



**REPUBLIC OF KENYA**  
**COUNTY GOVERNMENT OF NYANDARUA**  
**COUNTY TREASURY**

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**NYANDARUA COUNTY BUDGET REVIEW AND  
OUTLOOK PAPER (CBROP) 2015/2016**

**OCTOBER 2015**

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## **FOREWORD**

The preparation of the Nyandarua County 2015/2016 County Budget Review and Outlook Paper (CBROP) by the County Treasury is provided in Section 118 of the Public Finance Management Act, 2012 (PFMA). The 2015/16 CBROP is the third one in the County. Fiscal performance of the budget, resource allocations and priorities for the following financial year (2016/2017) are some of the components of the CBROP.

It provides a review of the 2014/2015 financial year's fiscal performance and together with updated macroeconomic outlook, provides a basis for the indicative resource allocation framework for the 2016/17 financial year.

CBROP ensures effective linkage between policies, planning and budgeting. It sets out the broad objectives, policy goals and strategic priorities that will guide the County Government in preparing the budget both for the 2016/2017 financial year and over the medium term.

As a review document, the CBROP highlights the financial status of the county to the spending agencies, and other stakeholders. It also provides tentative indicators of the total limits within which the County can expend for the 2016/17 financial year. This is founded on the expected flows from the National Government as well as the revenues mobilized locally.

This CBROP seeks to promote fiscal discipline as well as to lay the criteria for resource allocation. The criteria has taken into cognizant county goals in reducing poverty levels and stimulating employment by re-orienting expenditure to the high impact areas and reducing on non-priority spending.

To realize the above, the County government is committed to implement high-impact and sustainable projects/programmes that would ensure stable and sustainable economic growth. This will also entail prudent financial appropriation, enhance revenue collection and instill budget control mechanism. Further, we shall ensure that there is transparency and accountability by relying on our performance indicators as well as publicizing this paper and other publications as required by the Constitution of Kenya and the Public Finance Management Act, 2012.

Hon. NDERI NDIANI

**EXECUTIVE COMMITTEE MEMBER**

**FINANCE AND ECONOMIC PLANNING**

## **ACKNOWLEDGMENT**

The preparation of the Paper was a cooperative effort but a core team in the County Ministry of Finance and Planning spent a significant amount of time to put together the report. Towards this end, special appreciation is hereby extended to our CECM, Hon Nderi Ndiani for his policy guide in the preparation of the paper. The Chief Officers who provided vital inputs to the paper are also sincerely acknowledged.

We are also thankful to the core team who spearheaded the preparation of the CBROP. Contribution of each officer is appreciated. Special gratitude to Mr. Daniel Mwaura, Director Economic Planning and Statistics for his coordination work during the process.

The immense contribution from the other core team members is appreciated. The team that made it possible to finalize the Paper include: Mr. David Ndirangu- Deputy Director, Economic Planning; Ms Virginia Karanja- Deputy Director Budget; Mr. Willy Gichora- Principal Economist; Mr. Simon Irungu Senior Economist; Ms Dorcas Mbugua- Senior Economist; Mr Muigai Wainaina- Ag. Head of Macro Unit; Ms Virginia Muthoni- Economist; Ms Teresia Nduta- Economist; and Ms Melody Njeru- Economist;

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## ABBREVIATIONS

A.I	Artificial insemination
ADP	Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CPSB	County Public Service Board
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development and Education
FIF	Facility Improvement Fund
FY	Financial year
GDP	Gross Domestic Product
Hon.	Honorable
ICT	Information, Communication Technology
LAN	Local Area Network
MSEs	Micro and Small Enterprises
PFMA	Public Financial Management Act
PPA	Physical Plan Approval
VAT	Value Added Tax

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## **INTRODUCTION**

Section 118 of the Public Finance Management Act (PFMA), 2012 provides for the preparation of the CBROP the County Treasury. The Act states that a County Treasury: shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and submit the paper to the County Executive Committee by the 30th September of that year.

The main objectives of CBROP are to:

- Set the broad strategic priorities and policy goals that will guide the County government in preparing its budget for the coming financial year and over the medium term;
- Highlight the financial outlook with respect to County government revenues, expenditures and borrowing for the coming financial year and over the medium term;
- Assess the current financial year and the projected state of the economy for the succeeding three years;
- Set targets for overall revenues, total aggregate expenditure and domestic and external borrowing for the succeeding financial year and the medium term; and
- Set the total resources to be allocated to individual programmes within a sector indicating the outputs expected from each such programme during that period

In essence therefore, preparation and implementation of the 2016/2017 FY budget will be guided by the CBROP.



## I. REVIEW OF FISCAL PERFORMANCE FOR 2014/15 FINANCIAL YEAR

### Review on Revenue Performance: 2014/2015

The Nyandarua County Government had in the financial year under review, an approved budget of Ksh.4.454 billion. Out of the approved budget, Kshs.2.626 billion (58.96%) was recurrent expenditure while Kshs. 1.828 billion (41.04%) was on development. The budget therefore conformed to section 107(2) (b) of the Public Finance Management Act, 2012 which requires that at least 30% of the total county budget be allocated to development expenditure.

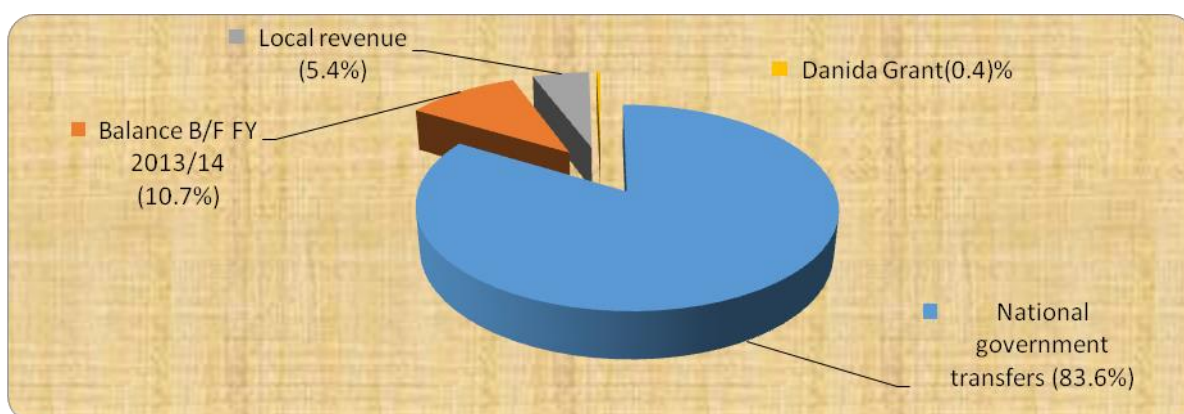
**Table 1:** Nyandarua County Budget Overview

Total County Budget 2014/15	
	Kshs.
Recurrent	2,626,662,549
Development	1,828,067,889
<b>TOTAL</b>	<b>4,454,730,438</b>
<b>Projected Revenue Estimates</b>	
National government transfers	3,758,296,517
Balance B/F FY 2013/14	479,953,921
Local revenue	200,000,000
Donor Fund(Danida)	16,480,000
<b>TOTAL</b>	<b>4,454,730,438</b>

Source: Nyandarua County Treasury

During the period under review, the national government transfers to the County Revenue Fund (CRF) was Kshs. 3,758,296,517. Further Kshs. 479,953,921 was the balance brought forward from the previous financial year (FY 2013/14). The county collected Kshs. 240,629,472 as local revenue against a target of Kshs. 200,000,000. The budget also factored Danida grants to hospitals of Kshs. 16,480,000.

**Figure 1:** Nyandarua County Revenue



Source: Nyandarua County Treasury

As shown in figure 1, the local revenue collected accounted for 5.4% of county total revenue. However, this was an improvement compared to the 2013/2014 financial year where it accounted for 4%. Local revenue collection is expected to improve, through diversification of revenue base from the traditional revenue sources and continuous enhancement of the control mechanism.

**Table 2:** Nyandarua County Quarterly Revenue Analysis for FY 2014/15

Revenue Sources	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
National Grant	469,787,065	628,353,926	985,397,095	1,674,488,109
Locally Raised Revenue	26,862,669	25,013,247	100,705,132	88,048,424
Donor Fund (Danida)		8,240,000	8,240,000	
Balance B/F 2013/2014	479,953,921	-	-	-
<b>Total</b>	<b>976,603,655</b>	<b>661,607,173</b>	<b>1,094,342,227</b>	<b>1,762,536,533</b>

Source: Nyandarua County Treasury

Table 2 shows that the highest receipt from the national government to the County Revenue Fund (CRF) was in the fourth quarter at Kshs.1.674 billion while the period with the least receipt was the first quarter at Kshs.469.7 million. The total revenue in the CRF adds up to Kshs.4.495 billion out of which the county requisitioned for Kshs.4.133 billion (see table 4).

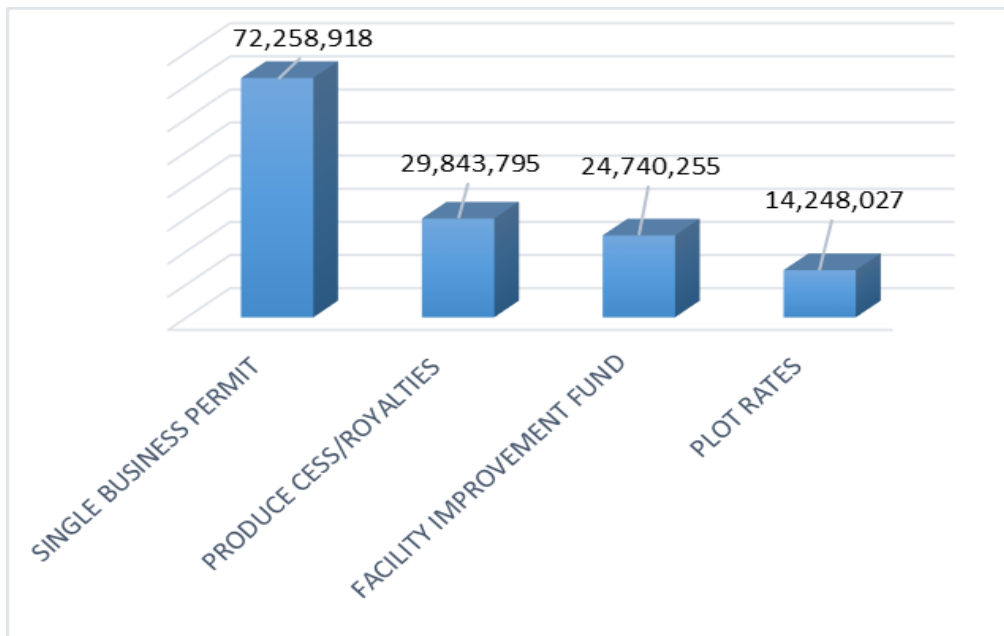
### Local revenue

In the financial year under review, the County collected Kshs. 240,629,472.00 from local sources. The figure is significantly higher than the target of Kshs 200,000,000, representing an improvement of 20%.

Quarterly analysis further shows that revenue collection had slightly dropped in the fourth quarter to Kshs. 88,048,424 as compared to the third quarter Kshs. 100,705,132. This is because, it is in the 3<sup>rd</sup> quarter that the highest revenue earner (Single Business permits) is collected. The first and second quarters recorded the lowest revenue collections at Kshs. 26,862,669 and Kshs. 25,013,247 respectively.

The major local revenue sources included single business permit, produce cess/royalties, Facility Improvement Fund and Plot rates as shown in figure 2.

**Figure 2:** Nyandarua County major Local Revenue Sources



**Source:** Nyandarua County Treasury

It is expected that the revenue collection for the 2015/16 financial year will be higher than in the past in nominal terms due to the revenue enhancement measures put in place and continuous monitoring of the revenue trends as well as the expected automation of revenue collection process.

## 2015/2016 First Quarter Local Revenue Performance

The collection of revenue by source for the first quarter of the 2015/16 financial year is shown in table 3.

**Table 3:** 2015/2016 Revenue Collection by Source.

Revenue Resources	July	august	September	TOTAL
Single Business Permits	3,603,455	2,084,785	1,643,978	<b>7,332,218</b>
Sale Of Application/Renewal	126,400	92,800	72,850	<b>292,050</b>
Plot Rates	636,650	595,926	386,101	<b>1,618,677</b>
Impounded Fees	265,235	150,650	128,210	<b>544,095</b>
Land Rates	500,096	273,730	161,599	<b>935,425</b>
Cattle Dips	55,587	67,976	62,568	<b>186,131</b>
A.I. Services	31,700		19,500	<b>51,200</b>
Open Air Market Fees	949,068	960,026	895,970	<b>2,805,064</b>
Market Stall Rent	244,350	94,080	110,600	<b>449,030</b>
Ground Rent- Others quarries	159,340	102,440	83,840	<b>345,620</b>
Produce Cess Royalties	3,484,950	3,127,920	3,682,695	<b>10,295,565</b>
Slaughter Fees	68,720	115,840	91,190	<b>275,750</b>
Bus And Matatu Fees	854,030	1,272,560	1,099,790	<b>3,226,380</b>
Reg. and Renewal Of Groups	35,150	21,400	32,900	<b>89,450</b>
Hire Of Machinery		24,000	389,950	<b>413,950</b>
House/Office Rent	30,000		17,750	<b>47,750</b>
Sub-Division Of Land	88,850	53,200	35,000	<b>177,050</b>
Site Indication	14,800	12,645	1,500	<b>28,945</b>
B/Plan Inspection Fee			-	<b>0</b>
Change Of User	143,500	122,000	102,300	<b>367,800</b>
Land/Plot Reg. Fees	52,550	55,700	67,100	<b>175,350</b>
Public Health Fees	836,230	636,715	625,880	<b>2,098,825</b>
Dev.(PPA Forms)	111,000	71,500	53,350	<b>235,850</b>
App. Of Building Plans	362,080	376,850	350,400	<b>1,089,330</b>
Way Leaves	6,000		-	<b>6,000</b>
Conservancy	5,400	4,430	6,100	<b>15,930</b>
Exhauster and Exh. Mileage	77,000	62,100	60,000	<b>199,100</b>
Transfer Fees	473,600	400,920	240,400	<b>1,114,920</b>
Motor Cycle Fees (Parking)	617,700	108,050	166,250	<b>892,000</b>
Clearance Certificate	299,100	282,000	261,000	<b>842,100</b>
Weights And Measures	113,330		124,000	<b>237,330</b>
Water Fee	21,270	18,314	5,781	<b>45,365</b>
Hire Of Hall/Chairs	40,000	71,320	56,500	<b>167,820</b>
Meat Inspection	292,585	273,385	238,102	<b>804,072</b>
Agriculture	358,658		-	<b>358,658</b>
Tender Forms/Burial Fee	1,700	2,200	1,000	<b>4,900</b>
Vaccination/Veterinary	43,550	35,890	348,110	<b>427,550</b>
Imprest Recovery	783,099		-	<b>783,099</b>

Survey Fees	7,500	5,000	15,000	<b>27,500</b>
J.M. Hospital	2,160,255	2,267,280	1,723,430	<b>6,150,965</b>
Physical Planning	132,250	124,100	153,400	<b>409,750</b>
Liquor Licence	4,080,000		-	<b>4,080,000</b>
Promotion	10,300	3,000	4,000	<b>17,300</b>
Hire Of Water Tanker		11,750	-	<b>11,750</b>
Other Fees	31,870	76,350	90,015	<b>198,235</b>
Search Fee	0	-	1,700	<b>1,700</b>
Betting Fees			30,000	<b>30,000</b>
<b>Totals</b>	<b>22,209,308</b>	<b>14,058,832</b>	<b>13,639,809</b>	<b>49,907,949</b>

Source: Nyandarua County Treasury

### Review on Expenditure Performance in 2014/2015 Financial Year

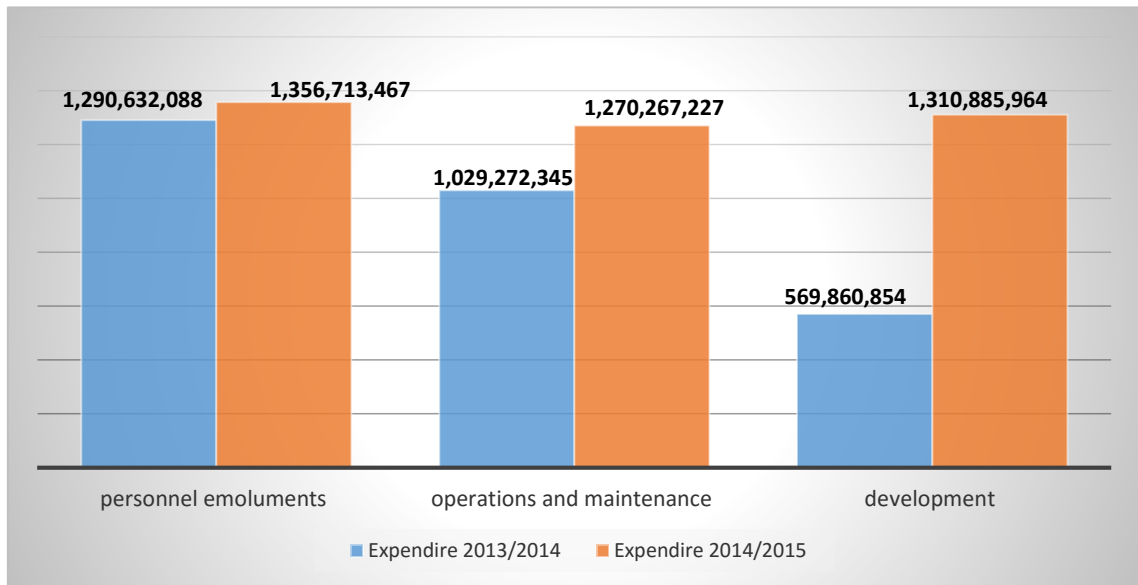
Table 4 and figure 3 shows the absorption of budget. The County's total expenditure for the period under review was Ksh.3, 937,866,658 against total budget of Kshs. 4,454,730,438. This represents an absorption capacity of 94% of the exchequer releases. Personnel emoluments, had the highest absorption of Ksh.1.356 billion (102%) while Operations and maintenance was Kshs. 1.223 billion, representing 97%. Development expenditure had an absorption of kshs. 1, 310,885,964, representing 84 %.

**Table 4:** Nyandarua County Expenditure

NYANDARUA COUNTY GOVERNMENT	Supplementary Estimates	Requisitioned	Expenditure	Absorption
<b>Personnel Emoluments</b>	1,323,637,250	1,323,637,250	1,356,713,467	102%
<b>Operations &amp; Maintenance</b>	1,303,025,299	1,258,025,297	1,270,267,227	97%
<b>Development</b>	1,828,067,889	1,551,586,418	1,310,885,964	84%
<b>Total</b>	<b>4,454,730,438</b>	<b>4,133,248,965</b>	<b>3,937,866,658</b>	<b>94%</b>

Source: Nyandarua County Treasury

**Figure 3: Expenditure by Economic Classification**

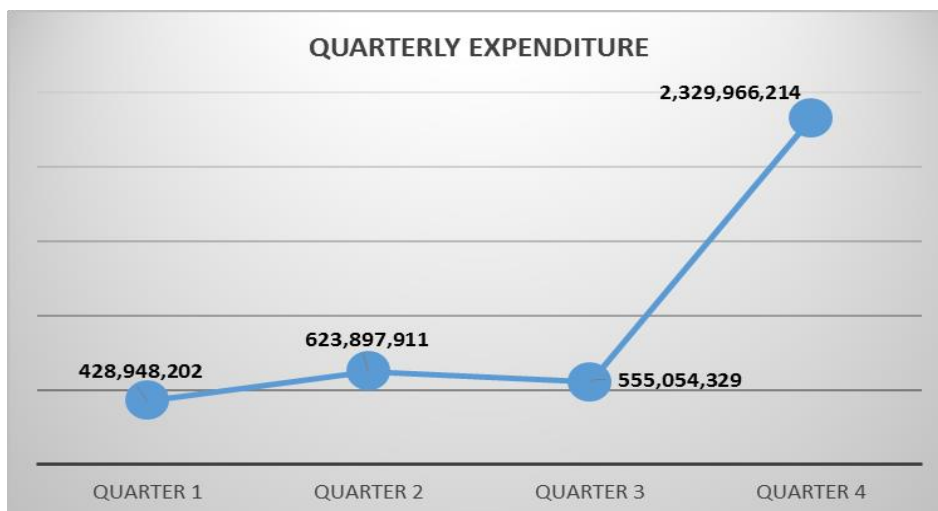


Source: Nyandarua County Treasury

### Quarterly Expenditure

Quarterly expenditure analysis shows that the 4<sup>th</sup> quarter had the highest expenditure of Kshs. 2,329,966,214 or 59.2% of total expenditure for the period under review. This can be attributed to the Court Case on the County Assembly Ceilings, which was determined towards the end of the third quarter. Consequently, the Supplementary Appropriation Act was assented to in the fourth quarter.

**Figure 4: Quarterly expenditure**



## Departmental Expenditures

Table 5 provides analysis of expenditure by departments in the FY under review.

**Table 5: Actual Expenditures by departments 2014/2015.**

Department	Recurrent	Development	TOTAL
Executive, County Attorney and the CPSB	314,333,775	3,000,000	317,333,775
Finance & Economic Planning	341,777,602	78,518,830	420,296,432
Agriculture Livestock & Fisheries	269,470,222	160,064,934	429,535,156
Lands, Housing & Physical Planning	53,490,207	28,814,815	82,305,022
Roads Transport & Public Works	77,618,661	499,825,456	577,444,117
ICT & E-Government	48,898,347	0	48,898,347
Health Services	716,611,881	272,344,922	988,956,803
Education, Gender ,Youth, Sports	177,750,114	49,702,799	227,452,913
Tourism Youth and Sports	14,716,459	10,597,191	25,313,650
Industrialization Coop, tourism	66,311,203	34,219,706	100,530,909
Water & Environment	68,760,833	93,784,429	162,545,262
County Assembly	477,241,390	80,012,882	557,254,272
<b>Total</b>	<b>2,626,980,694</b>	<b>1,310,885,964</b>	<b>3,937,866,658</b>

Source: Nyandarua County Treasury

### Recurrent expenditure

Analysis of expenditure indicates that the ministry of health had the highest recurrent expenditure of Kshs. 716,611,881 accounting for 27.3 % of total recurrent expenditure. This can be attributed to the huge health workforce.

On the other hand, ministry of tourism had the least recurrent expenditure of Kshs. 14,716,459 representing 0.56% of total recurrent expenditure.

### Development expenditure

Roads department had the highest expenditure on development of Kshs.499.8 million (38%) The second highest expenditure was in the Health department at Kshs. 272.3 million (21 %.) The department for ICT and E-Government did not spend on development. Department of lands spent Kshs 28,814,815 on development while department of agriculture spent Kshs. 160,064,934.

### **Challenges in budget implementation**

Challenges that affected the implementation of the 2014//2015 FY budget were:

- There was a court case in which the county assemblies contested the ceilings set for them by the Commission on Revenue Allocation (CRA). This delayed the release of funds especially for development as a result of which implementation of development projects was delayed and most of the projects were not completed in time;
- The allocation for personnel emoluments was exceeded owing to the large recurrent spending associated with a growing workforce;
- Late and piece meal release of development funds;
- lengthy procurement process especially on heavy capital outlays; and
- Inadequate skilled human resource.



## **II. ECONOMIC AND FINANCIAL FORECAST FOR 2016/2017 AND THE MEDIUM TERM**

The County Government has proposed a medium-term fiscal policy package in line with the fiscal responsibilities and principles to maintain the sustainable foundation for the growth. The proposals represent a course maintenance in line with moderate economic growth over the past two years. Over the medium term, the County Government's fiscal objectives are to:

- Maintain the balanced budget in line with the set targets. This will require lower expenditure growth on non-core areas and diversification of revenue sources to increase revenue collection;
- Continue to channel resources towards County Government's priorities as set out in the County Fiscal Strategy Paper (CFSP) and County Integrated Development Plan (CIDP); and
- Maintain sustainable growth in budgets for recurrent expenditure. This will ensure that over 30 percent of the County Government's budget goes towards development.

### **Revenue Forecast**

The realization of revenue targets for the medium term will depend on the stability in the country's macroeconomic environment as well as improved revenue collection. This will be achieved through enhanced capacity for the revenue collection department. For this to be achieved, it is assumed that:

- i. There will be increased economic activities in the county and therefore contributing to the growth in GDP over the medium term period;
- ii. The Kenyan shilling will remain stable against other foreign currencies over the medium term period;
- iii. There will be improved revenue collection due diversification of revenue sources and enhancement of revenue collection;
- iv. There will be favorable weather conditions for agribusiness which is the back bone of Nyandarua county' economy and
- v. There will be no natural calamities/disasters.

## Expenditure Forecast

The Nyandarua CIDP 2013-2017 acknowledges that growth and job creation must be underpinned by a shift from consumption to investment particularly in core productive sectors and new areas with potential such as mechanized agriculture, tourism and sports. The 2016/2017 and the medium term budget forecasts are pegged on the proposed revenue performance. The fiscal policies will aim at ensuring inclusive economic development that is targeted on poverty reduction and improvement of the well-being of the Nyandarua residents. The forecast is based on the assumptions that:

- The budgets will be funded with zero borrowings as the freeze on County borrowing holds;
- There will be high absorption capacities for spending agencies especially for development funds; and
- There will be continued implementation of the county government's development agenda by investment in high impact flagship and other projects.

Based on this, the fiscal framework for the County in 2016/2017 and the medium term is projected as follows:

**Table 6:** Fiscal Framework for 2016/2017 and the Medium Term

REVENUE				
	2014/15(actual)	2015/16 projected	2016/17 projected	2017/18 projected
<b>National Transfers</b>	3,758,296,517	4,307,070,831	4,500,000,000	4,770,000,000
<b>Local Collections</b>	240,629,472	300,000,000	350,000,000	390,000,000
<b>F.I.F</b>		42,000,000	50,000,000	60,000,000
<b>Donor fund</b>	16,480,000	18,860,000	18,860,000	
<b>Balance B/F</b>	479,953,921	557,493,252	-	
<b>TOTAL</b>	<b>4,495,359,910</b>	<b>5,225,424,083</b>	<b>4,918,860,000</b>	<b>5,220,000,000</b>
EXPENDITURE				
<b>Recurrent</b>	2,626,980,694	3,396,525,654	3,185,000,000	3,393,000,000
<b>Development</b>	1,310,885,964	1,828,898,429	1,733,860,000	1,827,000,000
<b>TOTAL</b>	<b>3,937,866,658</b>	<b>5,225,424,083</b>	<b>4,918,860,000</b>	<b>5,220,000,000</b>
<b>Balance C/F</b>	<b>557,493,252</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Nyandarua County Treasury

To achieve this, the County Government will require the commitment to ensure increase in revenue collection, coupled with improved absorption capacity of development funds.

### **Fiscal policy options**

In order to position the County for significant economic growth, the County Government will consider the following policy options.

#### **Recurrent Expenditure**

Maintaining a sustainable recurrent expenditure is a prerequisite for have higher development funds. Recurrent expenditures are expected to remain relatively stable at between 60% and 70 % of total expenditure in the medium term. This will allow additional allocations to development and capital investment by the County government.

#### **Development Expenditure**

Development expenditure is expected to increase to above 30% of total expenditure. The aim will be to allocate adequate resources towards development outlays and the need to ensure completion of critical infrastructure. Due to limited funds from the National transfers and low revenue base coupled by need to improve infrastructural facilities, the county will need to explore Public Private Partnerships (PPPs) to fund infrastructure projects. This calls therefore for the conducive investment policies and incentives to the investors.

In the construction industry, it is expected to maintain a rapid expansion in the county over the medium term mainly supported by robust growth in property development, a vibrant real estate sector and the planned mega infrastructure projects. This will mainly be driven by demand for office space and urban housing.

Agriculture being the backbone of the county's economy, efforts will be made to spur an inclusive economic growth with a spill over effect on related sectors of the economy such as agro processing, storage and transport, retail and wholesale trade, construction and financial services. Expanded agricultural output will also increase food supply, reduce food related prices and bring down the cost of living , create employment and promote overall rural development.

To empower the youthful population and nurture talents, concerted efforts will be made through bursary programme and youth training facilities; sustaining investment in health; investment in sports and recreation.

Efforts will be made to revitalise the growth of Olkalou town as the county headquarters as well as other towns forming the various sub-county headquarters through: spatial planning

and integrated urban development as envisaged in the County Government Act 2012 and Urban areas and Cities Act 2012; embarking on beautification programme and improving supportive infrastructure including ICT, water& sanitation and access roads.

### **III.MEDIUM TERM SECTORAL PRIORITIES AND RESOURCE ALLOCATION**

The sectoral allocation for the 2016/17 financial year and the medium term are pegged on the necessity to finance investment that directly support economic growth and reduce poverty. The sector priorities have been aligned to the County Annual Development Plan (ADP) 2016/2017. The sector allocations are also informed by the County goals and people's aspirations as captured in the County Integrated Development Plan (CIDP) 2013-2017, which is aligned to the goals and the objectives of the second Medium Term Plan 2013-2017 and the Kenya Vision 2030. The key resource allocation will therefore focus on measures to:

- i. Install key infrastructural projects in the Health, Roads, Water and Sports sub-sectors;
- ii. Deliver essential public services to the people;
- iii. Increase employment opportunities;
- iv. Improve the quality of life; and
- v. Improve governance and instil prudence in the use of resources.

Arising from the above, county flagships and the “high impact” sectors with the potential to spur the county economy as identified above will receive additional funding to facilitate installation of the envisaged infrastructure.

#### **Agriculture sector**

In order to revitalize agriculture and address issues of low productivity, income generation and improvement of households' livelihoods, the share of resources to the agriculture sector is projected to increase from Kshs. 354M to Kshs. 361M in the FY 2015/2016 and 2016/2017 respectively. The additional resources should specifically be to fund the following priority areas in agriculture:

- Interventions to improve productivity through:
  - Supply of certified seeds and other farm inputs
  - Micro irrigation projects
  - Enhance capacity building for farmers
- Increasing mechanisation;
- Storage, Agro-processing and linking farmers to markets;

- Improving the delivery of research, extension, advisory support services and capacity building;
- Value Chain Development;
- Pest and Disease Control;
- A.I Improvement Services; and
- Sustainable Land and Water Management.

Improving performance in agriculture is one of the main pillars of growth and employment creation in the County over the medium term. In order to strengthen the performance of the sector, the sector will put in place measures to supply inputs to the farmers, increase adoption of farming technology including mechanisation, train farmers in agri-business and link them to the available sources of credit which is expected to transform the sector to make it more competitive. In addition, to reduce reliance on rain-fed agriculture, the sector is also expected to target an increase in the acreage under irrigation as well as fostering and instituting projects targeting improving livestock productivity and fodder supply.

To implement the above priorities the sector has been allocated 2.8% of the total expenditure outlay in the medium term.

### **Human Resource Development Sector**

In the health subsector, key target areas include:

- Installation of key health Infrastructure which aims at improving health services and broadening the scope of health services by way of elevating J.M memorial hospital to a referral hospital and Engineer hospital to a level 4 hospital
- Services delivery which involves establishing community health units in all sub locations, carrying out outreach services and strengthening referral health services.
- Curative and preventive health care

In education sub sector, the priority area will be to increase pre-primary school (ECDE) net enrolment and gross completion rate in the medium term, improving on the transition rates between ECDE and primary education, improving access and enrolment in youth polytechnics which is under the purview of the county government. The sector will also be

responsible for control of Alcoholic drinks, community mobilization and cultural development.

Due to its crucial role in the county, the sector has been allocated 8.6% of the total budget resources in the financial year 2016/17.

### **Productive sector**

The resources for the productive sector are targeted for:

- Investment in cooling plants to ensure the preservation of fresh produce particularly milk and secure good market prices for the farmers.
- . Capacity building of Co-operatives to ensure efficient management of all the co-operatives in the County.
- The Trade Fund and Construction of market sheds across major centres which will lead to improved business environment through access to credit and market infrastructure
- Growth of cottage industries through establishment of *jua kali* sheds across the county which will improve incomes for Micro and Small Enterprises (MSEs)

The resources are also set to promote tourism, sports and sporting activities and youth empowerment programmes in the County. This will be achieved through:

- Rehabilitation of lake *Olbollosat*, *Mau Mau* Caves, Happy Valley Homes;
- Creation of nature trails and hiking trail along *Aberdares*;
- Enactment of Tourism Act; and
- Tourism Festivities (Great *chapati* festival, Cultural week, Miss Tourism).
- development of sports, talents and sporting facilities

The water department will play a major role in ensuring provision of adequate, safe and reliable water through

- County and community based water projects,
- Construction and rehabilitation of dams and water pans.

In order to implement its programmes, the sector has an allocation of 4.3% of total county budget.

## **Governance and Administration Sector**

The major role of the sector is to provide sound policies and a solid framework for quality and efficient service delivery to the public service. Also, it is responsible for all operations relating to the fulfilment of public policy and.

The key priorities for the sector include:

- Instituting county public service reforms to ensure efficient and effective service delivery;
- Providing leadership and guidance in human resource management;
- Spearheading rapid and sustainable economic development through coordination of MTEF process, economic planning policies and programmes, and ensure prudent fiscal policies;
- Effective management and coordination of government operations; and
- Promote the effective and efficient allocation and utilization of resources, staff rationalization.

The Governance and administration sector is allocated 8.4% of the total expenditure outlay in the medium term.

## **Infrastructure Sector**

The infrastructure sector is charged with the responsibility of improving both the quality and quantity of infrastructure for sustained socio-economic growth. Priority in the road sub sector will be: completion of on-going projects; and reconstruction, rehabilitation and maintenance of existing degraded county road infrastructure that lies under the jurisdiction of Nyandarua County Government.

The land and housing sub sector will endeavour to: promote improved land use management; development and maintenance of public buildings; development and maintenance of transport services; and development of low cost housing and regularisation of squatter settlements

For the sector to carry out its programmes, it is allocated 9.2% of the total expenditure outlay in the medium term.



### **Personnel Emoluments (P.E)**

The wage bill for the county has been on the rise. In the plan period (2016/2017) the compensation for employees is expected to account for 36.7 % of the total budget.

### **County Funds**

The County Funds including Bursary fund, staff Mortgage fund, emergency fund, trade fund and ward development fund will account for 8.9% of the County Budget for 2016/2017.

### **Flagship Projects**

The County has ring-fenced some high-impact projects (county flagship projects) in the 2016/2017 financial year. This have been budgeted under the Governance and Administration but the technical department will implement them. The projects have been allocated Kshs. 365,894,762 in 2016/2017 representing 7.4% of the county budget.

#### **IV. RISKS TO THE COUNTY ECONOMY**

The potential risks to the implementation county fiscal policies are low national economic performance, unpredictability of revenue flows, increasing wage bill. Further, natural calamities like the expected Elnino phenomena and unprecedented drought are likely to negatively impact the growth of county economy.

The increase in the county wage bill due recruitment of additional staff still remain an issue of concern in the allocation of funds for development expenditure. This should therefore be based on the outcome of job evaluations to achieve a lean and efficient workforce and a sustainable wage bill.

#### **V. CONCLUSION AND WAY FORWARD**

The PFMA, 2012 stipulates that a county treasury to prepare a fiscal framework for the next financial year. It lays ground for preparing the budget estimates as well as prioritization of sector resource allocation. Due to limited resources, it is critical to ensure proper management of funds and delivery of expected output. Effective and efficient utilization of funds will be crucial in ensuring that the county deliver on its functions.

In this regard, effective budget implementation will be enhanced through capacity building and the development of systems for monitoring and evaluation of spending entities. This will ensure that resource application will have impact to the lives of the community. Involvement of all stakeholders in budget execution is also key in enhancing overall budget implementation and the public will be key in contributing to the final budget and allocations for the 2016/17 financial year.

On revenue, the County will also continue to revamp its revenue collecting and management systems with the goal of generating more revenue to strive towards budgetary self-reliance while ensuring the stability of the fiscal framework and financial health of the County.

**ANNEX 1: INDICATIVE SECTOR/PROGRAMME ALLOCATIONS 2016/17-2017/18**

SECTOR	PROGRAMMES	2014/2015 Actual Budget	2015/16 Approved	2016/17 Projected Estimate	2017/18 Projected Estimate
County Bursary Fund		67,500,000	65,000,000	68,900,000	73,034,000
County Emergency Fund		41,000,000	41,393,447	43,877,054	46,509,677
County Mortgage Fund		45,000,000	50,000,000	53,000,000	56,180,000
Trade Fund		-	20,300,000	21,518,000	22,809,080
Ward Development Fund		-	250,000,000	250,000,000	250,000,000
Compensation to Employees(permanent & contract)& gratuity for contractual employees		-	-	1,818,000,000	1,927,080,000
General and Medical Insurance				50,000,000	74,200,000
sub total			426,693,447	2,305,295,054	2,449,812,757
<b>GOVERNANCE AND ADMINISTRATION SECTOR</b>		<b>713,233,139</b>	<b>547,675,942</b>	<b>409,277,794<sup>1</sup></b>	<b>432,334,462</b>
<b>Gubernatorial Office</b>	<b>County Flagship Projects</b>		-	365,894,762	392,648,446
	Governor Service Delivery Programme				
	Infrastructure Development				
	Investment Promotion and Development				
<b>Public Service Board</b>	Human Resource Management				
<b>Office of the County Secretary</b>	Administration and compliance				
<b>Finance and Economic Planning</b>	County Economic Planning				
	County Monitoring and Evaluation				
	County budgeting				
	Community Empowerment and Institutional Support Programme				

<sup>1</sup> This excludes kshs 276,258,704 for compensation to employees.

SECTOR	PROGRAMMES	2014/2015 Actual Budget	2015/16 Approved	2016/17 Projected Estimate	2017/18 Projected Estimate
	Public Finance Management				
	Supply Chain Management				
	Audit, Internal Control and Risk Management				
	Revenue Collection				
<b>County attorney, E-Government and intergovernmental relations</b>	Legal Services				
	Intergovernmental Relations				
	Communication Services				
	Public Participation and County Civic Education				
	ICT and E-government Services				
<b>AGRICULTURAL SECTOR</b>		<b>454,715,115</b>	<b>354,956,608</b>	<b>154,492,485<sup>2</sup></b>	<b>145,437,101</b>
<b>Agriculture, Livestock and Fisheries</b>	Extension Services				
	Crop Value Chain Development				
	Animal Value Chain Development				
	Animal Health and AI (Veterinary)				
	Sustainable Land and Water Management (Irrigation)				
	Input Cost Reduction				
	Pest and Disease Control				
	Agriculture Infrastructure Development				
<b>INFRASTRUCTURE SECTOR</b>		<b>940,795,912</b>	<b>693,937,540</b>	<b>450,725,474<sup>3</sup></b>	<b>483,941,920</b>
<b>Roads Public Works and Transport</b>	Design, Construction Supervision and Maintenance of County Roads, Bridges and Drainage works				
	Management of public transport				
	Public Works Design, Documentation, Construction and Supervision of Government Buildings				

<sup>2</sup> This excludes kshs 225,621,519 for compensation to employees.

<sup>3</sup> This excludes kshs 104,848,318 for compensation to employees.

SECTOR	PROGRAMMES	2014/2015 Actual Budget	2015/16 Approved	2016/17 Projected Estimate	2017/18 Projected Estimate
	Management and Provision of emergency response services				
<b>Lands ,Housing and Physical Planning</b>	Land Use Administration and Management				
	County Spatial Planning and Digitization				
	Housing Development and Management				
	Land Surveying and Mapping				
<b>PRODUCTIVE SECTOR</b>		<b>358,640,845</b>	<b>400,537,424</b>	<b>210,128,753<sup>4</sup></b>	<b>225,640,645</b>
<b>Industrialization , Cooperatives ,Trade and Enterprise Development</b>	Capacity building of cooperatives				
<b>Cooperatives ,Trade and Enterprise Development</b>	Industrial and Enterprise Development				
	Trade Development				
<b>Water And Environment</b>	Water Resource Management				
	Environmental Conservation and development of alternative energy sources				
<b>Tourism Sports and Youth</b>	Promotion of Tourism				
	Promotion of Sports and sports Facilities Management				
	Promotion of youth activities and youth empowerment programmes				
<b>HUMAN RESOURCE DEVELOPMENT SECTOR</b>		<b>1,234,328,166</b>	<b>1,286,403,779</b>	<b>418,845,678<sup>5</sup></b>	<b>449,732,669</b>
<b>Health Services</b>	Establishment and Management of Health facilities				

<sup>4</sup> This excludes kshs 95,440,916 for compensation to employees.

<sup>5</sup> This excludes kshs 809,742,327 for compensation to employees.

<b>SECTOR</b>	<b>PROGRAMMES</b>	<b>2014/2015 Actual Budget</b>	<b>2015/16 Approved</b>	<b>2016/17 Projected Estimate</b>	<b>2017/18 Projected Estimate</b>
	Preventive Health Care				
	Curative Health Care				
	Solid waste management and Control of noise and air pollution				
<b>Education, Culture and Social Services</b>	ECD Development				
	Talent and cultural services development				
	Youth Polytechnics Development				
	Social Development Services				
<b>SUB TOTAL</b>		<b>3,710,205,740</b>	<b>4,314,660,000</b>	<b>4,579,548,000</b>	
<b>County Assembly</b>		<b>599,517,261</b>	<b>570,000,000</b>	<b>604,200,000</b>	<b>640,452,000</b>
<b>GRAND TOTAL</b>		<b>4,454,730,438</b>	<b>4,280,204,740</b>	<b>4,918,860,000</b>	<b>5,220,000,000</b>

## ANNEX 2: REVENUE PROJECTIONS 2015/16 – 2017/18

REVENUE				
	2014/2015	2015/2016	2016/2017	2017/2018
National Transfers	3,758,296,517	4,307,070,831	4,500,000,000	4,770,000,000
Local Collections including FIF	240,629,472	342,000,000	400,000,000	450,000,000
Donor fund	16,480,000	18,860,000	18,860,000	
Balance B/F	479,953,921	557,493,252	-	
<b>TOTAL</b>	<b>4,495,359,910</b>	<b>5,225,424,083</b>	<b>4,918,860,000</b>	<b>5,220,000,000</b>

### ANNEX 3: 2016/17 BUDGET CALENDAR

ACTIVITY	FACILITATOR	TIMELINES
Start of Sector Consultations	All Departments- Finance and planning to co-ordinate in consultation with the Governor's office	By 20 <sup>th</sup> December, 2015
Submission of final sector reports	All Chief Officers for their respective Departments	By 15 <sup>th</sup> January2016
Development of County Fiscal Strategy Paper(CFSP)	Chief Officer Finance and Economic Planning	By 14 <sup>th</sup> February, 2016
Submission of County Fiscal Strategy Paper(CFSP) to County Executive Committee for approval	Chief Officer Finance and Economic Planning	By 15 <sup>th</sup> February 2016
Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum(CBEC)	C.E.C Finance & Planning in consultation with the Governor	By 25 <sup>th</sup> February, 2016
Submission of County Fiscal Strategy Paper(CFSP) to County Assembly	Chief Officer Finance and Economic Planning	By 28 <sup>th</sup> February, 2016
Issue of circular for finalization of 2014/15-2016/17 MTEF estimates and PBB	Chief Officer Finance and Economic Planning	By mid- March 2016
Circulate approved County Fiscal Strategy Paper(CFSP) to County Executive and Accounting Officers	Chief Officer Finance and Economic Planning	By mid- March 2016
Finalization of Departmental itemized and Programme Based Budgets(PBB)	All Departments	By end-March 2016
Review and Finalization of Departmental itemized and Programme Based Budgets	Chief Officer Finance and Economic Planning	By mid-April 2016
Submission of Budget Estimates to County Executive for approval	Chief Officer Finance and Economic Planning	By mid-April 2016
Publish Departmental itemized and Programme Based Budgets	Chief Officer Finance and Economic Planning	By 20 <sup>th</sup> April 2016
Presentation of Budget to County Assembly	C.E.C Finance & Planning	By 30 <sup>th</sup> April 2016