recurrent Expenses



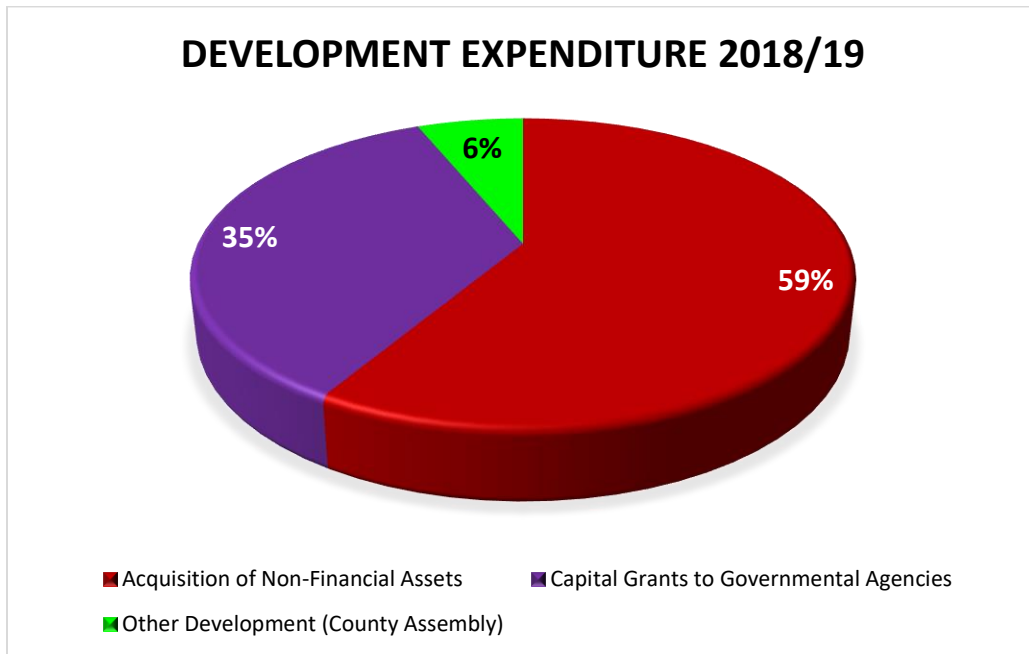
Source: Draft Nakuru County Financial Statement Sept. 2019

Development Expenditure

Development expenditure was below target by Ksh 5.401 billion. This was on account of low absorption by Departments of programmes financed by equitable share of revenue and OSR by Ksh 3.686 billion and lower than programmed execution of donor and conditional grants by Ksh 1.714 billion.

Analysis of development outlay indicates that the Department of Finance and Economic Planning had the highest development budget execution against the target of 74% followed by Department of Health at 66% while Department of Land, Physical Planning and Housing had the lowest rate of execution of 1%. Overall, the development expenditure accounted for transfers to County Assembly, acquisition of non-financial assets and capital transfers as depicted in the Figure V below.

Figure V: Composition of Development Expenditure



Source: Draft Nakuru County Financial Statement Sept. 2019

As at the end of FY 2018/19, total expenditures by the Department of Health was Kshs 5.509 billion, Department of Infrastructure Kshs 1.357 billion, Department of Agriculture, Livestock and Fisheries Kshs 709m and Department of Education, Vocational Training & ICT and E-Government Kshs 540.9 million accounting for 65% per cent of total expenditure, while the PAIR Sector comprising of Office of the Governor, County Assembly, Public Service Board, Public Service Devolution and Training and Finance and Economic Planning accounted for 26 percent.

Details of various Departmental and County Entities expenditures for the FY 2018/19 are provided in **Table 6** below.

Table 6: Departments Expenditure Performance for Period ending 30th June 2019

VOTE NO.	VOTE TITLE	Recurrent		Variance	Development		Variance	Total		Variance	Rate of Budget Execution (%)
		Actual 2018/19	Target 2018/19		Actual 2018/19	Target 2018/19		Actual 2018/19	Target 2018/19		
4561	Office of the Governor and Deputy Governor	252,988,744	254,862,840	(1,874,097)	-	71,605,318	(71,605,318)	252,988,744	326,468,158	(73,479,415)	77%
4562	County Treasury	971,841,830	984,485,249	(12,643,420)	198,498,866	266,453,842	(67,954,976)	1,170,340,696	1,250,939,091	(80,598,396)	94%
4563	County Public Service Board	32,416,890	46,329,192	(13,912,302)	3,497,152	4,405,528	(908,376)	35,914,042	50,734,720	(14,820,678)	71%
4574	Public Service, Training and Devolution	756,916,148	749,554,164	7,361,984	17,733,809	30,000,000	(12,266,191)	774,649,957	779,554,164	(4,904,207)	99%
4565	Health Services	4,720,511,283	5,152,399,206	(431,887,923)	788,899,048	1,186,907,431	(398,008,383)	5,509,410,331	6,339,306,637	(829,896,306)	87%
4566	Trade, Industry, Marketing and Tourism	135,628,630	171,771,365	(36,142,735)	79,360,005	354,951,252	(275,591,247)	214,988,635	526,722,617	(311,733,982)	41%
4567	Infrastructure	640,130,223	387,494,933	252,635,290	717,729,117	2,127,350,446	(1,409,621,329)	1,357,859,340	2,514,845,379	(1,156,986,039)	54%
4575	Education, Vocational training, ICT and E-Government	296,412,069	323,096,021	(26,683,952)	244,511,790	839,529,732	(595,017,942)	540,923,859	1,162,625,753	(621,701,894)	47%
4569	Agriculture, Livestock and Fisheries	474,665,064	551,757,883	(77,092,819)	234,404,507	460,594,742	(226,190,235)	709,069,571	1,012,352,625	(303,283,054)	70%
4570	Land, Physical Planning and Housing	145,567,300	197,378,027	(51,810,727)	13,849,010	1,340,045,440	(1,326,196,430)	159,416,310	1,537,423,467	(1,378,007,157)	10%
4576	Youth, Culture, Gender, Sports and Social Services.	292,269,202	340,424,199	(48,154,997)	19,264,377	127,132,753	(107,868,376)	311,533,579	467,556,952	(156,023,374)	67%
4572	Water, Environment, Energy and Natural Resources	320,144,064	308,260,848	11,883,216	130,354,580	915,144,329	(784,789,749)	450,498,644	1,223,405,178	(772,906,533)	37%
4573	County Assembly	910,140,241	999,538,825	(89,398,584)	162,280,478	287,461,812	(125,181,334)	1,072,420,719	1,287,000,637	(214,579,918)	83%
	TOTAL	9,949,631,688	10,467,352,753	(517,721,065)	2,610,382,740	8,011,582,625	(5,401,199,885)	12,560,014,428	18,478,935,378	(5,918,920,950)	68%

Source: Draft Nakuru County Financial Statement Sept. 2019

County Debt Management

The County pending bills as at 30th June 2018 were subjected to a special audit instituted by the Office of the Auditor General on request by the Office of the Controller of the Budget. The review of the pending bills resulted in their categorization into eligible and ineligible pending bills. In this respect the County had submitted a list of pending bills worth Kshs 2.5 billion out of which bills worth Kshs 463 were passed as eligible and a significant amount of pending bills of Kshs 2 billion were rendered ineligible. The stance meant that eligible pending bills were cleared for payments whereas the ineligible did not meet the required threshold for payment for reasons of their incompleteness, including lack of requisite documentation, lack of evidence of work done and in addition to the fact that some of the debts were inherited from the defunct local authorities. Subsequently Counties were directed through a correspondence from the Controller of budgeted following the Presidential directive for the eligible pending bills to be cleared. The County had at the close of fiscal year cleared eligible pending bill worth Kshs 95.47 million and subsequently factored the amount of Kshs 167.5 million in the 2019/20 Approved budget.

To resolve the outstanding issue on the in eligible pending bills and such future bill the County has constituted and gazetted a Pending Bills Resolution Committee as directed by Controller of Budget. During the financial year 2018/19 a total of Kshs 121.7 million was spent under debt resolution. Accurate forecasting of own source revenue targets in past year contributed to the reduced instances of pending bills in FY 2018/19. However, cash flow constraints with respect to National transfers of funds in the course of reporting period derailed prompt settlement of existing debts. The County Treasury allocated Kshs 234.8 million towards debt settlement during the year under review. By the end of the FY 2018/2019, Kshs 166.8 million was utilised in repaying debts representing 71% utilization rate.

Detailed analysis of County debt will be contained in the Pending Bill Committee report from time to time. This is in addition County Debt Management Strategy Papers prepared and submitted to the County Assembly, as envisaged in Section 123 of the PFM Act. Over the medium term, the County Government will continue to maintain a balanced budget ensuring realistic revenue estimates which equals total expenditure with the aim of limiting the level of pending bills. In addition, the focus will be on ensuring the reduction of current debt through servicing of pending bills.

Overall Balance and Financing

Reflecting on the above performance in revenue and expenditure, overall fiscal balance on a commitment basis (including FIF) was Kshs 5.6 billion for FY 2018/19 against the revised approved budget of Kshs 18.478 billion. Overall fiscal surplus after adjustment to cash basis accruing beyond the budgeted FIF estimates totalled (Kshs 272 million). The surplus provided resources for financing the 2019/20 budget under the Health Department while the fiscal balance of Ksh. 5.3 billion accounted for the projects rolled over to financial year 2019/20.

C. Fiscal Performance for FY 2019/2020 in Relation to Fiscal Responsibility Principles and Financial Objective in 2019 CFSP

The performance in the FY 2018/19 has affected the financial objectives set out in the 2019 CFSP and the approved budget for FY 2019/20 in the following ways:

- I. The economic assumptions underpinning the 2019/20 budget and medium term reflects the modified own source revenue projection in line with the improved own revenue collection including FIF with performance of 104.8% of budgeted figures.
- II. The under execution of the 2018/19 budget on account of actual funds incurred for development projects has resulted in a backlog which while increasing the fiscal responsibility parameter to 49% (10.1 billion) 2019/20 of total budget against the set minimum of 30%. This may affect the current execution in terms of timeliness of procurement due to the large number of projects to be executed and quality thereon
- III. The trend of actual revenue collection from own sources being Ksh 2.2 billion in 2017/18 to Ksh 2.814 billion in 2018/19 and a projected revenue of Ksh 3.1 billion in 2019/20. The Medium term (2020/21-2022/23) revenue estimates shall be projected with the use of 2018/2019 actuals, annualized or extrapolated as the base year per each revenue item. This represent an extrapolated growth of 15% from the past trend with projections of Ksh 3.4 billion in 2020/2021.
- IV. The County continues to pursue policy of fiscal discipline while undertaking to adhere to the fiscal responsibility principle of maintaining wage at a maximum of 35% as envisaged in PFM regulation 2015 with measures including staff rationalization in response to staff audit report of 2018. While these may be desired state other exogenous factors including worker CBAs, salary harmonisation by the Salary and Remuneration Commission (SRC) and court awards on employee compensations impacted negatively on County wage bill in 2018/19.

- V. The implementation of phase III of salary harmonization by SRC for County public servants effective 1st July 2019 will increase the County wage bill to undesirable levels while constraining the County in meeting its obligation on service. This are extraneous factors without the County will portend challenges in meeting the fiscal responsibility principle of 35%.
- VI. The County pending bills as at 30th June 2018 were subjected to a special audit instituted by the Office of the Auditor General on request by the Office of the Controller of the Budget This enabled the County Government reduce the County debt portfolio to Kshs 172 million from the Ksh 2.5 billion original submitted. This stance however portends a fiscal risk of contingent liabilities to the County once the ineligible bills amounting to Ksh 2.0 billion are review and reclassified by the Pending Bills Committee. The instance of new pending bills however reduced in the FY2018/19 due to prudent financial management and improved credibility of the budget associated with realistic revenue estimates.
- VII. The County managed the reduce fiscal and associated risks including compliance, political by enhancing budget credibility by ensuring County's recurrent expenditure for the FY 2018/19 did not exceed the total revenue for the year under review. The proposed elevation of Nakuru Town to City Status is expected to attract more investors as well promote infrastructural development

Continuing in Fiscal Discipline and Responsibility Principles

The motivation of a rationalized and balanced budget will continue to be the norm and will encompass sustainability, affordability and strict prioritization as a resource allocation strategy. In addition, our fiscal policy objective will provide an avenue to support economic activities while allowing for implementation of the programmes within sustainable public finances.

Revenue performance in FY 2018/19 achieved 104.8 percent of the targeted forecast. The County Government will therefore continue to be more rational while projecting future revenue particularly putting into consideration past revenue trends and evaluation of new potential revenue streams.

During the year under review the County Government allocated 43.6 percent towards development expenditure thereby attaining the minimum 30 percent requirement set out in the PFM Act section 107. There was a slowdown in execution of development budget where 33 percent (approximately Ksh 2.6 billion) of the total capital budget was absorbed in FY2018/19 compared 34 percent absorbed in FY 2017/18.

The actual expenditure on compensation to employee increased by 2 percent in FY2018/2019. The total wage bill (salaries and wages) in FY2019/20 excluding fiscal balance with an allocation of Ksh 6.1 billion is higher than the recommended ratio of 35 percent as set out in the PFM regulations. Over the medium-term expenditure on salaries and wages will rise further on account of SRC recommendations for job evaluation and Court determinations.

The County Government has continued in its commitment to maintain debt at sustainable levels as per the County Medium Debt Strategy pursuant to section 123 of the PFM Act. During the year under review the County Government serviced debt amounting to 187 million and will continue to monitor and institute financial discipline across all departments to avoid further accumulation of pending bills by spending units.

III. RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

The County's performance is dependent on the National economic performance as well formulation and implementation of sound policies. In this respect the Kenya national bureau of statistics developed and published the GCP that outline an estimate and size of County economies. The GCP provides an objective way to measure economic progress using either real growth rate or GCP per capita over-time. These estimates provide a benchmark estimate that could be improved over time with the support of the counties, particularly in availing requisite data and funding to sustain the annual production of these estimates.

The overarching objective of the GCP estimates is to provide a picture of the economic structure and relative size of the economy for each County. The estimates are expected to be instrumental in informing economic growth and supporting County level decision making and economic planning. It is envisaged that the GCP will be useful in, informing County economic development plans, estimation of revenue potential for each County and informing economic progress at the County level.

The economic and Financial Policy to be undertaken by the County Government in the Financial Year 2020/21-2022/23 and Medium term will continue to focus on the implementation of the agenda in the CIDP and the ten pillars in the Governors manifesto. The policies aim at consolidating the progress made in the priority areas within the existing fiscal framework. Going forward the economic outlook remains favourable despite the portended risks.

A. Recent Economic Development

Foreign investments

The County continues to benefit from grants from World Bank that saw the establishment of Nakuru and Naivasha Municipalities for purposes of promoting “Resilience in Urban Areas and Kenyan cities. This is set to boost infrastructural development and service delivery in line with population growth in urban areas. The County will in addition continue to receive grant from development partner including Danida for health sector and World Bank through KDSP, THS-UC and NARIGP for programme in other sectors This will go a long way in sustaining the County's strategic objective of Promotion of health services through investing in quality and accessible health services, civic education and promotion of value addition in agriculture

Infrastructure Development

The National Government has embarked on the construction of Phase 2A (Nairobi to Naivasha) of the Standard Gauge Railways (SGR). Implementation of the Phase 2A project is already at 85 percent. Completion of the project is expected to ease movement of goods to the port of Mombasa ready for export. The proposed airport in Nakuru East Sub County will spur growth in the County by linking it to the rest of the Country as well ease movement of people and goods. The proposed elevation of Nakuru town to City Status is expected to attract more investors as well promote infrastructural development

Special Economic Zones

Nakuru County has been earmarked for the establishment of special economic zones with Naivasha being the destined geographical location for investment. This is due to its strategic location and the fact that it will be served by critical infrastructure with the expected completion of the second phase of SGR. The SEZ regime will provide incentives touching on ease of setting up businesses, investment and investor protection, simplified tax regime, and favorable labour regulations among

others. The SEZ is expected to facilitate investment by global and local investors by promoting an enabling environment for the benefit of County residents through employment creation and income generation as part of the goal of manufacturing under the **BIG FOUR AGENDA**.

Macro-Economic Outlook and Policies

Global Economic Outlook

Global economic growth stagnated at 3% in 2018 and is projected to grow by 2.9% in 2019, according to the Global Economic Prospects report released by the World Bank on 8th January 2019. The report paints a gloomy economic outlook for 2019 on account of tight financial conditions at the global level, moderate industrial production, elevated trade tensions particularly between the United States (US) and China and financial market stress among the emerging markets and developing economies. Global trade in goods and industrial activity declined in 2018 mainly because of trade tension between the US and China. International trade is expected to be more subdued in 2019 because of trade policy uncertainty, rising interest rates in the advanced economies and the rebalancing of the Chinese economy (World Bank, 2019).

Regional Economic Outlook

According to the World Bank (2019), the Sub-Saharan African (SSA) countries economic growth is estimated to have reached 2.7% in 2018; a downward revision from previous projections. This reflects a sluggish expansion in the region amid moderate trade growth, tightening financial conditions, and weak prices for key metals and agricultural commodities. The region is expected to accelerate to 3.4% in 2019, and at an average of 3.7% in 2020-21 period supported by stable policy environment and improved investment in large economies (South Africa, Nigeria, Angola and Kenya) together with continued robust growth in non-resource intensive economies. Growth in Nigeria is expected to rise to 2.2% in 2019, assuming that oil production will recover and a slow improvement in private demand will constrain

growth in the non-oil industrial sector. Angola is forecast to grow 2.9% in 2019 as the oil sector recovers as new oil fields come on stream and reforms bolster the business environment. South Africa is projected to accelerate modestly to a 1.3% pace, amid constraints on domestic demand and limited Government spending.

Kenya's Economic Outlook

Domestic Outlook

The Kenyan economy expanded by 5.7% in 2018 compared to 4.9% in 2017 and is projected to grow by 5.8% in 2019 (World Bank, 2019). GDP growth rate of 5.7 % achieved in 2018 is 4.3% away from Vision 2030 target of at least 10% per annum. Kenya's growth in 2019 will be supported by projected recovery in agriculture and domestic demand. Kenya has in its bid to join the resource-based economy exported the first crude oil consignment extracted from the oil fields of Turkana County. The economic significance will be the use of economic indicators for making critical national decisions including allocating the scarce resource to the National and County Governments, formulation of fiscal policy in addition to gravitating investments towards the Country.

Inflation

Recently released indicates that year-on-year overall inflation remained within the government target range at 5.0 percent in August 2019 up from 4.0 percent in August 2018. This increase reflected higher prices of key food items such as carrots, potatoes, sifted maize flour, cabbages, and fresh packed milk, due to delayed long rain. Electricity cost, kerosene price and house rent also increased during the same period. This may affect the County operations with electricity increasingly a major component in infrastructure operation and maintenance in provision of street lighting and road grading.

Kenya Shilling Exchange Rate

The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate reserve buffer. The Shilling appreciated against the Euro and the Sterling pound exchanging at Ksh 114.9 and Ksh 125.5 in September 2019 from Ksh 116.2 and Ksh 129.7 in September 2018, respectively. However, against the US Dollar, the Shilling weakened in September 2019 exchanging at 107.3 compared to the same period in 2018 where Ksh 100.6 were required to buy one Dollar. The depreciation of shilling is attributed to increased demand for import and excess liquidity in the money market. This impact on the export-oriented sectors including flower farming where Nakuru dominate the export market.

Fiscal Policy Outlook

The revenue forecast over the medium term takes into account the consistent decline in the share of revenue to GDP in the last five years. The National Government has adopted cautious and pessimistic approach in forecasting revenues for FY 2020/21 and the medium term to manage expectations and improve budget credibility. Fiscal policy over the medium-term aims at enhancing revenue mobilisation and furthering the fiscal consolidation plan to reduce budget deficit and strengthen our debt sustainability position while supporting economic growth. The County Government will replicate this approach in estimating OSR to improve budget credibility as was the case in FY 2018/19. This approach calls for realistic revenue OSR estimates and prudent financial management.

B. Medium Term Fiscal Framework

The County embarked on the implementation of the 2nd County Integrated development plan 2018-2022 which is expected to steer the County towards economic prosperity for the benefit of all County residents. This is in addition to providing the detailed proposal for attracting funding to compliment the County's efforts in financing its development programmes with the limited fiscal space.

The County Government undertook further reorganisation of its functions that saw the establishment of Nakuru and Naivasha Municipal Boards. In line with provisions of the PFM Act 2012 and PFM regulation 2015, the County will review its policy framework to enable allocation to the new entities in order to reflect the new realities and confirm with the provision of the law. The County Assembly in this respect working with County Executive will formulate and approve a framework for allocation of resources to the Municipal Boards. This calls for amendments to the Nakuru County Revenue Allocation Act of 2018.

With respect to revenue, the County Government purpose to maintain a strong revenue effort at 40 and 60 percent of estimated revenue of Kshs 3.1 billion in the first and second half of fiscal year 2019/20. Measures to achieve this effort include formulation of revenue enhancement plan, implementation of proposed measure in OSR framework document developed by the National Treasury and implementation of the 2019 Finance Act. The County Government will offer tax reliefs incentives and widen the tax base.

The County Government through an Executive Order constituted the project implementation committee that is tasked with overseeing the implementation of approved project. This will complement the County Department effort in improving project execution, enhancing value for money and ensuring effective stakeholder engagement. This come at a time when counties are faced will under execution of project and increased roll over of projects.

Risk to Fiscal Outlook

- I. The delayed enactment of the DOBA and subsequently the CARA Act of 2019 that form the basis of allocation to counties for budgetary purposes and subsequently the basis of release of funds poses risks to the framework which includes project completion and reputational risks. This is due to snowballing effects of prolonged procurement

- II. Roll over of projects continues to expose the County to completion, political and reputational risk due to increased magnitude of projects to be implemented in a subsequent year. This is in addition to the risk of projects losing relevance due to prolonged period to completion.
- III. The reclassification of substantial amount of pending bill amounting to Kshs 2 billion as ineligible portend a fiscal risk inform of contingent liabilities to the County. This calls for thorough review of ineligible pending bills to further inform their reclassification and settlement to manage the associated risks.
- IV. The SRC a Constitutionally mandated organ finalised Phase III of salary harmonization for public servants which became effective from July 2019. This together with Court determinations on employee remuneration continue to increase the County wage bill to undesirable levels while constraining the County in meeting its obligation on service delivery
- V. Increased level of national debt will impact negatively on Counties with the proposed austerity measures and crowding out of funds means that less will be available to counties which still have limited prospects of generating own source revenues.
- VI. The County continues to face risks associated to non-payment of pension of Staff devolved from National Government whose scheme was a non-contributory pension scheme. These contributions have however not been remitted by either levels of Government since the advent of devolution in 2013 due to lack of enabling framework by the National Government.

IV. RESOURCE ALLOCATION FRAMEWORK

a) Adjustment to 2019/20 Budget

The medium-term expenditure framework is premised on fiscal strategy aimed at directing resources to the most productive areas and growth enhancing sectors while complementing the Big Four Agenda by the National Government. Efforts will further be intensified to increase own source revenue for sustainability of our development programmes.

Adjustments to the 2019/20 budget will take into account actual performance of own source revenue in FY 2018/19, expenditure so far and absorption capacity in the remainder of the financial year by County Department and Entities. This is in addition to making adjustment to align strategic objective/initiatives as contained in the fiscal CFSP 2019.

The over and under performance in own source revenue collection and expenditure respectively in the FY 2018/19 has implications on the financial objectives outlined in the 2019 CFSP and the 2019/20 Budget. In particular, the baseline for projecting both the revenue and expenditures for the FY 2019/20 and the medium term has changed given the outcome of FY 2018/19 and the first two months of FY 2019/20.

Given the OSR performance in FY 2018/19 OSR projections for FY 2019/20 have been revised taking into account incremental trend in revenue performance extrapolated at 15% of average actual collection in the last three years, and the amendments in the Finance Act 2019. The surplus collection under FIF a component of OSR has been adjusted in the approved budget under the Department of Health.

Expenditure projections for FY 2019/20 will be revised to reflect additional funding arising out of late passage of the CARRA with respect to equitable share of revenue, conditional grant and donor funding from multilateral agencies including the World Bank, Danida. The reorganisation of County Government functions which led to creation of new Entities including the Municipal Boards of Nakuru and Naivasha and the County Audit Committee necessitates the allocation and reallocation of funds to cover the proposed budgetary expenditures

Review of personnel emolument for staff in County Government with the effective date of July 2019 by Salaries and Remunerations Commission (SRC) will necessitate the amendment to the approved budget for FY 2019/20. This may have implication on fiscal responsibility principles. This may also affect the proposed recruitment, and replacement of staff in critical areas including Health, Agriculture, and Infrastructure. However, the timing of the above reviews continues to affect the planning of salaries and wages due to its unpredictable tendencies.

The reclassification of a substantial amount of pending bills as eligible and ineligible dictated the budgetary provision under debt resolution, with some Departments being directed to undertake payment of eligible pending as first charge in the approved budget hence reducing the allocation for their operations during the FY 2019/20. In this respect the Departments will receive equivalent funding from additional funding to County Government as first charge. The reclassification of ineligible pending bills which currently falls under contingent liabilities will continue to inform in year budget adjustment through supplementary in the event the acquire eligibility status.

Expenditure pressures with respect to harmonization of Phase III salary by SRC, slow pace of project implementation in the spending units continues to be a source of concern especially with increasing level of rollovers These risks will be monitored closely and the County Government would take appropriate measures in the context of the next Supplementary Budget which will also take into account the national treasury circular on guideline on expenditure control measures.

Because of the resource constraints, the County Government will rationalize expenditures by cutting those that are non- priority. These may include slowing down or reprioritizing operational expenditures in order for the Government to live within its means. However, the resources earmarked for development purposes will be utilized in the said project and none will be expended as recurrent utilization of Emergency Funds will be within the criteria specified in the PFM Act and Nakuru County Emergency Fund Regulations.

b) Medium-Term Expenditure Framework

Going forward, and in view of the recent policy change involving reorganization of County Government functions that resulted into constitution of Municipal Boards and limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. The Annual Development Plan (ADP) developed with reference to the approved County Integrated Development Plan (2018-2022) will guide development programmes. In the Meantime, the resource allocation and reallocation will be guided by strategic objectives outlined in the CFSP and programmes adopted by sector working groups.

Own Source Revenue (OSR) contributes only about 12-13 percent of the total financing of County Governments, with increasing dependency on transfers from the National Government. This has raised concerns that OSR are not commensurate with the scale, growth and nature of the expanding economic activity at the County level and with it the expanding value of the tax/fee base.

The focus of the County Government in the formulation of tax policy for the medium term therefore will be to strike the right balance between domestic revenue mobilization for development and designing an attractive tax regime that promotes local and foreign investment. The County will make use of use of actual historical revenue data for the past five years (2014-2018) to establish the Estimates for 2020. The Medium term (2020/21-2022/23) revenue estimates shall be projected with the use of 2018/2019 actuals, annualized or extrapolated as the base year per each revenue item

Estimation of County GCP which is an indicator of the growth and nature of the expanding economic activity at the County level of provides a better proxy that could be used to estimate potential revenues within the County. Its inaugural publication in 2019 is, therefore, timely as it will complement the ongoing refinement/or phase two of the own-source revenue (OSR) potential and the County scheduled OSR mapping.

The priority social sectors, including Agriculture, infrastructure and ICT, education and health, will continue to receive adequate resources. Both sectors (Roads and health) are already receiving a significant share of resources in the budget and require them to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in other sectors. The economic sectors including Environment, agriculture and livestock will receive increasing share of resources to ensure sustainable development, boost agricultural productivity with a view to, value addition and an overcoming threat in food security to compliment the big four agenda being championed by the National government.

Reflecting on the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the 2020/21-2022/23 MTEF, classified by Sectors. The Sector ceilings include Sub County funds.

Table 7: Medium Term Sector Ceilings 2020/21 - 2022/23

	SECTOR		APPROVED ESTIMATES FY 2018/2019	CBROP TOTAL CEILINGS	PROJECTIONS		% of Total Expenditure (CBROP)		
				2020/2021	2021/2022	2022/2023	2020/2021	2021/2022	2022/2023
1	Agriculture Rural and Urban Development	Sub Total	3,968,253,279	1,395,301,345	1,534,831,479	1,688,314,627	8.5%	8.5%	8.5%
		Recurrent Gross	740,014,726	753,612,786	828,974,065	911,871,472	7.1%	7.1%	7.1%
		Development Gross	3,228,238,554	641,688,559	705,857,414	776,443,156	11.0%	11.0%	11.0%
2	Education	Sub Total	1,368,560,752	538,274,301	592,101,731	651,311,904	3.3%	3.3%	3.3%
		Recurrent Gross	424,248,597	385,701,882	424,272,070	466,699,277	2.3%	2.3%	2.3%
		Development Gross	944,312,156	152,572,419	167,829,661	184,612,627	0.9%	0.9%	0.9%
3	Social Protection, Culture and Receptions	Sub Total	493,788,121	348,270,648	383,097,713	421,407,484	2.1%	2.1%	2.1%
		Recurrent Gross	259,225,750	247,684,723	272,453,196	299,698,515	1.5%	1.5%	1.5%
		Development Gross	234,562,371	100,585,925	110,644,518	121,708,969	0.6%	0.6%	0.6%
4	Energy, Infrastructure and ICT	Sub Total	2,667,283,699	982,768,119	1,081,044,931	1,189,149,424	6.0%	6.0%	6.0%
		Recurrent Gross	429,090,442	447,127,304	491,840,034	541,024,038	2.7%	2.7%	2.7%
		Development Gross	2,238,193,257	535,640,815	589,204,896	648,125,386	3.3%	3.3%	3.3%
5	Environment Protection, Water and Natural Resources	Sub Total	1,712,203,206	451,492,210	496,641,431	546,305,574	2.7%	2.7%	2.7%
		Recurrent Gross	288,725,106	290,535,522	319,589,074	351,547,982	1.8%	1.8%	1.8%
		Development Gross	1,423,478,100	160,956,688	177,052,357	194,757,592	1.0%	1.0%	1.0%
6	General Economics and Commercial Affairs	Sub Total	645,701,554	323,440,134	355,784,147	391,362,562	2.0%	2.0%	2.0%
		Recurrent Gross	155,011,671	151,759,242	166,935,166	183,628,683	0.9%	0.9%	0.9%
		Development Gross	490,689,883	171,680,892	188,848,981	207,733,879	1.0%	1.0%	1.0%
7	Health	Sub Total	6,687,894,142	6,052,595,303	6,657,854,834	7,323,640,317	36.7%	36.7%	36.7%
		Recurrent Gross	5,518,100,250	5,289,064,490	5,817,970,939	6,399,768,033	32.1%	32.1%	32.1%
		Development Gross	1,169,793,892	763,530,814	839,883,895	923,872,284	4.6%	4.6%	4.6%

	SECTOR		APPROVED ESTIMATES FY 2018/2019	CBROP TOTAL CEILINGS	PROJECTIONS		% of Total Expenditure (CBROP)		
				2020/2021	2021/2022	2022/2023	2020/2021	2021/2022	2022/2023
8	Public Administration and National/ Inter County Relations	Sub Total	3,833,332,608	6,385,321,069	7,023,853,176	7,726,238,494	38.8%	38.8%	38.8%
		Recurrent Gross	2,989,385,188	3,062,477,769	3,368,725,546	3,705,598,101	18.6%	18.6%	18.6%
		Development Gross	843,947,420	3,322,843,300	3,655,127,630	4,020,640,393	20.2%	20.2%	20.2%
	TOTAL	Total Recurrent Gross	10,803,801,729	10,627,963,718	11,690,760,090	12,859,836,099	64.5%	64.5%	64.5%
		Total Development Gross	10,573,215,632	5,849,499,411	6,434,449,352	7,077,894,287	35.5%	35.5%	35.5%
		GRAND TOTAL	21,377,017,361	16,477,463,129	18,125,209,442	19,937,730,386	100.0%	100.0%	100.0%

c) Budget Framework FY 2020/2021

Revenue Projections; The cumulative revenue forecast for FY 2020/21 including Appropriation in Aid will rise marginally by approximately 7 percent to Ksh 16.477 billion as compared to the 2019 CFSP revenue forecast. Summaries for both own source revenue and national transfers forecast over the medium-term period have been presented in **Annex I** of this document.

The national transfers in form of the equitable share of revenue and conditional grants are projected to rise marginally by 4 percent to Ksh 13.077 Billion on passage of division of revenue bill.

Equitable share of revenue constitutes the largest share of total County receipts at 64.2 percent. Since the start of devolution, the County Government has seen a systematic drop in the growth of the County equitable share of revenue over the last five years with the exception of FY 2019/20. This may be attributed to coming into force of the new revenue sharing formula outlined in the CARA of 2019. The County Government will therefore continue to adopt measures aimed at improving own source revenue to increase its prospect as witnessed in FY 2018/19 and we expect to qualify for a share of the 2% on fiscal effort in the next cycle of sharing of revenue.

Going forward, the reforms in local revenue administration by the County Government as well as legislative review of the current revenue related laws through the Finance Act 2019 are expected to strengthen local revenue performance.

Observing the analysed actual performance in FY 2018/19, County own source revenues are expected to grow by 15% to Ksh 3.4 billion in FY 2020/2021 up from 3.1 billion projected in the current FY 2019/2020. Appropriation in Aid is expected to level out at Ksh 1.1 billion in FY2020/2021 up from Ksh 1 billion projected in the current FY 2019/20 mainly on account of natural growth and improvements in efficiency in service delivery.

Expenditure Projections; In pursuing a balanced budget requirement the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2020/2021. In this regard the County Government total expenditure will reach Ksh 16.477 billion in the FY 2020/2021 approximate growth of 7 percent from the CFSP 2019 expenditure forecast. Compensation to employees will account for 36.2 percent of the total County budget approximately Ksh 5.96 billion. This proportion of the County wage bill is just above the envisaged level of 35 percent of total revenues as recommended in Section 25 of the PFM (County Government Regulations) 2015. The marginal growth in County Allocation for salaries and wages is mainly on account of natural rise in annual increments but the actual allocations shall be firmed up after finalisation of the County personnel budget. Further allocation for other recurrent expenditures excluding balances carried forward will reduce marginally by approximately four percent despite growth in County revenues in line with County focus on capital development. The County allocation for development expenditure has risen from 34 percent to 35.5 percent in FY 2020/2021 excluding balances carried forward. Total County development expenditure will reach Ksh 5.849 billion up from Ksh 5.341 billion in the current FY2019/2020. Conditional grants will account for Ksh 2.487 billion of the development expenditure needs or 43 percent of the Development expenditure. The County development expenditure needs will be primarily financed by the projected National transfers to County Government (the equitable share and the conditional grants). An emergency allocation of Ksh 50 Million has been provided in the Office of the Governor to cater for County unforeseen expenditure and in pursuant of Section 110 of the PFM Act 2012. The Nakuru County Revenue Allocation Act provides for allocation of not less than 45 of development excluding conditional grants. The proposed allocation to the 55 Wards in FY 2020/2021 has been set at Ksh. 1.6 billion which translates to 51% of the equitable share of development expenditure.

The expenditure allocations are available in **Annexes III to V**.

V. CONCLUSION AND NEXT STEP

The set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the County Integrated Development Plan 2018-2022 and the fiscal responsibility principles outlined in the PFM Act 2012. They are also consistent with the national strategic objectives pursued by the County Government as a basis of allocation of public resources. Details of the strategic objectives are provided in the County Integrated Development Plan. The policies and sector ceilings annexed herewith will guide the County Sector Working Groups and Line Ministries in preparation of the 2020/21 budget.

As budgetary resources are finite, it is critical that SWGs and Ministries prioritize their programmes within the available ceilings to ensure that uses of public funds are in line with County Government priorities. There is also need to ensure that current resources are being utilized efficiently and effectively before funding is considered for programmes. SWGs need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, and administration and implementation plans in allocation resources.

ANNEXES REFERENCES

ANNEX I: County Government of Nakuru Operations FY 2020/2021-2022/2023

No	REVENUE SOURCE	APPROVED ESTIMATES	CBROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
		2019/2020	2020/2021	2021/2022	2022/2023		2020/2021	2021/2022	2022/2023	
1	Property tax (Plot rent and Land rates)	300,980,000	400,000,000	420,000,000	441,000,000	99,020,000	32.9%	5.0%	5.0%	2.43%
2	Trade License	400,000,000	450,000,000	472,500,000	496,125,000	50,000,000	12.5%	5.0%	5.0%	2.73%
3	Market Fees	107,220,000	100,000,000	105,000,000	110,250,000	(7,220,000)	-6.7%	5.0%	5.0%	0.61%
4	Building Approval	120,310,000	80,000,000	84,000,000	88,200,000	(40,310,000)	-33.5%	5.0%	5.0%	0.49%
5	Cess	100,000,000	100,000,000	105,000,000	110,250,000	-	0.0%	5.0%	5.0%	0.61%
6	Royalties	204,460,000	250,000,000	262,500,000	275,625,000	45,540,000	22.3%	5.0%	5.0%	1.52%
7	Stock/ Slaughter fees	23,000,000	15,000,000	15,750,000	16,537,500	(8,000,000)	-34.8%	5.0%	5.0%	0.09%
8	House Rent	70,000,000	50,000,000	52,500,000	55,125,000	(20,000,000)	-28.6%	5.0%	5.0%	0.30%
9	Advertising	100,000,000	150,000,000	157,500,000	165,375,000	50,000,000	50.0%	5.0%	5.0%	0.91%
10	Parking fees	330,100,000	300,000,000	315,000,000	330,750,000	(30,100,000)	-9.1%	5.0%	5.0%	1.82%
11	Liquor Licensing	72,150,000	120,000,000	126,000,000	132,300,000	47,850,000	66.3%	5.0%	5.0%	0.73%
12	County Park Fees	750,000	150,000	157,500	165,375	(600,000)	-80.0%	5.0%	5.0%	0.00%
13	Water and Sewerage		-	-	-	-				0.00%
14	Health fees and charges	120,350,000	124,850,000	131,092,500	137,647,125	4,500,000	3.7%	5.0%	5.0%	0.76%
15	Other Fees and Charges	150,680,000	160,000,000	168,000,000	176,400,000	9,320,000	6.2%	5.0%	5.0%	0.97%
	Sub Total Local Sources	2,100,000,000	2,300,000,000	2,415,000,000	2,535,750,000	200,000,000				13.96%
16	Facility Improvement Fund	1,000,000,000	1,100,000,000	1,133,000,000	1,166,990,000	100,000,000	10.0%	3.0%	3.0%	6.7%
	SUB TOTAL (AIA & Local Sources)	3,100,000,000	3,400,000,000	3,548,000,000	3,702,740,000	300,000,000	9.7%	4.4%	4.4%	20.6%
17	Balance in County Revenue Fund	5,677,405,446					0.0%			
	Balance in County Local Revenue Account					-				
18	Donor Grants (DANIDA)	31,083,750	41,107,213	43,162,574	45,320,702	10,023,463	32.2%	5.0%	5.0%	0.2%
19	Loans and Grants CRA			-	-	-				
20	Symbiocity Programme									
21	Kenya Devolution support program (KDSP) Level I	60,282,958	30,000,000	31,500,000	33,075,000	(30,282,958)	-50.2%	5.0%	5.0%	0.2%
22	Kenya Devolution support program (KDSP) Level II			-	-	-				0.0%

No	REVENUE SOURCE	APPROVED ESTIMATES	CBROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
		2019/2020	2020/2021	2021/2022	2022/2023		2020/2021	2021/2022	2022/2023	
23	World bank National Agricultural and Rural inclusive growth Projects (NARIGP)	140,435,163	350,000,000			209,564,837	149.2%	-1	-1	
24	Agricultural Sector Development Support Projects (ASDSP)	21,983,635	18,507,501	19,432,876	20,404,520	(3,476,134)	-15.8%	5.0%	5.0%	0.1%
25	Conditional Allocation to compensate Forgone user fees	38,723,265	38,723,265	40,659,428	42,692,400	-	0.0%	5.0%	5.0%	0.2%
26	Conditional Fund -Kenya Urban Support Project (KUSP) Development Grant	1,084,843,300	1,084,843,300	1,139,085,465	1,196,039,738	-	0.0%	5.0%	5.0%	6.6%
27	Conditional Fund -Kenya Urban Support Project (KUSP) Institutional Grant		8,800,000	9,240,000	9,702,000	8,800,000		5.0%	5.0%	0.1%
28	Conditional Fund -Leasing of Medical Equipment	131,914,894	131,914,894	138,510,639	145,436,171	-	0.0%	0.05	0.05	
29	Conditional Fund -Free Maternal Health			-	-	-				0.0%
30	Road Maintenance Fuel Levy Fund (RMFLF)	297,372,469	297,372,469	312,241,092	327,853,147	-	0.0%	5.0%	5.0%	1.8%
31	Conditional Allocation for Level- 5 Hospital	373,872,832	373,872,832	392,566,474	412,194,797	-	0.0%	5.0%	5.0%	2.3%
32	World Bank THS-UC Conditional allocation	95,036,351	58,346,857	61,264,200	64,327,410		0.0%	5.0%	5.0%	0.4%
33	Conditional Allocation for Rehabilitation of Youth Polytechnics	63,063,298	63,063,298	66,216,463	69,527,286		0.0%	5.0%	5.0%	0.4%
34	C.R.A Equitable Share	10,261,000,000	10,580,911,500	11,109,957,075	11,665,454,929	319,911,500	3.1%	5.0%	5.0%	64.2%
	SUB TOTAL	18,277,017,361	13,077,463,129	13,363,836,285	14,032,028,100	(5,199,554,232)	-28.4%	2.2%	2.2%	79.4%
	GRAND TOTAL	21,377,017,361	16,477,463,129	16,911,836,285	17,734,768,100	(4,899,554,232)	-22.9%	2.6%	2.6%	100%
	Allocation for Ward Projects 2020/2021									
	Total Development Budget	10,573,215,632	5,849,499,411	6,434,449,352	7,077,894,287	(4,723,716,221)	-44.7%	10.0%	10.0%	35.5%
	<i>Less Development Conditional Grant</i>	2,304,080,087	2,487,317,382	2,736,049,120	3,009,654,032	183,237,295	8.0%	10.0%	10.0%	15.1%
	<i>Debt Resolution</i>	144,894,510	250,000,000	275,000,000	302,500,000	105,105,490	72.5%	10.0%	10.0%	1.5%
	<i>Ongoing Projects</i>	5,150,751,599		-	-	(5,150,751,599)	-100.0%			0.0%

No	REVENUE SOURCE	APPROVED ESTIMATES	CBROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
		2019/2020	2020/2021	2021/2022	2022/2023		2020/2021	2021/2022	2022/2023	
	Equitable Allocation	2,973,489,437	3,112,182,029	3,423,400,232	3,765,740,255	138,692,592	4.7%	10.0%	10.0%	18.9%
	<i>County Assembly HQ Development</i>	108,282,875	60,000,000	66,000,000	72,600,000	(48,282,875)	-44.6%	10.0%	10.0%	0.4%
	<i>Flagship HQ development</i>	1,318,206,562	1,452,182,029	1,597,400,232	1,757,140,255	133,975,467		(0)	(0)	8.8%
	45% of Equitable Allocation for Ward Projects	1,547,000,000	1,600,000,000	1,760,000,000	1,936,000,000	53,000,000	3.4%	10.0%	10.0%	9.7%
	Expenditure:									
	Current Expenditure:					-				
	Compensation to Employees	6,126,636,145	5,968,671,364	6,267,104,932	6,580,460,179	(157,964,781)	-2.6%	5.0%	5.0%	36.2%
	Use of Goods and Services	4,363,476,391	4,659,292,354	4,892,256,972	5,136,869,821	295,815,963	6.8%	5.0%	5.0%	28.3%
	Grants and Other Transfers			-	-	-				0.0%
	Other Recurrent	313,689,193		-	-	(313,689,193)	-100.0%			0.0%
	Sub Total:	10,803,801,729	10,627,963,718	11,159,361,904	11,717,329,999	(175,838,011)	-1.6%	5.0%	5.0%	64.5%
	Capital Expenditure:									0.0%
	Acquisition of Non-Financial Assets	6,365,225,367	2,765,682,029	2,903,966,131	3,049,164,437	(3,599,543,338)	-56.6%	5.0%	5.0%	16.8%
	Capital Grants to Governmental Agencies	4,076,360,533	3,083,817,382	3,238,008,251	3,399,908,663	(992,543,152)	-24.3%	5.0%	5.0%	18.7%
	Other Development	131,629,732		-	-	(131,629,732)	-100.0%			0.0%
	Sub Total:	10,573,215,632	5,849,499,411	6,141,974,381	6,449,073,100	(4,723,716,221)	-44.7%	5.0%	5.0%	35.5%
	Grand Total:	21,377,017,361	16,477,463,129	17,301,336,285	18,166,403,100	(4,899,554,232)	-22.9%	5.0%	5.0%	100.0%
	DEFICIT/ SURPLUS	0	0							
	PERCENT OF TOTAL BUDGET									
	Current Expenditure:	56%	64.5%	64.5%	64.5%					
	Capital Expenditure:	44%	35.5%	35.5%	35.5%					

ANNEX II: Trend in Growth of Equitable Share of Revenue

EXCHEQUER RECEIPTS TRENDS	ALLOCATION	GROWTH	% GROWTH
2013/2014 (Base Year)	5,936,875,619	5,936,875,619	100%
2014/2015	7,082,152,961	1,145,277,342	19%
2015/2016	8,116,330,943	1,034,177,982	15%
2016/2017	8,757,624,645	641,293,702	8%
2017/2018	9,271,400,000	513,775,355	6%
2018/2019	9,451,400,000	180,000,000	2%
2019/2020 (Revised CARA Sept 2019)	10,476,150,000	1,024,750,000	11%
2020/2021 (CBROP 2019 Projected Growth)	10,580,911,500	104,761,500	1%

Annex III: Total Expenditure Sector Ceilings for the Period 2020/2021 -2022/2023

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
					2021/2022	2022/2023
1	Agriculture Rural and Urban Development					
1.1		Agriculture, Livestock and Fisheries				
		Compensation to Employees	417,813,761	448,469,218	493,316,139	542,647,753
		Use of Goods & Maintenance	173,634,414	154,741,334	170,215,468	187,237,015
		Development Gross	593,035,247	486,999,674	535,699,641	589,269,606
		Sub Total	1,184,483,422	1,090,210,226	1,199,231,249	1,319,154,374
1.2		Lands, Physical Planning and Housing				
		Compensation to Employees	103,246,792	106,155,296	116,770,826	128,447,908
		Use of Goods & Maintenance	45,319,759	44,246,938	48,671,632	53,538,795
		Development Gross	2,635,203,306	154,688,885	170,157,773	187,173,550
		Sub Total	2,783,769,857	305,091,119	335,600,231	369,160,254
		SUB TOTAL (SECTOR)	3,968,253,279	1,395,301,345	1,534,831,479	1,688,314,627
2		Education				
2.1	Education					
	Compensation to Employees		67,280,152	68,157,427	74,973,170	82,470,487
	Use of Goods & Maintenance		276,877,884	172,906,249	190,196,874	209,216,561
	Development Gross		829,276,958	45,422,539	49,964,793	54,961,272
	Sub Total		1,173,434,994	286,486,215	315,134,837	346,648,320
2.2	Vocational Training					
	Compensation to Employees		39,576,560	40,894,456	44,983,902	49,482,292
	Use of Goods & Maintenance		40,514,000	103,743,749	114,118,124	125,529,937
	Development Gross		115,035,198	107,149,880	117,864,868	129,651,355
	Sub Total		195,125,758	251,788,086	276,966,894	304,663,584
	SUB TOTAL (SECTOR)	1,368,560,752	538,274,301	592,101,731	651,311,904	

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
					2021/2022	2022/2023
3	Social Protection, Culture and Recreation					
3.1		Youth, Sports, Culture and Social Services.				
		Compensation to Employees	111,478,562	114,352,469	125,787,716	138,366,487
		Use of Goods & Maintenance	147,747,188	133,332,254	146,665,480	161,332,028
		Development Gross	234,562,371	100,585,925	110,644,518	121,708,969
		Sub Total	493,788,121	348,270,648	383,097,713	421,407,484
	SUB TOTAL (SECTOR)	493,788,121	348,270,648	383,097,713	421,407,484	
4	Energy, Infrastructure and ICT					
4.1		Infrastructure				
		Compensation to Employees	130,928,523	134,660,716	148,126,788	162,939,467
		Use of Goods & Maintenance	225,297,764	216,041,117	237,645,229	261,409,751
		Development Gross	2,183,127,191	491,554,233	540,709,656	594,780,622
		Sub Total	2,539,353,478	842,256,066	926,481,673	1,019,129,840
4.2		ICT and E-Government				
		Compensation to Employees	25,065,155	27,262,971	29,989,268	32,988,195
		Use of Goods & Maintenance	47,799,000	69,162,500	76,078,750	83,686,624
		Development Gross	55,066,066	44,086,582	48,495,240	53,344,764
	Sub Total	127,930,221	140,512,052	154,563,258	170,019,583	
	SUB TOTAL (SECTOR)	2,667,283,699	982,768,119	1,081,044,931	1,189,149,424	
5	Environment Protection, Water and Natural Resources					
5.1		Water, Environment, Energy and Natural Resources				
		Compensation to Employees	191,205,864	196,387,421	216,026,163	237,628,780
		Use of Goods & Maintenance	97,519,242	94,148,101	103,562,911	113,919,202
		Development Gross	1,423,478,100	160,956,688	177,052,357	194,757,592
	Sub Total	1,712,203,206	451,492,210	496,641,431	546,305,574	
	SUB TOTAL (SECTOR)	1,712,203,206	451,492,210	496,641,431	546,305,574	

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
					2021/2022	2022/2023
6	General Economics and Commercial Affairs					
6.1		Trade, Industry, Marketing and Tourism				
		Compensation to Employees	74,321,783	77,337,341	85,071,075	93,578,182
		Use of Goods & Maintenance	80,689,888	74,421,901	81,864,091	90,050,501
		Development Gross	490,689,883	171,680,892	188,848,981	207,733,879
		Sub Total	645,701,554	323,440,134	355,784,147	391,362,562
	SUB TOTAL (SECTOR)		645,701,554	323,440,134	355,784,147	391,362,562
7	Health					
7.1		Health Services				
		Compensation to Employees	3,463,085,863	3,605,213,575	3,965,734,933	4,362,308,426
		Use of Goods & Maintenance	2,055,014,386	1,683,850,915	1,852,236,006	2,037,459,607
		Development Gross	1,169,793,892	763,530,814	839,883,895	923,872,284
		Sub Total	6,687,894,142	6,052,595,303	6,657,854,834	7,323,640,317
	SUB TOTAL (SECTOR)		6,687,894,142	6,052,595,303	6,657,854,834	7,323,640,317
8	Public Administration and National/ Inter County Relations					
8.1		Office of the Governor and Deputy Governor				
		Compensation to Employees	76,774,574	78,531,726	86,384,898	95,023,388
		Use of Goods & Maintenance	239,049,685	238,049,685	261,854,653	288,040,119
		Development Gross	118,210,636	70,000,000	77,000,000	84,700,000
		Sub Total	434,034,895	386,581,411	425,239,552	467,763,507
8.2		County Treasury				
		Compensation to Employees	491,569,087	503,378,502	553,716,352	609,087,987
		Use of Goods & Maintenance	406,490,568	386,823,854	425,506,239	468,056,863
		Development Gross	412,534,770	2,020,000,000	2,222,000,000	2,444,200,000
		Sub Total	1,310,594,424	2,910,202,355	3,201,222,591	3,521,344,850

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
					2021/2022	2022/2023
8.3		Public Service, Training and Devolution				
		Compensation to Employees	522,708,404	537,071,624	590,778,786	649,856,665
		Use of Goods & Maintenance	207,514,309	190,523,053	209,575,359	230,532,895
		Development Gross	61,471,478	87,000,000	95,700,000	105,270,000
		Sub Total	791,694,191	814,594,677	896,054,145	985,659,559
8.4		County Public Service Board				
		Compensation to Employees	30,218,428	30,798,622	33,878,484	37,266,333
		Use of Goods & Maintenance	31,840,898	30,260,704	33,286,775	36,615,452
		Development Gross	1,817,929	1,000,000	1,100,000	1,210,000
		Sub Total	63,877,255	62,059,326	68,265,259	75,091,785
8.5		County Assembly				
		Compensation to Employees	381,362,637	-	-	-
		Use of Goods & Maintenance	601,856,599	1,000,000,000	1,100,000,000	1,210,000,000
		Development Gross	249,912,607	60,000,000	66,000,000	72,600,000
		Sub Total	1,233,131,843	1,060,000,000	1,166,000,000	1,282,600,000
8.6		Nakuru Municipality				
		Compensation to Employees		-	-	-
		Use of Goods & Maintenance		34,520,000	37,972,000	41,769,200
		Development Gross		700,767,800	770,844,580	847,929,038
		Sub Total	-	735,287,800	808,816,580	889,698,238
8.7		Naivasha Municipality				
		Compensation to Employees		-	-	-
		Use of Goods & Maintenance		32,520,000	35,772,000	39,349,200
		Development Gross		384,075,500	422,483,050	464,731,355
		Sub Total	-	416,595,500	458,255,050	504,080,555
	SUB TOTAL (SECTOR)		3,833,332,608	6,385,321,069	7,023,853,176	7,726,238,494
	TOTAL	Total Compensation to Employees	6,126,636,145	5,968,671,364	6,565,538,500	7,222,092,350
		Total Use of Goods & Maintenance	4,677,165,584	4,659,292,354	5,125,221,590	5,637,743,749
		Total Development Gross	10,573,215,632	5,849,499,411	6,434,449,352	7,077,894,287
		GRAND TOTAL	21,377,017,361	16,477,463,129	18,125,209,442	19,937,730,386

Annex IV: Total Recurrent Expenditure Ceilings for the Period 2020/2021-2022/2023

VOTE	Source of Funding	APPROVED ESTIMATES 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
				2021/2022	2022/2023
Office of the Governor and Deputy Governor	Gross Allocation	315,824,259	316,581,411	348,239,552	383,063,507
	Local Revenue	47,373,639	66,482,096	73,130,306	80,443,336
	CRA Equitable Share	268,450,620	250,099,314	275,109,246	302,620,170
County Treasury	Gross Allocation	898,059,654	890,202,355	979,222,591	1,077,144,850
	Local Revenue	125,666,504	180,642,495	198,706,744	218,577,418
	Conditional Grant	60,282,958	30,000,000	33,000,000	36,300,000
	CRA Equitable Share	712,110,192	679,559,861	747,515,847	822,267,431
County Public Service Board	Gross Allocation	62,059,326	61,059,326	67,165,259	73,881,785
	Local Revenue	9,308,899	12,822,458	14,104,704	15,515,175
	CRA Equitable Share	52,750,427	48,236,868	53,060,554	58,366,610
Public Service, Training and Devolution	Gross Allocation	730,222,713	727,594,677	800,354,145	880,389,559
	Local Revenue	109,533,407	152,794,882	168,074,370	184,881,807
	CRA Equitable Share	620,689,306	574,799,795	632,279,775	695,507,752
Health	Gross Allocation	5,518,100,250	5,289,064,490	5,817,970,939	6,399,768,033
	Local Revenue	614,244,341	885,912,351	974,503,586	1,071,953,945
	AIA	1,129,483,399	770,000,000	847,000,000	931,700,000
	Conditional Grant	293,654,577	300,434,247	330,477,672	363,525,439
	CRA Equitable Share	3,480,717,932	3,332,717,892	3,665,989,681	4,032,588,649
Trade, Industry, Marketing and Tourism	Gross Allocation	155,011,671	151,759,242	166,935,166	183,628,683
	Local Revenue	23,251,751	31,869,441	35,056,385	38,562,023
	CRA Equitable Share	131,759,920	119,889,801	131,878,781	145,066,659
Infrastructure	Gross Allocation	356,226,287	350,701,833	385,772,017	424,349,218
	Local Revenue	53,433,943	73,647,385	81,012,123	89,113,336
	CRA Equitable Share	302,792,344	277,054,448	304,759,893	335,235,882
Education, Vocational Training, ICT and E-Government	Gross Allocation	497,112,751	482,127,352	530,340,088	583,374,096
	Local Revenue	74,566,913	101,246,744	111,371,418	122,508,560
	CRA Equitable Share	422,545,839	380,880,608	418,968,669	460,865,536

VOTE	Source of Funding	APPROVED ESTIMATES 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
				2021/2022	2022/2023
Agriculture, Livestock and Fisheries	Gross Allocation	591,448,175	603,210,552	663,531,607	729,884,768
	Local Revenue	88,717,226	126,674,216	139,341,638	153,275,801
	CRA Equitable Share	502,730,949	476,536,336	524,189,970	576,608,967
Lands, Physical Planning and Housing	Gross Allocation	148,566,551	150,402,234	165,442,458	181,986,703
	Local Revenue	22,284,983	31,584,469	34,742,916	38,217,208
	CRA Equitable Share	126,281,568	118,817,765	130,699,542	143,769,496
Youth, Culture, Sports and Social Services.	Gross Allocation	259,225,750	247,684,723	272,453,196	299,698,515
	Local Revenue	38,883,863	52,013,792	57,215,171	62,936,688
	CRA Equitable Share	220,341,888	195,670,931	215,238,025	236,761,827
Water, Environment, Energy and Natural Resources	Gross Allocation	288,725,106	290,535,522	319,589,074	351,547,982
	Local Revenue	43,308,766	61,012,460	67,113,706	73,825,076
	CRA Equitable Share	245,416,340	229,523,062	252,475,369	277,722,905
County Assembly	Gross Allocation	983,219,236	1,000,000,000	1,100,000,000	1,210,000,000
	Local Revenue	147,482,885	210,000,000	231,000,000	254,100,000
	CRA Equitable Share	835,736,351	790,000,000	869,000,000	955,900,000
Nakuru Municipality	Gross Allocation	-	34,520,000	37,972,000	41,769,200
	Local Revenue	-	6,325,200	6,957,720	7,653,492
	Conditional Grant	-	4,400,000	4,840,000	5,324,000
	CRA Equitable Share	-	23,794,800	26,174,280	28,791,708
Naivasha Municipality	Gross Allocation	-	32,520,000	35,772,000	39,349,200
	Local Revenue	-	5,905,200	6,495,720	7,145,292
	Conditional Grant	-	4,400,000	4,840,000	5,324,000
	CRA Equitable Share	-	22,214,800	24,436,280	26,879,908
SUB TOTAL	-	10,803,801,729	10,627,963,718	11,690,760,090	12,859,836,099

Annex V: Total Development Expenditure Ceilings for the Period 2020/2021-2022/2023

VOTE	Source of Funding	APPROVED ESTIMATES 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
				2021/2022	2022/2023
Office of the Governor and Deputy Governor	Gross Allocation	118,210,636	70,000,000	77,000,000	84,700,000
	Local Revenue	17,731,595	14,700,000	16,170,000	17,787,000
	CRA Equitable Share	100,479,041	55,300,000	60,830,000	66,913,000
County Treasury	Gross Allocation	412,534,770	2,020,000,000	2,222,000,000	2,444,200,000
	Local Revenue	61,880,215	424,200,000	466,620,000	513,282,000
	CRA Equitable Share	350,654,554	1,595,800,000	1,755,380,000	1,930,918,000
County Public Service Board	Gross Allocation	1,817,929	1,000,000	1,100,000	1,210,000
	Local Revenue	272,689	210,000	231,000	254,100
	CRA Equitable Share	1,545,240	790,000	869,000	955,900
Public Service, Training and Devolution	Gross Allocation	61,471,478	87,000,000	95,700,000	105,270,000
	Local Revenue	9,220,722	18,270,000	20,097,000	22,106,700
	CRA Equitable Share	52,250,756	68,730,000	75,603,000	83,163,300
Health	Gross Allocation	1,169,793,892	763,530,814	839,883,895	923,872,284
	Local Revenue	70,826,183	18,900,000	20,790,000	22,869,000
	AIA	162,000,000	330,000,000	363,000,000	399,300,000
	Conditional Grant	535,619,340	343,530,814	377,883,895	415,672,284
	CRA Equitable Share	401,348,369	71,100,000	78,210,000	86,031,000
Trade, Industry, Marketing and Tourism	Gross Allocation	490,689,883	171,680,892	188,848,981	207,733,879
	Local Revenue	73,603,482	36,052,987	39,658,286	43,624,115
	CRA Equitable Share	417,086,401	135,627,905	149,190,695	164,109,764
Infrastructure	Gross Allocation	2,183,127,191	491,554,233	540,709,656	594,780,622
	Local Revenue	282,863,208	40,778,170	44,855,987	49,341,586
	Conditional Grant	297,372,469	297,372,469	327,109,716	359,820,687
	CRA Equitable Share	1,602,891,513	153,403,594	168,743,953	185,618,348
Education, Vocational Training, ICT and E-Government	Gross Allocation	999,378,222	196,659,001	216,324,901	237,957,391
	Local Revenue	140,447,239	28,055,098	30,860,607	33,946,668
	Conditional Grant	63,063,298	63,063,298	69,369,628	76,306,591
	CRA Equitable Share	795,867,685	105,540,605	116,094,666	127,704,132

VOTE	Source of Funding	APPROVED ESTIMATES 2019/2020	CBROP CEILINGS 2020/2021	PROJECTIONS	
				2021/2022	2022/2023
Agriculture, Livestock and Fisheries	Gross Allocation	593,035,247	486,999,674	535,699,641	589,269,606
	Local Revenue	64,592,467	24,883,356	27,371,692	30,108,861
	Conditional Grant	162,418,798	368,507,501	405,358,251	445,894,076
	CRA Equitable Share	366,023,982	93,608,817	102,969,698	113,266,668
Lands, Physical Planning and Housing	Gross Allocation	2,635,203,306	154,688,885	170,157,773	187,173,550
	Local Revenue	325,575,601	32,484,666	35,733,132	39,306,446
	Conditional Grant	1,084,843,300	-	-	-
	CRA Equitable Share	1,224,784,405	122,204,219	134,424,641	147,867,105
Youth, Culture, Sports and Social Services.	Gross Allocation	234,562,371	100,585,925	110,644,518	121,708,969
	Local Revenue	35,184,356	21,123,044	23,235,349	25,558,884
	CRA Equitable Share	199,378,015	79,462,881	87,409,169	96,150,086
Water, Environment, Energy and Natural Resources	Gross Allocation	1,423,478,100	160,956,688	177,052,357	194,757,592
	Local Revenue	213,521,715	33,800,904	37,180,995	40,899,094
	CRA Equitable Share	1,209,956,385	127,155,784	139,871,362	153,858,498
County Assembly	Gross Allocation	249,912,607	60,000,000	66,000,000	72,600,000
	Local Revenue	37,486,891	12,600,000	13,860,000	15,246,000
	CRA Equitable Share	212,425,716	47,400,000	52,140,000	57,354,000
Nakuru Municipality	Gross Allocation	-	700,767,800	770,844,580	847,929,038
	Local Revenue	-	-	-	-
	Conditional Grant	-	700,767,800	770,844,580	847,929,038
	CRA Equitable Share	-	-	-	-
Naivasha Municipality	Gross Allocation	-	384,075,500	422,483,050	464,731,355
	Local Revenue	-	-	-	-
	Conditional Grant	-	384,075,500	422,483,050	464,731,355
	CRA Equitable Share	-	-	-	-
SUB TOTAL	-	10,573,215,632	5,849,499,411	6,434,449,352	7,077,894,287

**Annex VI: Sector Composition and Sector Working Groups for MTEF Budget
2020/2021-2022/2023**

CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)	SECTOR	SECTOR COMPOSITION (S)
General Public Services	Public Administration and National /Inter County Relations	Office of the Governor and Deputy Governor
		County Public Service Board
		Finance and Economic Planning
		Public Service, Training & Devolution
		County Assembly
		Nakuru Municipality
		Naivasha Municipality
Recreation, Culture and Social Protection	Social Protection, Culture and Recreation	Dept. of Gender, Culture, Social Services Dept. of Youth & Sports
Education	Education	Dept. of Education Dept. of Vocational Training
Economic Affairs	Agriculture Rural and Urban Development	Agriculture, Livestock and Fisheries
		Lands physical planning and housing
	General Economics and Commercial Affairs	Trade, Tourism, Industry and Cooperatives
		Energy Infrastructure and ICT
Environment Protection	Environment Protection Water and Natural Resources	Water, Environment, Energy and Natural resources
Health	Health	County Health Services
Macro Working Group	Macro Working Group	Department of Finance and Economic Planning

Annex VII: Nakuru County Budget Calendar for the FY 2020/2021

	ACTIVITY	RESPONSIBLE	DEADLINE
1	Performance Review and Strategic Planning	County Treasury	July-Aug 2019
	1.1 Develop strategic plans	Departments	"
	1.2 Prepare Annual Development Plans	"	"
	1.3 Expenditure review	"	"
	1.4 Preparation of Annual Work plans	"	"
2	Develop and Issue County Budget Guidelines	County Treasury	30th Aug 2019
3	Annual Development Plan submitted to County Assembly	County Treasury	1st Sept. 2019
4	Launch of Sector Working Groups	County Treasury	5th Sept. 2019
5	Determination of Fiscal Framework	Macro Working Group	15th Sept. 2019
	5.1 Estimation of Resource Envelop	County Treasury	"
	5.2 Determination of policy priorities	"	"
	5.3 Preliminary Resource allocation to Sectors, Assembly & Sub Counties	"	"
	5.4 Draft County Budget Review and Outlook Paper (CBROP)	"	20th Sept. 2019
	5.5 Submission and approval by County Executive Committee	"	30th Sept. 2019
	5.6 Tabling of CBROP to County Assembly	"	9th Oct. 2019
	5.7 Capacity building on MTEF Programme Based Budget and Sector Reports	"	14th-18th Oct 2019
6	Preparation of County Budget Proposals	Line Ministries	
	6.1 Draft Sector Report	Sector Working Group	25th Oct. 2019
	6.2 Submission of Draft Sector Report to County Treasury	Sector Working Group	31st Oct. 2019
	6.3 Review of draft Sector Report Proposals	Macro Working Group	4th-8th Nov 2019
7	Stakeholders/Public Participation	Treasury/ Departments	November 2019
8	The 2019/2020 Supplementary Budget		
	8.1 Develop and issue guidelines on the 2019/20 Revised Budget	County Treasury	November 2019
9	Draft Budget Estimates/ County Fiscal Strategy Paper (CFSP)	Macro Working Group / Departments	
	9.1 Submission of Draft Budget Estimates and Final Sector Reports	Departments	31st Jan. 2020

	ACTIVITY	RESPONSIBLE	DEADLINE
	9.2 Public sector hearings on CFSP 2020	Macro Working Group	4th-7th Feb. 2020
	9.3 Budget hearings on Draft Budget Estimates	Macro Working Group	10th-14th Feb. 2020
	9.4 Submission of Draft CFSP & Debt Paper to County Executive Committee for approval	County Treasury	21st Feb. 2020
	9.5 Submission of CFSP to County Assembly for approval	County Treasury	28th Feb. 2020
	9.6 Submission of Debt Management Strategy Paper to County Assembly for approval	County Treasury	28th Feb. 2020
10	Preparation and approval of Final Departments' Programme Budgets		
	10.1 Issue final guidelines on preparation of 2020/21 County Budget	County Treasury	16th March, 2020
	10.2 Public Participation for identification of Ward based projects	County Treasury	16th – 20th, March 2020
	10.3 Submission of Departmental Budget proposals to County Treasury	Line Departments	31st March, 2020
	10.4 Consolidation of the Departmental Budget Estimates and uploading to IFMIS Hyperion System	County Treasury	10 th – 24th April, 2020
	10.5 Submission of Original Budget Estimates for County Government to County Assembly	County Treasury	30th April, 2020
	10.6 Review of Original Budget Estimates by Departmental Committees	County Assembly	22nd May, 2020
	10.7 Report on Original Budget by Budget and Appropriations Committee (County Assembly)	County Assembly	24th May, 2020
11	11.1 Preparation of Annual Cashflow	County Treasury	8th-12th June 2020
	11.2 Submission of Annual Cashflow to Controller of Budget	County Treasury	15th June, 2020
	11.3 Submission of Appropriation Bill to County Assembly	County Treasury	15th June, 2020
	11.4 Resolution of County Assembly on Estimates and Approval	County Treasury	25th June, 2020
	11.5 Budget Statement	County Treasury	25th June, 2020
	11.6 Appropriation Bill Passed	County Assembly	30th June, 2020