



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



NYANDARUA COUNTY GOVERNMENT

COUNTY BUDGET REVIEW AND OUTLOOK

PAPER (CBROP)

2016

SEPTEMBER 2016

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Ol Kalou,

KENYA

FOREWORD

The County has continued to register improved performance supported by programme performance in the five sectors of the county economy.

The County Budget Review and Outlook Paper (CBROP), 2016 is prepared to focus not only on enhanced resource mobilization but also crucially on enhancing efficiency in budget implementation by pragmatic allocation of resources to ensure that every single shilling spent by the County government goes the full length in meeting the expectations of the county citizenry.

In this CBROP therefore, while re-emphasizing the County Government's economic and development agenda we have set consistent expenditure ceilings that take into consideration the projected resource envelope and the need to complete the ongoing projects.

The CBROP, 2016 is based on the medium term budget aspirations, whose theme is "*Achieving sustained development and economic empowerment of the people*". The County Medium term Expenditure Framework (MTEF) is anchored on the pillars as envisaged in the CFSP, 2016 which are: Continuous improvement of the County infrastructural facilities; Investing in quality and accessible health care services and quality education; Offering quality and accessible services to the people; Improvement in resource mobilization for sustained development; and Tapping the under exploited and unexploited resources.

The 2015/16 FY budget was below target due to shortfalls in revenue generation. In particular local revenue generation was at 71.9 % of the target, funds for maternal health care at 61 % and no funds were received for Roads 2000 Programme. In the 2016/17 FY budget, efforts are being put in place to improve local revenue generation and enhance absorption rate by the departments.

We call upon the accounting officers to adhere to the sector ceilings contained herein and rationalize all programmes to ensure that only those programmes within the five pillars but with the highest impact on our core objectives of growth, employment creation and poverty reduction are given consideration in resource allocation.



Hon. NDERI MWANJANI
EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

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LEGAL BACKGROUND

This CBROP was prepared in accordance with Section 118 of the Public Finance Management Act 2012. The Act provides that a County Treasury shall:

- a) prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- b) Submit the paper to the County Executive Committee by the 30th September of that year.

The main objectives of a CBROP are to specify:

1. 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;
2. the financial outlook with respect to County government revenues, expenditures and borrowing for the coming financial year and over the medium term;
3. an assessment of the current financial year and the projected state of the economy for the succeeding three years;
4. targets for overall revenues, total aggregate expenditure and domestic and external borrowing for the succeeding financial year and the medium term;
5. the total resources to be allocated to individual programmes within a sector indicating the outputs expected from each such programme during that period;
6. the criteria used to allocate or apportion the available public resources among the various programmes; and
7. Forecast financial position for the financial year to which the budget relates and the next two financial years.

This CBROP is therefore expected to set the tone and financial objectives that will guide the preparation and implementation of the 2017/2018 FY budget.

CHAPTER ONE: FISCAL PERFORMANCE REVIEW FOR 2015/16 FY

1.0 Over view

This section presents the County's performance in terms of revenue and expenditure for the financial year 2015/ 2016.

The County's budget estimates for the 2015/16 FY amounted to Kshs. 5,597,056,815. This was made up of transfers from the National Government, conditional grants, Donor Funding, mobilisation of the local revenues and unspent balances carried forward from the 2014/15 Financial Year. In the Financial Year 2014/15, the County surpassed the targeted local collections by Kshs. 40,629,472 which was carried forward and budgeted for in the 2015/16 Financial Year.

For the year ended June 2016, County expended Ksh 4,884,825,297 out of the budgeted amount of Kshs. 5,597,056,815 representing an absorption rate of 87.3 %.

1.1 Approved 2015/2016 FY Budget Estimates

1.1.1 Revenue

In the financial year 2015/16, the county had a projected resource envelope of kshs. 5,597,056,815. This comprised of kshs. 4,307,070,831 from the equitable share, kshs. 288,074,189 as conditional grant from national government, kshs 18,860,000 as hospital grant from DANIDA, kshs 392,000,000 as local collections and kshs. 591,051,795 as balance brought forward as exchequer returns from 2014/15 FY.

1.1.2 Expenditure

The County projected expenditure of kshs 5,597,056,815 comprised of Kshs 3,437,906,827 (61.4%) for recurrent and Kshs 2,159,149,988 (38.6%) for development.

Table 1 provides the details for the county approved budget for financial year 2015/16.

Table 1: Approved County budget estimates for period ending 30th June 2016

REVENUE		FY 2015/16
Balance B/F (2014/15 FY)		591,051,795
National Transfers		
i)	Equitable share	4,307,070,831
ii)	<u>Conditional Grants</u>	
	Fuel Levy Fund	54,714,122
	Roads 2000	73,000,000
	Reimbursement for Free Maternity	50,716,400
	Reimbursement for User Fees Foregone	13,898,986
	Leasing of medical equipment	95,744,681
	Health grant- Danida	18,860,000
Local Collections (incl VSDF & F.I.F)		392,000,000
TOTAL		5,597,056,815
EXPENDITURE		
Recurrent (incl. County funds)		3,437,906,827
Development		2,159,149,988
Total		5,597,056,815

1.1.3 Departmental expenditures

An analysis of departmental expenditure reveals that the department of Health Services had the largest share of the county budget. This was followed by department of roads, public works & transport and the County assembly. On the other hand, the County Public Service Board had the least share of the county budget. The approved allocations for 2015/16 FY are as presented in table 2

Table 2: Approved departmental allocations for period ending 30th June 2016

Sector	Department	Approved Recurrent Budget Estimates	Approved Development Budget Estimates	Total Budget Estimates	Ratio (%) of county budget
Governance	Gubernatorial Office	180,696,075	0	180,696,075	3.2
	County secretary	131,585,728	0	131,585,728	2.4
	CPSB	29,590,076	0	29,590,076	0.5
	Legal & ICT	55,231,782	36,050,000	91,281,782	1.6
	Finance & Economic Planning	525,234,619	36,531,347	561,765,966	10.0
Agriculture	Agriculture Livestock & Fisheries	264,814,971	89,366,816	354,181,787	6.3
Infrastructure	Lands, Housing & Physical Planning	58,727,682	92,355,880	151,083,562	2.7
	Roads Transport & Public Works	106,171,000	1,049,234,194	1,155,405,194	20.6
Human Resource	Health Services	1,103,336,103	236,120,605	1,339,456,708	23.9
	Education, Gender, Youth, Culture	207,694,585	62,930,000	270,624,585	4.8
	Tourism, Wildlife and Sports	38,293,102	41,600,970	79,894,072	1.4
Productive	Industrialization Cooperatives, Trade	65,646,572	76,816,628	142,463,200	2.5
	Water & Environment	65,316,320	322,843,548	388,159,868	6.9
	County Assembly	605,568,212	115,300,000	720,868,212	12.9

	TOTAL	3,437,906,826	2,159,149,988	5,597,056,815	100
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1.2 2015/16 FY Actual Revenue Performance

1.2.1 Equitable Share

As part of its equitable share the county had projected to receive kshs. 4,307,070,831. For the period under review, the county received the entire share as indicated in table 3

Table 3: Exchequer Releases for the period ending 30th June 2016

RELEASE	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	TOTAL
Amount	344,565,666	1,098,303,062	1,076,767,707	1,787,434,396	4,307,070,831
% Release	8.0	25.5	25.0	41.5	100

As indicated in table 3, the county received its largest equitable share (41.5%) in the fourth quarter followed by the second quarter and the least (8.0%) in the first quarter.

1.2.2 Conditional grants

The County had projected to receive a total of Kshs 288,074,189 as conditional grant from the national government. This comprised kshs 54,714,122 from fuel levy fund, kshs 73,000,000 for roads 2000 programme, kshs. 50,716,400 for free maternity programme, kshs, 13,898,986 for hospitals user fees foregone and kshs. 95,744,681 for leasing of medical equipment.

In the period under review the county's receipts in terms of conditional grants were as follows:

Table 4: Receipts of Conditional Grants for the period ending 30th June 2016

Grant	Budgeted	Amount received	% Received
Fuel Levy Fund	54,714,123	54,714,123	100
Roads 2000	73,000,000	0	0
Maternal health care	50,716,400	30,690,000	61
Reimbursement for User Fees Foregone	13,898,986	13,898,986	100
¹ Leasing of medical equipment	95,744,681	95,744,681	100

Analysis in table 4 indicate that the whole amounts for fuel levy fund and user fees foregone was released to the county. The county also received the medical equipment whose amount was to be repaid vide yearly instalments as indicated above. On the other hand, only 61% of

¹ The grant for leasing of medical equipment is deducted at source, hence the amount is not released to the county.

funds for free maternity programme was released whereas the entire amount for the Roads 2000 programme was not received.

1.2.3 Donor funding

The county had expected to receive kshs 18,860,000 from DANIDA for support to the health subsector. In the period under review, the whole amount was received.

1.2.4 Locally generated revenue

From its internal revenue sources, the county had projected to generate kshs 320 million from various local streams, kshs. 30 million from Veterinary services development fund (VSDF) and kshs. 42 million from health facility improvement fund (FIF). From these sources, the county generated kshs 281,941,469 (71.9% of target). Table below shows collections per source:

Table 5: Locally generated revenue performance for the period ending 30th June 2016

Source	Budgeted	Realised	Variance	% Realised
Local streams	320,000,000	236,404,677	83,595,323	73.9
VSDF	30,000,000	4,016,600	25,983,400	13.4
FIF	42,000,000	41,520,192	479,808	98.9
Total	392,000,000	281,941,469	110,058,531	71.9

From the analysis above, FIF performed best as it realised 98.9% of its budgeted revenue. VSDF netted the least at 13.4% of its budgeted revenue.

1.2.5 Unspent balances in 2014/15

In the FY 2015/2016, the County had kshs. 591,051,795 as balances brought forward from 2014/15 FY. This was mostly in terms of unsettled bills as well as over collection in local revenues over and above the 2014/15 FY target.

1.3 2015/16 FY Actual Expenditure Performance

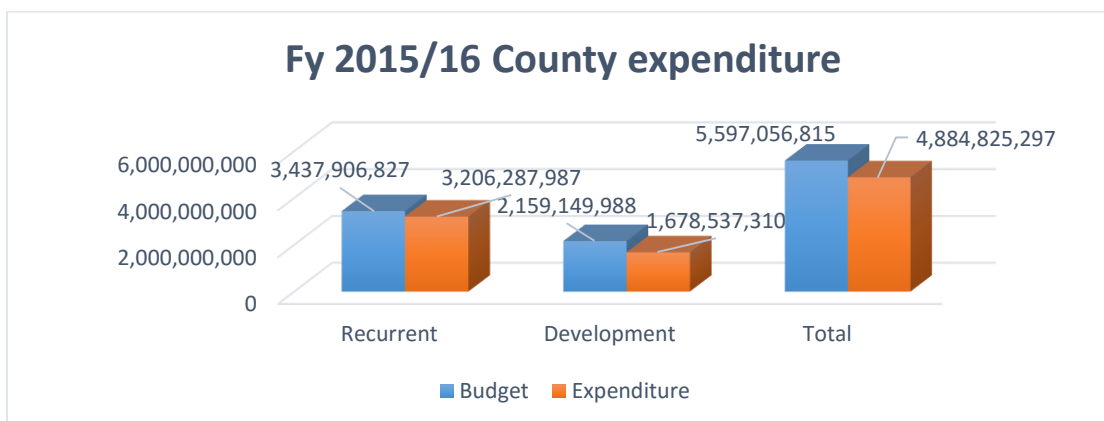
1.3.1 County expenditure

In the period under review, the county spent 93.3 % of its recurrent budget and 77.7% of its development budget. Overall, County spending stood at 87.3 % of the entire budget as shown in table 6 and figure 1 below.

Table 6: County expenditure for the period ending 30th June 2016

	2015/16 FY Budget	Expenditure	% utilisation of budget
Recurrent	3,437,906,827	3,206,287,987	93.3
Development	2,159,149,988	1,678,537,310	77.7
Total	5,597,056,815	4,884,825,297	87.3

Figure 1: FY 2015/16 County expenditure



1.3.2 Departmental expenditure

Analysis of total expenditures for the period under review indicates that the department of health accounted for the highest (23.3%) of the total county expenditure, followed by department of roads, transport & Public Works (21.1%) and County Assembly (13.6%). The department of County Attorney accounted for the least expenditure (1.1%).

Table 7 shows the recurrent and development expenditures as incurred by the departments in the financial year 2015/16:

Table 7: Departmental recurrent and development Expenditures for the Period Ending 30th June 2016

	Recurrent budget	Development Budget	Total budget	Development. Expenditure	Recurrent Expenditure	Total expenditure	utilisation of county budget %
Gubernatorial	341,871,879	0	341,871,879	0	334,003,717	334,003,717	6.8
Legal& ICT	55,231,782	36,050,000	91,281,782	13,041,902	38,935,188	51,977,090	1.1
Fin. & planning	525,234,619	36,531,347	561,765,966	34,146,535	520,145,272	554,291,807	11.7
Agriculture	264,814,971	89,366,816	354,181,787	70,248,503	243,167,716	313,416,219	6.4
Lands	58,727,682	92,355,880	151,083,562	23,671,110	47,275,107	70,946,217	1.5
Roads	106,171,000	1,049,234,194	1,155,405,194	929,872,801	100,677,143	1,030,549,944	21.1
Health Services	1,103,336,103	236,120,605	1,339,456,708	173,554,025	964,072,812	1,137,626,837	23.3
Education	207,694,584	62,930,000	270,624,584	72,048,484	202,605,806	274,654,290	5.6
Tourism,	38,293,102	41,600,970	79,894,072	35,328,519	28,863,562	64,192,081	1.3
Industrialization	65,646,572	76,816,628	142,463,200	50,257,424	56,657,446	106,914,870	2.2
Water	65,316,320	322,843,548	388,159,868	202,456,255	64,721,670	267,177,925	5.5
County Assembly	605,568,213	115,300,000	720,868,213	58,911,752	605,162,548	664,074,300	13.6
	3,437,906,827	2,159,149,988	5,597,056,815	1,678,537,310	3,206,287,987	4,884,825,297	100

1.3.2.1 Analysis of departmental recurrent expenditure

Based on recurrent expenditures analysis, health department accounted for the highest (30.1%) utilisation of county recurrent resources while the department of Tourism, youth and Sports accounted for the least (0.9%). However the County Assembly had the highest absorption (99.9%) of the allocated funds while the department of County Attorney, E-Government & Intergovernmental Relations had the least absorption (70.5%) of the allocated funds. This is indicated in table 8

Table 8: Analysis of departmental recurrent expenditure

	Recurrent budget	Recurrent expenditure	Absorption rate	utilisation of county recurrent budget %
Gubernatorial Office	341,871,879	334,003,717	97.7	10.4
Legal & ICT	55,231,782	38,935,188	70.5	1.2
Finance & Economic Planning	525,234,619	520,145,272	99.0	16.2
Agriculture Livestock & Fisheries	264,814,971	243,167,716	91.8	7.6
Lands, Housing & Physical Planning	58,727,682	47,275,107	80.5	1.5
Roads Transport & Public Works	106,171,000	100,677,143	94.8	3.1
Health Services	1,103,336,103	964,072,812	87.4	30.1
Education, Gender, Culture and Social Services	207,694,584	202,605,806	97.5	6.3
Tourism, youth and Sports	38,293,102	28,863,562	75.4	0.9
Industrialization Cooperatives, Trade	65,646,572	56,657,446	86.3	1.8
Water & Environment	65,316,320	64,721,670	99.1	2.0
County Assembly	605,568,213	605,162,548	99.9	18.9
	3,437,906,827	3,206,287,987	93.3	100.0

1.3.2.2 Analysis of development expenditure

Analysis of development outlay indicates that the Department of Roads Transport & Public Works accounted for the highest expenditure at 55.4% of the county development budget followed by water and environment at 12.1% and health services at 10.3%. The department of County Attorney accounted for the least at 0.8%, followed by Lands, housing & Physical planning at 1.4% and tourism, wildlife & sports at 2.1% as indicated in table 9.

Table 9: Analysis of development expenditure

	Development Budget Estimates	Development Expenditure	Absorption rate	% utilisation of county development budget
Legal & ICT	36,050,000	13,041,902	36.2	0.8
Finance & Economic Planning	36,531,347	34,146,535	93.5	2.9
Agriculture Livestock & Fisheries	89,366,816	70,248,503	78.6	4.2
Lands, Housing & Physical Planning	92,355,880	23,671,110	25.6	1.4
Roads Transport & Public Works	1,049,234,194	929,872,801	88.6	55.4
Health Services	236,120,605	173,554,025	73.5	10.3
Education, Gender, Youth, Culture	62,930,000	72,048,484	114.5	4.3
Tourism, Wildlife and Sports	41,600,970	35,328,519	84.9	2.1
Industrialization Cooperatives, Trade	76,816,628	50,257,424	65.4	3
Water & Environment	322,843,548	202,456,255	62.7	12.1
County Assembly	115,300,000	58,911,752	51.1	3.5
	2,159,149,988	1,678,537,310	77.7	100

1.4 Fiscal Performance in relation to Fiscal Responsibility Principles

Section 107 of the PFM Act, 2012 and regulation 25 of the PFM (County governments) Regulations, 2015 sets out the fiscal responsibility principles which the county governments have to observe. These include the following:

- I. County government's expenditure on wages and benefits for its public officers shall not exceed thirty five (35) percent of the county government's total revenue;
- II. the county public debt shall never exceed twenty percent of the county governments total revenue at any one time;
- III. the approved expenditures of a county assembly shall not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower;

IV. the county government actual expenditure on development shall be at least thirty percent

An analysis of the County's adherence to the fiscal responsibility principles for the period under review is as follows:

Table 10: Analysis of the County's adherence to the fiscal responsibility principles for the period ending 30th June 2016

Indicator		Budgeted (kshs)	Ratio (%) in relation to total budget	Actual (Kshs)	Ratio (%) in relation to total expenditure
County expenditure	Recurrent	3,437,906,827	61.4	3,206,287,987	65.6
	Development	2,159,149,988	38.6	1,678,537,310	34.4
	Total	5,597,056,815	100.0	4,884,825,297	100.0
Expenditure on wages & benefits		1,714,325,865	30.6	1,673,651,130	34.3
Expenditure by County Assembly	Recurrent	² 580,568,212	10.4	605,162,548	12.4
	Development	115,300,000	2.1	58,911,752	1.2
	Total	720,868,212	12.9	664,074,300	13.6
County Debt financing		0		-	-

Expenditure on wages and benefits

The county's expenditure on wages and benefits accounted for 30.6% of the total budget and 34.3 % of the county's actual expenditure in 2015/16 FY. The county was therefore in line with the set limit of 35 % of the county revenues.

Public debt

The County's budget was financed by own revenue. The county did not therefore consider debt financing through internal or external borrowing to finance the FY 2015/16 budget.

Approved expenditures for County Assembly

The County Assembly approved expenditure of Kshs. 720,868,212 accounted for 12.9 % of the county's total budget. The approved ceiling for recurrent expenditure was kshs 580,568,212 representing 10.4% of the county's total budget.

Development expenditure

The approved development expenditures for 2015/16 FY was kshs. 2,159,149,988 representing 38.6% of the county total budget. Further the actual expenditure on development accounted for 34.4% of the County's total expenditure in 2015/16.

² Covers only the ceiling items

From the analysis above, all indications are that the county has to a very large extent adhered to the fiscal responsibility principles as stipulated in the PFM Act 2012.

CHAPTER TWO: ECONOMIC AND FINANCIAL FORECAST FOR 2017/2018FY AND THE MEDIUM TERM

2.1 Macroeconomic Outlook and Policies

2.1.1 National Outlook

Kenya's macroeconomic performance remains strong in the face of headwinds from the global economic slowdown. The Kenyan economy grew by 5.3 percent in 2014, 5.6 percent in 2015 and is projected to grow at 6.0 percent in 2016 and 6.5 percent over the medium term. This robust economic growth is supported by continued investment in infrastructure, construction, mining, lower energy prices and improved agricultural production from the irrigation programme. Inflation is expected to remain within target over the medium term.

The exchange rate has stabilised following increased foreign exchange inflows in the money market. The current level of foreign exchange reserves, backstopped by the precautionary program with the IMF, continues to provide an adequate cushion against exogenous shocks.

The projected growth assumes normal weather pattern in 2016 and the medium term. Inflation is expected to revert within 5.0 percent target and interest rates and shilling exchange rate expected to be stable

The capping of interest rates through the Banking (amendment) Act 2016 will promote predictability of interest rates. The Annual Percentage Rate (APR) pricing model will enable bank customers to compare the different bank loan rates on a common computational model and hence allow borrowers to compare bank loans on standardized parameters instead of focusing on interest rates alone. The net effect of this will be affordable loans arising from competition by the lenders.

The country will be entering an electioneering period and politics are expected to play a big role in terms of macroeconomic variables movements. Inflation is expected to go up as circulation of money is expected to rise. This will transform to increased prices of goods and services and as such the consumer price index is expected to go up.

Investments in the Country portray a promising outlook as the country has played host to numerous high profile world leaders in the recent times as well hosting globally renowned conferences & conventions such as the TICAD & UNCTAD. However, prospective investors

to the economy may decide to play a “watch and wait game” due to the uncertainty associated with our elections.

2.1.2 County Outlook

Due to the high country’s growth and trade prospects, the County can leverage on the anticipations associated with this especially in the agricultural sector as the County is one of the leading agricultural producers nationally.

Continued improvement in infrastructure within the county by the national and county governments will enable other productive sectors to thrive. Specifically investments in energy will catalyse creation of employment in the informal sector e.g. the last mile project.

The county government will continue with the improvement of market infrastructure through construction of new markets at county border points and lighting up the towns which will enhance the growth of SMEs and prolong the business working hours in the county.

The performance of the agriculture sector is highly dependent on the level of technology in use at any given time. With extensive adoption of technology in this sector in form of mechanized farming systems, early warning systems and its commercialization, the county economy is bound to flourish. The livestock subsector is expected to improve from the benefits emanating from the subsidized A.I programme.

Tourism prospects are expected to grow especially due to the increased investment in tourism promotion by the county government. As such, the county intends to continue providing a favourable environment for the tourism sector to prosper.

2.2 Financial forecast for 2017/18 FY and the medium term

2.2.1 Revenue Projections

The 2017/18-2019/20 Medium Term Expenditure Framework is founded on a stable national macroeconomic environment and improving fiscal forecast of the County Government.

Total Projected revenues for the County in the 2017/2018 FY are estimated to rise to Ksh 5,634,016,374 from Kshs. 5,529,978,906 in 2016/17. Local revenues are expected to improve significantly. Given the shortfall in the local revenues for the FY 2015/2016 the County Government will focus on improving the efficiency in revenue administration through

strengthening the adoption of the County revenue automation and focusing on streams which underperformed in the previous year while exploring other potential revenue sources.

On the other hand the County also expect donor funding of Ksh 9,430,000 from DANIDA for the Department of Health and other conditional grants (including fuel levy fund, maternal health care and user fees foregone) amounting to Ksh131,044,248.

Equitable share of revenue has been rising gradually since the first year of devolution, hence the County Treasury has projected a conservative estimated growth of 6 percent in FY 2017/2018 translating to a growth of approximately Ksh. 278,843,063 pushing the Equitable share to Ksh 5,634,016,374.

2.2.2 Expenditure Forecasts

In the medium term, the county Government is committed to reducing the recurrent expenditures and devotion of more funds to development. Reforms in the expenditure management and revenue administration will be implemented to increase efficiency, reduce wastage and increase revenues hence create fiscal space for spending on development programmes within the budget. With the tight fiscal position, departments must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012 and giving priority to development spending.

The county wage bill is expected to be maintained below 35 percent of the total budget following the employment freeze by the County. The 35% limit on wages and benefits is in line with the PFM Regulations. A number of county staff are expected to exit on retirement by the end of FY 2016/2017 and the focus shall be replacing the technical staff.

Overall development expenditures ceilings are projected to rise to Ksh 2,043,405,731 in FY 2017/2018 of which Ksh110 millions will be in form of a grant from EU to the agriculture sector. Further, development budget ceiling in FY 2017/2018 will be at 36.3 percent proportion of the total budget which will be in line with the fiscal responsibility principles enunciated in the PFM Act.

The County Treasury will closely monitor the implementation of the budget through analysing expenditure against approved budget on a quarterly basis and providing timely financial advice to all departments. Further, through the adoption of the E-Procurement system, the County envisages to streamline the supply chain management system through adoption of the E-

procurement system. In addition the County Government will focus on avoiding non-core expenditure and prudently managing fiscal risk as envisaged in the County Fiscal Strategy Paper 2016 and the PFM Act 2012.

Table 11: Financial forecast for FY 2017/18 and the medium term

REVENUE					
	2015/16(actual)	2016/17 projected	2017/18 projected	2018/19 projected	2019/20 projected
National Transfers	4,307,070,831	4,647,384,382	4,926,227,445	5,221,801,092	5,535,109,158
Local Collections	281,941,469	350,000,000	371,000,000	393,260,000	416,855,600
Donor fund(DANIDA)	18,860,000	9,430,000	9,430,000	9,430,000	9,430,000
CONDITIONAL GRANTS					0
Fuel levy fund	54,714,122	71,407,130	71,407,130	71,407,130	71,407,130
Maternal health care	30,690,000	46,514,879	46,514,879	46,514,879	46,514,879
User fees foregone	13,898,986	13,122,239	13,122,239	13,122,239	13,122,239
Leasing of medical equipment	95,744,681	95,744,681	95,744,681	95,744,681	95,744,681
European Union	0	0	110,000,000	0	0
Balance B/F	591,051,795	296,375,595	-	-	0
TOTAL	5,393,971,884	5,529,978,906	5,634,016,374	5,841,850,021	6,188,183,687
EXPENDITURE					
Recurrent	3,206,287,987	3,594,486,289	3,590,610,643	3,797,202,514	4,022,319,397
Development	1,678,537,310	1,935,492,617	2,043,405,731	2,044,647,507	2,165,864,290
TOTAL	4,884,825,297	5,529,978,906	5,634,016,374	5,841,850,021	6,188,183,687
Surplus (unspent balances)	296,375,595	-	-	-	

Source: Nyandarua county treasury

Reflecting on the projected revenues and expenditures, the County does not anticipate deficit in financing and therefore forecasted expenditures are equal to amount of expected receipts, thereby achieving a balanced budget.

2.3 Key Pillars for 2017/18 FY and the Medium Term Expenditure

In strengthening the linkage between planning, budgeting and implementation, the Medium term Budget framework for the period 2017/18-2019/20 will sustain allocation of resources to core programmes and sub programmes identified in the County Integrated Development Plan

(2013- 2017), the sectoral Strategic Plans and fiscal initiatives of the County Governments enumerated in the CFSP 2016

Key considerations will be made to ensure that the adopted fiscal strategies are prioritised in funding to ensure inclusive social economic growth and development of the County. These pillars are anchored on the theme of “*Achieving sustained development and economic empowerment of the people*”. They include: Continuous improvement of the County infrastructural facilities; investment in quality and accessible health care services and quality education; offering quality and accessible services to the people; improvement in resource mobilization for sustained development; and tapping the under exploited and unexploited resources.

I. Continuous improvement of the county infrastructural facilities.

Rehabilitation and maintenance of County infrastructure in both the rural and urban areas has remained among the County’s top priority. The increasing urban population has continued to put pressure on the existing urban infrastructure hence the need to expand the physical infrastructure including urban drainage, water, lighting and waste disposal systems. Provision of ICT network infrastructure and hardware is necessary for an efficient communication interface between the County government and the county citizens. As a means of attracting private investments to complement government efforts, the County will continue expanding the available infrastructure over the medium term.

II. Investing in quality and accessible health care services and quality education.

Provision of health and Early Childhood Development services are some of the fully devolved functions. Over the medium term, the county government will invest a substantial share of its resources to increasing access to quality health care and early childhood development through:

- Expanding the referral services by completing the J.M Memorial and Engineer hospitals;
- Upgrading Ndaragwa hospital to level 4;
- Expansion and Equipping of the existing health facilities;
- Adequate provision of medical supplies;
- Construction and equipping of ECDE facilities.

III. Offering quality and accessible services to the people.

In line with part XII of the County Government Act, 2012, The County Government will implement a spending plan that:

- a. gives priority to the basic needs of the public;
- b. promotes the development of the public service delivery institutions;
- c. Ensures that all members of the public have access to basic services.
- d. Ensures prudent, economic, efficient, effective and sustainable use of available resources;
- e. Ensures continuous improvement of standards and quality of services offered; and
- f. Incorporates appropriate use of information technology

Through deliberate allocations of resources to projects at the ward level, the County Government expects to enhance equitable social economic development across all wards. The County will step up provision of early childhood education and vocational training for the youth through engaging more instructors and operationalising the already built infrastructures. In addition the County Government will continue to implement measures to protect the vulnerable groups through providing additional resources towards their support. The county will for instance set aside funds to cater for education of the less privileged through the county bursary fund

IV) Improvement in resource mobilization for sustained development.

In an effort to enhance its local revenue raising capacity, the County Government in the current financial year has put in place measures geared towards expanding the local revenue base. These measures to be pursued over the medium term touch on:

- ❖ full roll out and adopting the best practices in revenue automation
- ❖ enacting supporting legislations & regulations on revenue collection and administration
- ❖ strengthening enforcement;
- ❖ finalizing on the valuation roll for effective collection of plot rates;
- ❖ cleaning of the LAIFOM data so as to update the land and plots register;
- ❖ continuous updating of the business register for ease of issue of licenses and permits;
- ❖ Regular and sustained audit of revenue systems to seal leakages and inefficiencies;

V) Tapping the under exploited and unexploited resources.

Through deliberate effort, the County Government will expand offering of supportive services to Small and medium enterprises (SMEs) and the cooperative societies in order to improve their entrepreneurial capacity. Focus will also be on upgrading and expanding the existing market infrastructures so as to improve the physical environments for the traders and operationalizing the County Trade Fund to avail the necessary financial support to spur growth of SMEs. This is expected to go a long way in raising income levels, encouraging savings and consequently more investments.

CHAPTER THREE: SECTORAL PRIORITIES AND RESOURCE ALLOCATION IN THE MEDIUM TERM

3.0 Overview

Allocation of resources by the County Government among all the five sectors have been done in line with aspirations of the county citizens as elucidated in the 2013-17 CIDP. Broadly, prioritization will be in continuance of the programmes that are ongoing to ensure that they are complete by the end of the 2017/18 FY where feasible. This therefore implies county resources will be channeled first to ongoing programmes before new ones can be considered. This is mostly applicable in sectors that heavily undertake capital projects. Nevertheless, emerging priorities will not be overlooked.

The County Government shall continue to focus policies on the following so as to enhance social service delivery and support growth of the County economy:

- ❖ Embracing fiscal prudence by improving the efficiency of departmental spending in well-targeted social programs and increasing infrastructure investment;
- ❖ Investing in social welfare services and county infrastructure to improve competitiveness and unlock the county's potential;
- ❖ Capacity development in Public finance management to all spending units;
- ❖ Grow the local resource base &
- ❖ Increase the allocations towards development far beyond the PFM ceilings.

Employment creation and poverty reduction will also guide resource allocation in the medium term. Consequently, the 2017/18 FY MTEF budget will focus on interventions to guide transformation of the County, with the Constitutional & other legal provisions providing the support. The county planning framework will endeavor to allocate resources to all the sectors equitably.

Through the County Annual Development Plan (ADP) 2017/18, all the County sectors have clearly identified the priority areas with their estimated resource requirements. The sectoral priorities are in line with Constitution of Kenya (devolved functions), Vision 2030, second national Medium Term Plan (MTP II) 2013-2017, Nyandarua CIDP 2013-2017, SDGs and other planning frameworks acceded to by our country.

County flagships and the “high impact” sectors with the potential to spur the county economy will be given special attention to facilitate installation of the envisaged infrastructure.

3.1 Agriculture sector

The sector comprises of agriculture, livestock & fisheries development.

Nyandarua is one of the leading counties in agricultural production involving both crop and livestock. Since the inception of the County Government system, the agricultural sector has been a key economic driver creating over 70% of the available employment opportunities directly & indirectly. The sector has also been a key contributor towards local revenue generation. The county has continuously funded the department sufficiently to enable it thrive.

In the 2016/17 FY the department has been allocated Ksh 470,658,097 comprising of Ksh 110M as European Union Grant for constructing tissue culture laboratory for potato seed multiplication, to enable it carry out its programmes across all the value chains. In the 2017/18 FY it is anticipated that the sector will have an allocation of Ksh.485,700,000 to assist in addressing the following priority areas:

- ❖ Crop development; setting up of a pack house at Ol Kalou, construction of horticulture sheds, potato tissue culture laboratory, soil & feeds testing & development of pyrethrum;
- ❖ Livestock development; this includes dairy ,poultry, sheep, bee & rabbit value chains;
- ❖ Strengthening of the subsidized AI project;
- ❖ Support to agricultural institutions to capacity build farmers;
- ❖ Input subsidy; includes supply of subsidized fertilizer, certified seeds and other farm inputs;
- ❖ Fisheries development ;
- ❖ Increase availability of farm mechanisation services;
- ❖ Storage, Agro-processing and linking farmers to markets;
- ❖ Improving the delivery of research, extension, advisory support services and capacity building and
- ❖ Pest and Disease Control.

It is envisaged that with the resources allocated to this sector, the sector will continue to help expand the County GDP thereby resulting in more employment opportunities, high earnings to the producers & value adders as well as increased local revenue generation.

3.2 Human Resource Development Sector

This sector comprises of the health services and Education, Culture, Gender & Social Services subsectors;

It is a key sector contributing heavily to improving the productivity of human capital. Through proper investments in this sector by the County Government in conjunction with other stakeholders, it is envisaged that other sectors will benefit greatly. The sector will therefore strive to allocate its resources efficiently to ensure that maximum gains are generated for the benefit of all county residents.

Since the inception of the County Government, the health department has continually received the largest share of the County resources. This is attributable to the nature of the services they offer to all the residents which necessitates them to have a large workforce with majority of their allocation going towards compensation to employees. This has resulted in numerous facilities being put up, upgrading of existing facilities is ongoing, waste/remains disposal management as well preventive and curative measures being enhanced.

In the 2017/18, the health department will focus on the following;

- ❖ Health infrastructure development and equipping; this will involve completion of ongoing health facilities, full upgrade of JM memorial Engineer hospital to a referral facility & to a level 4, upgrading of Ndaragwa health centre to a level 4, renovations of existing facilities, equipping of facilities and purchase of ambulances,
- ❖ Preventive and promotive health services; this includes development of community health services, clinical nutrition and dietetics, environmental health improvement and disaster management,
- ❖ Solid waste management and cemeteries; this includes purchase & fencing of dumpsites/cemeteries, purchase of garbage trucks, acquisition & distribution of waste disposal bins,
- ❖ Curative Services; this involves offering clinical services including supply of health products to all facilities. It also includes offering health referral services, maternal & reproductive health, management of information systems relating to health and capacity development of health personnel including new recruitments.

In the education sub sector, ECDE has continuously been improved through recruitment of teachers, construction & equipping of classrooms. Youth polytechnics have had workshops, hostels, other amenities constructed and equipped. Cultural development and talent search has been ongoing. In social development several groups such as the disabled have been supported. The Alcoholic drinks control board has been strengthened which has made the alcohol industry sane.

To further strengthen this subsector the following areas will be addressed in 2017/18 FY:

- ❖ ECDE development; This includes construction & equipping of classrooms, development of outdoor facilities (playing equipment) & special equipment for children with special needs, construction of a model ECDE centre in Ol kalou town, employment and induction of ECDE teachers;
- ❖ Youth training; this includes construction & equipping of YPs, recruitment of instructors, facilitating YPs to run their operations smoothly;
- ❖ Culture & Heritage development; includes identification of cultural sites, identification & facilitation of herbal medicine, organizing cultural events, identification & registration of performing artists;
- ❖ Gender and social development; includes gender mainstreaming(giving Sanitary pads to school going girls), HIV awareness and sensitization, construction & equipping of Social halls & Support for PWDs;
- ❖ Alcoholic drinks control; includes control of alcoholic drinks, rehabilitation of alcohol and drug addicts & construction of a rehabilitation centre; and
- ❖ Bursary allocation to the needy students.

Due to its crucial role in the county, the sector has been allocated Kshs 655,520,383 excluding the allocation for flagship projects.

3.3 Productive sector

The sector comprises of the following subsectors;

- Cooperative development, enterprise development, industrialization development, weights and Measures, and internal trade,
- Tourism, youth and Sports &
- Water, environment, energy and natural resources

This sector is a big contributor to the County economic output with high potential in generating employment opportunities as well generating revenue.

Over the period that the County Government has been in existence, the sector has achieved the following in its subsectors:

Cooperatives development: Promotion of Cooperatives through education and policy implementation, policy development for county cooperative societies as well as aligning the county with national cooperative agenda, Statutory Audit Compliance Audit for most cooperatives, Systems Monitoring and evaluation, registration of 25 new cooperatives, revival of more than 10 cooperatives, arbitration in cases of cooperative conflicts, linking the county and national cooperative movements, and other representation, initializing creation of Cooperative Development Revolving Fund, capacity building of all cooperative societies, and promotion of new cooperatives.

Internal Trade : Administration, regularization, harmonization, and recovery of the joint loan fund, promotion of trade and investment opportunities within the county, linkage between the county, regional and national trade communities, formulation, development, review and implementation of local trade policies, harmonization between county, national and international trade regulations and policies, setup, promotion and maintenance of the county trade information pool, including setup and management of a central trade information Centre, creation of Business Producer Groups and capacity building for traders/ business community.

Weights and Measures : Promotion of fair trade practices through inspection and verification of calibration of all equipment and machines for use for trade in the county (more than 1000 outlets), maintenance of all trade standards through comparison and calibration to conform to national and international standards twice every year, and providing legal metrology expertise to the county and other government agencies in all matters where accuracy of weighing and measuring equipment, or weighed or measured values, are in question.

Industrialization: Value addition to local raw materials through processing incentives through OVOP and related programmes, promotion of emerging industries in the county, legislative assistance to emerging processing businesses, firms and other entities, creating linkage between the local and national industrialization platforms with a view to harmonize standardization, and other implementation frameworks, identification of potential industrial opportunities, raw materials presence and supportive environments for industrial growth and performing feasibility studies for the implementation of industrial projects with a view to grow the county's and country's industrialization sector in line with SDGs.

Enterprise Development: Equipping of three CIDCs, promotion of 15 local MSEs through education and legislative assistance, assisting the local MSEs access various micro enterprise funds and donor funding where applicable, organizing six national and regional capacity building seminars, exhibitions and short courses for players in the MSE sector, and coordinating the county and national MSE calendars and various other bodies including MSEA, Industrialization ministry, and other state corporations, as well as poverty reduction and wealth creation through education, training and capacity building for small and micro enterprises in the county.

Water: numerous water projects have been undertaken to completion and are currently supplying water to residents in all the 25 wards.

Despite the numerous positive strides made in this sector, much more still awaits to be done. The sector will continue to assign its resources in the following areas to ensure full exploitation of its inherent potential:

- ❖ Sports Development; this involves the upgrade of ward stadia, Ol Kalou stadium completion, establishment of sports academies, holding of sports events and activities;
- ❖ Tourism development and marketing; this involves holding tourism marketing events, signage of tourism sites and setting up of belay site. Tourism sites including Lake *Olbosat*, *Mau Mau* Caves, Happy Valley Homes, nature trails and hiking trail along *Aberdares* will be marketed to tap into the tourism circuit where the County is strategically placed. There will be mapping and documentation of County tourism culminating in the setting up of tourism information centre. The department will spearhead in conjunction with Legal department & County Assembly drafting of the Tourism bill;
- ❖ Tourism Festivities (including Miss Tourism);

- ❖ Youth Affairs; empowering of youth by purchasing of car wash machines;
- ❖ Water resource management; involves undertaking water projects across all the wards, strengthen the management capacity of community managed water projects to ensure that they are professionally and sustainably managed, develop affordable water tariffs ;
- ❖ Environmental conservation; Rehabilitation of water storage structures/pans & dams, Construction of storm water drains, Planting of tree seedlings and beautification, Development of alternative sources of energy;
- ❖ Administration of Nyandarua Trade Fund ;
- ❖ Finalization and implementation of Cooperative Revolving Fund;
- ❖ Operationalization of market sheds and development of internal trade;
- ❖ 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;
- ❖ Growth of cottage industries through establishment of *jua kali* sheds across the county which will improve incomes for Micro and Small Enterprises (MSEs)

In order to implement its programmes, the sector has an allocation of Ksh 402,371,555 excluding the allocation for flagship projects in this sector.

3.4 Infrastructure Sector

The sector comprises of the following subsectors;

- Roads, Public Works and Transport,
- Lands, Housing and Physical Planning

Infrastructural development is correlated with the level of development. The infrastructure systems facilitate the other sectors to thrive well. The County Government has therefore appropriated a lot of resources in the sector to facilitate setting up of County roads & bridges, constructed boda boda sheds & bus parks, installation of floodlights, County public works and services, firefighting services and disaster management, kick-started the process County Ardhi house construction, acquisition of land for road connectivity, acquisition of land for other social amenities, survey of roads, townships and land for public institutions, urban beautification of Ol kalou town is ongoing.

To further undertake its mandate the sector intends to allocate future resources in the following priority areas;

- ❖ Upgrading & maintenance of county roads to all weather standards,
- ❖ Construction and maintenance of bus parks and boda boda sheds,
- ❖ Development and maintenance of bridges & floodlights,
- ❖ Upgrading of infrastructure at county and sub-county headquarters,
- ❖ Development & Maintenance of firefighting & emergency response services,
- ❖ Acquisition and maintenance of machinery and plants for construction,
- ❖ Design, supervision of County Government headquarters,
- ❖ Acquisition of land for public use,
- ❖ Preparation of county spatial plan and digitization of the same,
- ❖ Planning of towns and trading centers,
- ❖ Promoting Appropriate Building Technology &
- ❖ Developing the county urban centers.

For the sector to carry out its programmes, it has been allocated Kshs. 889,758,595

3.5 Governance and Administration Sector

The sector comprises of the following subsectors;

- Gubernatorial office,
- Communication, Legal, ICT and Intergovernmental Services,
- Finance & Economic planning,
- Office of the county secretary &
- County public service board.

The sector provides coordination, develops sound policies and a solid framework for quality and efficient service delivery to the public. It is also responsible for all operations relating to ensuring the fulfilment of County Government mandate. The key priorities for the sector include:

- ❖ Performance management in the public service;
- ❖ County human resource development;
- ❖ Prudence in public finance management;

- ❖ Resource mobilization;
- ❖ MTEF budget coordination & formulation of supporting policies ;
- ❖ Provide leadership and coordination of government operations to ensure the attainment of the development agenda for the County;
- ❖ Facilitate enactment and review of County legislations &
- ❖ Provide technical & operational support in ICT.

The Governance and administration sector has been allocated Ksh 391,073,259

County Funds

The county has established various funds including Bursary fund, Emergency fund, executive Mortgage fund, trade development fund, county pension and gratuity fund. These funds have been allocated a total of kshs 276,866,874 accounting for 4.9% of the county budget

CHAPTER FOUR: RISKS TO THE COUNTY ECONOMY

The County Government in pursuing its goal of improving the livelihoods of the residents acknowledges that there are various risks that may hinder fulfilment of its fiscal objectives.

The potential risks associated with implementation of county fiscal policies include:

- (1) Low national economic performance due to Uncertainties associated with global and national influences such as price of crude oil that affect cost of production and exchange rate fluctuations will eventually have an impact on the performance of the county's economy.
- (2) unpredictability of revenue flows both at the county and national level due to changes in policy by governments leading to loss of projected revenue e.g waivers
- (3) Unpredictable weather conditions such as Elnino phenomena and drought are likely to negatively impact on the growth of the county economy as the projected revenue from agricultural produce cess continues to be among the top local revenue sources may be affected.
- (4) 2017/18FY being an election year, there is a likelihood of heightened political mood that may affect implementation of the fiscal policies. Political goodwill will be required to implement the budget to meet the objectives outlined herein.
- (5) Domestic borrowing and its effect on interest rates and inflation will influence the performance of the county economy.

CHAPTER FIVE: CONCLUSION AND WAY FORWARD

The PFMA, 2012 stipulates preparation of the fiscal framework presented herein that lays ground for 2017/18f/y budget estimates as well as prioritization of sector resource allocation.

For effective implementation of the budget, the capacity for monitoring and evaluation by the spending entities will be enhanced. There will also be need to involve all relevant stakeholders in budget process which is key in enhancing overall budget implementation and ensure the public contribute to the final budget allocations for the 2017/18 FY.

Going forward, the set of policies outlined in this CBROP ensures continuity in resource allocation based on prioritized programmes that have been earmarked by the County Government to provide essential services, accelerate growth, create employment and reduce poverty.

The policies and sector ceilings annexed herewith will guide the departments in preparation of the FY 2017/18 budget.

ANNEX I: SECTOR CEILINGS FOR FY 2017/18 AND THE MEDIUM TERM

SECTOR	Programmes	FY 2016/17 ACTUAL ESTIMATES	FY 2017/18 PROJECTED	FY 2018/19 PROJECTED	FY 2019/20 PROJECTED
County funds	Bursary fund	85,810,000	85,000,000	88,145,000	93,371,999
	Emergency fund	35,000,000	35,000,000	36,295,000	38,447,294
	Mortgage fund	60,000,000	77,348,874	80,210,782	84,967,282
	Trade development fund	21,518,000	21,518,000	22,314,166	23,637,396
	County Pension Fund	26,434,702	30,000,000	31,110,000	32,954,823
	County Gratuity Fund	28,619,850	28,000,000	29,036,000	30,757,835
	Medical insurance	100,000,000	100,000,000	103,075,041	109,099,351
	General insurance		20,000,000	25,000,000	30,000,000
	flagship projects	343,894,762	484,000,000		
Compensation to employees		1,554,124,355	1,616,289,329	1,670,940,902	1,718,178,538
Governance	Governor's service delivery programme	383,041,744	391,073,259	410,115,588	458,135,504
	Investment promotion				
	County legal services				
	ICT & E government services				
	Communication services				
	Intergovernmental relations				
	Administration, enforcement & compliance				
	Human resource management				
	County Public service management				

	Public finance management				
	Revenue collection & administration				
	Economic planning & budgeting				
	Monitoring evaluation & statistics				
	Supply chain management				
	Audit, internal control & risk management				
Agriculture	Crops development	266,270,000	98,136,379	282,604,734	303,629,772
	Livestock production development				
	Fisheries development				
	Inputs subsidy				
	Veterinary services				
	Subsidized A.I				
	Agricultural institutions support				
Infrastructure	Development and maintenance of County roads, bridges and drainage works	822,892,568	889,758,595	1,026,135,191	1,088,620,684
	Development & maintenance of public transport				
	Public works services				
	Firefighting & emergency response services				
	County lighting programme				
	Land use administration & management				
	Physical planning services				
	Housing development & management				
	Survey & mapping services				
	Urban development				

Human resource	ECDE development				
	Youth training services				
	Gender & social services				
	Cultural & Talent development services				
	Alcoholic drinks control & regulation	702,675,389	655,520,383	831,751,199	898,044,511
	Health infrastructure and equipment				
	Preventive & promotive health care				
	Curative health care				
	Solid waste management and cemeteries				
Productive	Cooperative development				
	Trade development				
	Enterprise development				
	Industrial development				
	Water resource management	325,379,822	402,371,555	479,216,417	509,392,829
	Environmental conservation & Irrigation services				
	Tourism development				
	Sports development				
Youth development					
County Assembly		766,306,532	700,000,000	725,900,000	768,945,870
Total		5,521,967,724	5,634,016,374	5,841,850,021	6,188,183,688

ANNEX II: COUNTY FLAGSHIP PROJECTS

Department	Project	Allocation in 2017/18 budget (Ksh millions)
Agriculture	The horticulture Pack house	60M
	Potato tissue culture laboratory & storage facility	115M
Sports	OI Kalou stadium	60M
Roads, public works & transport	County Government t headquarters- County's contribution	100M
Health	J.M. Hospital (physiotherapy equipment, fencing & modern mortuary)	84M
	Engineer hospital (kitchen, laundry room, inpatient ward, store & land for expansion)	65M
Total allocation		484M

ANNEX III: 2017/18 FY COUNTY BUDGET CALENDAR

ACTIVITY	RESPONSIBILITY	FY 2017/18 DEADLINE
Preparation of Annual Development Plan (ADP)	All Departments- County Treasury to co-ordinate	19 th August 2016
Issue of 2017/18 FY budget guidelines circular	C.E.C.M Finance& Economic Planning	26 th August 2016
Submission and consideration of Annual Development Plan (ADP) by C.E.C	County Treasury/C.E.C	30 th August 2016
Submission of Annual Development Plan (ADP) to County Assembly	County Treasury	31 st August 2016
Preparation of County Budget Review & Outlook Paper (CBROP)	All Departments- County Treasury to co-ordinate	15 th September 2016
Submission and consideration of County Budget Review & Outlook Paper (CBROP) by C.E.C	County Treasury/C.E.C	16 th September 2016
Submission of County Budget Review & Outlook Paper (CBROP)to County Assembly	County Treasury	19 th September 2016
Development of County Fiscal Strategy Paper(CFSP)	County Treasury	14 th October 2016
Public participation on CFSP	County Treasury	17 th October 2016
Consideration of the CFSP by C.E.C	C.E.C	19 th October 2016
Submission of CFSP to County Assembly	County Treasury	25 th October 2016
Submission of budget estimates to County Treasury by the departments	All departments	30 th December 2016
Consolidation of budget estimates by the county treasury	County Treasury	8 th January 2017
Consideration of budget estimates by C.E.C	C.E.C	15 th January 2017
Submission of First draft of Programme Based Budgets(PBB) and itemized estimates to County Assembly	County Treasury	27 th January 2017
Submission of Final Programme Based Budgets(PBB) and itemized estimates to County Assembly for approval	County Treasury	10 th March 2017
Approval of County Appropriation Bill	County Assembly	15 th March 2017