



COUNTY GOVERNMENT OF LAIKIPIA

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER



SEPTEMBER 2019

FOREWORD

The 2019 County Budget Review and Outlook Paper(C-BROP) is prepared in accordance with the Public Finance Management Act, 2012. The paper's main focus is enhancing efficiency in resource mobilization and efficiency in budget implementation. This is achieved through the realistic allocation of the County Government resources, to ensure that such resources go into full utilization in a mission of meeting the needs of the citizenry.

In this regard, the expenditure and revenue policy framework for the 2019/20 financial year and the medium term revolves around the following fiscal principles;

- i. Entrenching fiscal discipline in the management of Public Finances,
- ii. Continued support to the growth of the economy to provide employment opportunities for the citizens,
- iii. Aligning Laikipia County development agenda with the National Development Goals, and
- iv. Ensuring public participation in the selection and implementation of projects to ensure equity in service provision.

Fiscal discipline will seek to ensure that each spending agency in the county can keep and support sustainable economic growth. The implementation of the County budget will focus on reducing poverty levels by improving access to health care, public infrastructure, enterprise development, and agricultural productivity.

The County Government remains committed to maintaining the trend of economic growth and development in line with the needs and commitments made to the people of Laikipia. Towards this end, the County Government will ensure that there is transparency and accountability by engaging stakeholders in development planning, implementation, and monitoring as required by the Constitution and the Public Finance Management Act, 2012.


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The County Executive Committee Members played a key role by providing departmental support towards the finalization of this paper. The Finance and Economic Planning Department played a critical role by steering the process and providing technical inputs.

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ABBREVIATIONS

ADP Annual Development Plan

AGPO	Access to Government Procurement Opportunities
CBROP	County Budget Review and Outlook Paper
CDMS	County Debt Management Strategy
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CSWGs	County Sector Working Groups
EAC	East Africa Community
FY	Financial Year
GDP	Gross Domestic Product
HFIF	Health Facility Improvement Fund
ICT	Information Communication Technology
IEBC	Independent Electoral and Boundaries commission
IFMIS	Integrated Financial Management Information System
KRA	Kenya Revenue Authority
MTEF	Medium Term Expenditure Framework
NSE	Nairobi Securities Exchange
PFM	Public Finance Management
PFMA	Public Finance Management Act

CHAPTER ONE

INTRODUCTION

1.1 Legal basis for the preparation of CBROP

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

The Act further states that the County Executive Committee shall consider the CBROP with a view of approving it with or without amendments, not later than fourteen days after its submission.

1.2 Significance of the CBROP

The significance of the paper is to ensure that the government reviews its previous financial performance; outlook on the level of future revenues; and set preliminary sector ceilings in the light of reviewed performance and projected revenues. The C-BROP is also a key document in linking policy formulation, development of annual planning and budgeting.

The County Government is in its third fiscal year of implementing the second County Integrated Development Plan and Third Medium Term Plan that guide budget preparation and implementation in the County. The C-BROP is embedded on the MTEF priorities and takes into account priority needs of the citizenry in the devolved system of government. The Sector Working Groups will formulate programmes for the Medium-Term Expenditure Framework period focusing on priority programmes.

1.3 Objectives of the CBROP

The core objectives of CBROP are:

- (i) To provide details of the actual fiscal performance of the financial year 2018/19, and deviations from the approved budget of the same year.
- (ii) To specify the updated economic and financial forecasts in relation to the changes from the forecasts in the County Fiscal Strategy Paper of February, 2019.
- (iii) To provide information on any changes in the forecasts compared with the CFSP of February, 2019
- (iv) To specify how actual financial performance for the year 2018/19 may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP.

- (v) To point out reasons for any deviation from the financial objectives in the CFSP of February, 2019 together with proposals and timelines to address the deviations.

1.4 Structure of the CBROP

This paper is organized into five sections. Section one introduces the C-BROP, Section two details the review of the County fiscal performance for the year 2018/19 and its implications. Section three focuses on the recent economic developments and the outlook for period 2019/2020 and the medium term. Section four sets out the resource allocation framework across government departments by setting preliminary expenditure limits or ceilings for each government department under the MTEF. Section five provides a conclusion on 2018/19 fiscal outcome, updated macroeconomic forecast that indicate changed circumstances and their implications on the financial objectives as elaborated in County Fiscal Strategy Paper of February, 2019. In addition, the annexure to this document contains relevant attachments that will guide county departments during the preparation of annual budgets.

CHAPTER TWO

REVIEW OF FISCAL PERFORMANCE IN 2018/19

2.1 Performance Overview

The fiscal performance in the year 2018/19 was generally good in both local revenue collection and expenditure. The 2018/19 County Executive budget was Ksh. 6,451,789,465 with the total cumulative revenue in the same year amounting to Ksh. 5,707,142,852. Total expenditure was Ksh 5,443,613,408 representing a deviation of KShs1,008,176,057 against the planned targets. In addition, the County Assembly had a budget of Ksh 476,170,301 with its total expenditure amounting to Ksh 471,239,769, hence leading to a deviation of Ksh 4,930,532 from the planned targets.

The 2018/19 expenditure performance was negatively affected by non-implementation of some of the planned development projects.

2.2 Fiscal Performance in 2018/19

Revenues received from national government recorded mixed trends with (equitable share) declining while grants improved significantly. Own source revenues also increased as compared to the year 2017/18. The revenue performance in 2018/19 is depicted in Table 2.2.1 that summarizes revenues and grants for the financial year 2018/19, the deviations from the approved revenue estimates and the growth realized against the previous year's actual. Annex 3 further details the local revenue collections for financial 2017/18 and 2018/19.

Table 1: County Revenue Performance

Total Revenue and Grants	Financial year 2017/18 Actual (Ksh)	Financial Year 2018/19		Deviation (Ksh)	Growth (%)
		Targets (Ksh)	Actual (Ksh)		
Opening Balance	120,777,397	800,000,000	474,076,126	-325,923,874	292.5
National Revenue Allocation	4,499,800,000	4,118,570,301	4,113,400,000	-5,170,301	-8.6
County Local Revenue	608,463,783	800,000,000	815,770,156	15,770,156	34.1
Grants	351,451,484	1,041,148,365	605,536,793	-435,611,572	72.3
Balances b/f	62,781,707	168,241,100	168,241,100	0	168.0
Total Revenue	5,643,274,371	6,927,959,766	6,177,024,175	-750,935,591	9.5

The total cumulative revenue was Ksh.6,177,024,175 against the target in the supplementary budget of Ksh6,927,959,766. This represents a revenue deficit of Ksh.750,935,591 which is -10.8 % deviations from the approved budget. The local revenue collection for the period amounted to Ksh 815,770,156 against a target of Ksh800,000,000 reflecting an over collection of Ksh.15,770,156. There was a marked improvement in the revenue collected as compared to 2017/18. The growth in local revenue collection for 2018/19 was mainly

attributed to reforms in the County Revenue Board, automation of revenue collection, Capacity building of revenue collectors and revenue collection enforcement. Further details are provided in Annex 3.

There was an improvement in Expenditure performance in 2018/19 as compared to the performance 2017/18. Absorption in both the recurrent and development votes improved significantly. The overall expenditure performance in 2018/19 is depicted in Table 2.2.2 that details actual expenditure and the deviations from the approved estimates.

Table 2: County Expenditure Performance

Expenditure	Financial year 2017/18 Actual (Ksh)	Financial year 2018/19		Deviation (Ksh)	% growth
		Target (Ksh)	Actual (Ksh)		
(1) Recurrent Expenditure					
County Executive	3,336,938,909	3,656,521,143	3,462,464,294	-194,056,849	3.8
County Assembly	446,476,335	469,271,323	469,203,295	-68,028	5.1
Total	3,783,415,244	4,125,792,466	3,931,667,589	-194,124,877	3.9
(2) Development Expenditure					
County Executive	1,057,978,422	2,795,268,322	1,981,149,114	-814,119,208	87.3
County Assembly	27,140,401	6,898,978	2,036,474	-4,862,504	-92.5
Total	1,085,118,823	2,802,167,300	1,983,185,588	-818,981,712	82.8
Total Expenditure	4,868,534,067	6,927,959,766	5,914,853,177	-1,013,106,589	21.5

The total expenditure was Ksh.5,914,853,177 against a target of Ksh.6,927,959,766 representing an underspending of Ksh 1,013,106,589 (14.6%). The growth in total recurrent expenditure stood at 3.9% compared to total development expenditure which recorded a growth of 21.5%. The sectoral expenditures were utilized by the County Assembly as well as 8 departments of the County Executive. The sectoral expenditures performance in 2018/19 are depicted in Table 2.2.3 and Table 2.2.4 below;

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Table 3: Performance of the Recurrent Budget in FY 2018/2019 including grants

Sector	Allocated Budget – Supplementary (Ksh)	Actual Performance (Ksh)	Deviation (Ksh)	Percentage performance
County Administration and Public Service	2,735,637,500	2,748,343,687	12,706,187	100.5%
Finance and Economic Planning	437,785,005	264,745,048	-173,039,957	60.5%
Medical Services and Public Health	255,600,000	282,702,486	27,102,486	110.6%
Agriculture, Livestock and Fisheries	43,298,638	26,064,133	-17,234,505	60.2%
Land, Housing and Urban Development	67,000,000	26,093,384	-40,906,616	38.9%
Education, ICT and Social Services	78,500,000	77,305,161	-1,194,839	98.5%
Trade, Tourism and Co-operatives	16,500,000	16,772,608	272,608	101.7%
Water, Environment and Natural Resources	22,200,000	20,437,787	-1,762,213	92.1%
County Assembly	469,271,323	469,203,295	-68,028	100.0%
Total	4,125,792,466	3,931,667,589	-194,124,877	95.3%

Table 4: Performance of the Development Budget in FY 2018/2019 including grants

Sector	Allocated Budget – Supplementary (Ksh)	Actual Performance (Ksh)	Deviation (Ksh)	Percentage performance
County Administration and Public Service	68,900,000	63,075,937	-5,824,063	91.5%
Finance and Economic Planning	936,503,105	914,668,393	-21,834,712	97.7%
Medical Services and Public Health	583,209,308	482,179,351	-101,029,957	82.7%
Agriculture, Livestock and Fisheries	309,500,000	66,535,237	-242,964,763	21.5%
Land, Housing and Urban Development	433,772,031	201,046,879	-232,725,152	46.3%
Education, ICT and Social Services	116,883,878	17,596,304	-99,287,574	15.1%
Trade, Tourism and Co-operatives	135,000,000	66,195,038	-68,804,962	49.0%
Water, Environment and Natural Resources	211,500,000	169,851,975	-41,648,025	80.3%
County Assembly	6,898,978	2,036,474	-4,862,504	29.5%
Total	2,802,167,300	1,983,185,588	-818,981,712	70.8%

Majority of the departments recorded around 100% absorption of their recurrent expenditures in the year under review, with exception of three departments whose performance was affected by under absorption of conditional grants. Overall the performance of recurrent expenditures stood at 95.3%. On the development expenditure, there mixed trends with more than half of the departments recording below average performance. Overall the absorption of development expenditure stood at 70.8%.

The under performance in development expenditure is mainly attributed to delayed exchequer releases and delayed release of donor funds with 42% of the budgeted for conditional grants not being received in the financial year.

2.3 Overall Balance and Financing

In 2018/19 there was an under absorption of Kshs **1,013,106,589** of the total County budget, which is the difference between the budgeted/ appropriated amounts and the actual total expenditure. This amount was committed into pending bills to be spent in the 2019/20 financial year.

2.4 Implication of 2018/19 Fiscal Performance on Financial Objectives Contained in the 2019/20 Approved Budget

In the view of revenue performance in 2018/19 where the local revenue targets were surpassed, the County government expects to meet local revenue projections for 2019/20. This will go along way in supplementing the National Government equitable share allocation hence timely provision of public goods and services. In addition reforms in revenue administration are expected to continue in order to enhance efficiency and reduce revenue leakages.

Performance of development expenditure in 2018/19 was marked by mixed trends with some departments recording below average absorption rates. In 2019/20 the County expects significance improvement in absorption of development votes. This will be ensured through timely preparation of bills of quantities(BQs), speedy conclusion of procurements procedures and timely exchequer releases. The County also expects improved performance of the conditional grants through timely release by donors.

CHAPTER THREE

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Introduction

This section provides an analysis of national macroeconomic variables such as GDP growth rate and inflation and their impact on the implementation of 2019/20 County budget. It also discusses the prospects for growth given the recent economic events and circumstances.

3.2 Recent Economic Developments

Diverse activities with significant bearing on county economic growth have continued to be undertaken, including rural roads infrastructure improvement, urban planning and development through smart town initiatives, marketing of Laikipia county as a tourist destination, Innovation, investment and industrialization promotion, enhanced own source revenue reforms, expansion of health delivery services and universal health coverage, rural water and sanitation programmes, crops and horticulture production, livestock production, animal health and disease management, performance management systems, public participation and citizen engagements, promotion of intra and intergovernmental relations and provision of social services. These will be affected by various aspects which include:

a) Macroeconomic Environment

First Quarter 2019 GDP report by the Kenya National Bureau of Statistics, indicate that the Kenya's economy expanded by 5.6 per cent during the first quarter of 2019 compared to 6.5 per cent in a similar period in 2018. The slowdown in growth was mainly due to slowdown in agricultural activities following delay in the onset of long rains. The slowdown in agricultural growth somewhat affected agro-processing and consequently led to slowed manufacturing activities during the review period.

Slowdown in growth was also recorded in transportation and storage; construction; forestry and fishing sectors. Growth of activities in accommodation and restaurants slowed significantly but remained relatively strong.

The Kenya Shilling exchange rate appreciated against the Euro and Sterling Pound during the period July-August 2019 but weakened against the Yen and the US dollar during the same period. The currency depreciated against the US dollar to Kshs 103.30 in August 2019 from Kshs 103.16 in July 2019. In the second week of September 2019, the shilling depreciated to Kshs. 103.76 in the second week from Kshs 103.75 in the first week of September 2019. The shilling gained against the Euro to Kshs 114.96 in August 2019 from Kshs

115.83 in July 2019. The currency depreciated to Kshs 114.39 in the second week of September 2019 compared to Kshs. 114.21 in the first week of September 2019. In comparison to the Sterling Pound, the Shilling strengthened to Kshs 125.59 in August 2019 from Kshs 128.92 in July 2019 but depreciated slightly to Kshs. 128.01 by second week of September from Kshs. 126.23 in the first week of September 2019. Against the Japanese Yen, the Kenya Shilling marked mixed performance recording depreciation to Kshs. 97.12 in August 2019 from Kshs 95.35 in July 2019 but recorded a slight appreciation to Kshs 96.70 by the second week of September from Kshs 97.53 in the first week of September 2019.

In the East African Community (EAC) region, the Kenya Shilling marginally appreciated against three of the four main currencies. The Shilling depreciated against the Uganda Shilling to Kshs 35.76 in August 2019 from 35.84 in July 2019. The shilling depreciated marginally to Ksh.35.38 in the second week of September 2019 from Kshs 35.50 in the first week of September 2019. The currency strengthened against the Burundian Franc to 17.86 in August 2019 from 17.53 in July 2019. Similarly, during the second week of September, the Kenya Shilling further appreciated to 17.81 from Kshs. 17.80 in the first week of September 2019. Against Tanzania shilling, the Kenya Shilling recorded slight depreciation to Kshs 22.26 in August 2019 from 22.30 in July 2019. The shilling further weakened to Kshs. 22.15 during the second week of September from Kshs. 22.16 in the first week of September 2019. In comparison to the Rwandese Franc, the Shilling appreciated to Kshs. 8.88 in August 2019 from Kshs. 8.86 in July 2019 and remained constant at Kshs. 8.87 in week one and two of September 2019.

The overall national Consumer Price Index decreased by 0.90 % from 203.61 points in July 2019 to 201.78 in August 2019. The overall year on year inflation rate stood at 5.0 per cent in August 2019 as compared to 6.27 percent in July 2019. This slowdown in inflation is influenced by price reductions in food items, liquefied petroleum gas, cooking fuels, pump diesel and petrol. The average monthly retail price of a kilogram of dry maize at Nanyuki market increased to Kshs. 54.12 August 2019 from Kshs. 48.04 in July 2019. However, the average monthly retail price of a kilogram of dry beans at Nanyuki market marginally increased to Kshs 110.23 in August 2019 from Ksh.102.25 in July 2019. This trend was slightly different at Nyahururu market where the average monthly retail price of a kilogram of dry maize decreased to Kshs. 58.66 in August 2019 from 62.42 in July 2019. The average monthly retail price of a kilogram of dry beans at Nyahururu market slightly increased to Ksh.98.91 in August 2019 from Ksh.95.85 in July 2019.

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The average interest rate for the 91-day Treasury bills dropped to 6.44 per cent in the month of August 2019 from 6.62 per cent in the month of July 2019 on the latest issues. Similarly, the average interest rate for the 182-day Treasury Bills decreased to 7.12 per cent in the month of August 2019 from 7.42 per cent during the month of July 2019. Further, the average interest rate for the 364-day Treasury Bills increased to 9.16 per cent during the month of August 2019 from 8.76 per cent during the month of July 2019. The overall inter-bank rates increased to 3.63 percent in August 2019 from 2.29 per cent in July 2019.

b) Weather Patterns

Laikipia County has distinct climatic zones receiving varied rainfall amounts that determine the type of livelihood adopted, potential hazards among others. The rainfall amounts range from minimum of less than 100mm in Mukogodo West, Sosian, Salamaand part of Mukogodo East, Nanyuki, GithigaIgwamiti and Tigithi wards to a maximum of more than 400mm.

Most of the county received below normal rainfall during March- April-May (MAM) 2019 period a clear indication that long rains failed. The distribution, both in time and space were very poor in most parts of the county. Most parts of the county remained generally sunny and dry throughout the long rains period. The review of rainfall in MAM 2019 is as shown below

Table 4: Amount of the Rainfall in March-April-May (MAM) 2019

Laikipia Air Base (East)			Rumuruti (West)			Daiga (North)		
Month	Amount (mm)	No. of rainy days	Month	Amount (mm)	No. of rainy days	Month	Amount (mm)	No. of rainy days
March	10.2	1	March	25.8	4	March	10.1	1
April	50.1	6	April	79.6	5	April	52.1	2
May	51.5	5	May	31.3	8	May	147.2	9

Most parts of the County experienced generally slightly wet weather conditions during June-July-August (JJA) 2019. Near-average rainfall was recorded over several parts with some stations receiving significant rainfall amounts especially in the month of June. The JJA temperatures were generally warmer than average over most parts of the county.

The climate outlook for the short rain season during October to December 2019 projects generally above normal rainfall (enhanced rainfall) in most parts of the county. The rainfall is expected to be well distributed both in time and space, throughout the season thus maintaining agricultural production and pasture restoration. There will be a continuation of September rains but expected to end by mid- December 2019.

c) Tourism

Enhanced security and concerted efforts instituted by the national government to market Kenya as a favourite tourist destination have led to improved performance of the sector.

Total international arrivals for January 2019 by air closed at 88,705 compared to 76,649 in 2018, illustrating an increase of 15.7%. During the period under review, JKIA arrivals grew by 9.4% to record 61,137 compared to 66,859 in 2018. Moi International Airport Mombasa (MIAM), received 21,846 visitors, compared to 15,512 in 2018, a 40.8% growth.

The major reasons for travel to Kenya include holiday, business and conference, Sports and study. In terms of share of arrivals, USA retains its first position, contributing 12.9% followed closely by Italy with 12.0%. UK comes in 3rd with a share of 9.5%, followed by Germany with 7.2%. India is 5th with 5.3% and China close the top 6 list with a contribution of 4.5% to the total arrivals in 2019

The government policy on Africans has made it possible for ease of movement through the open boarder policy and the open sky agreement. The open boarder policy is expected to attract both tourists and investor while the open sky policy is intended to encourage air travel connectivity in the continent.

Laikipia County being part of the northern circuit receives a large number of tourists due to its attraction sites such as scenic view of Mt. Kenya peaks, Thompson Falls in Nyahururu, proximity to Mt. Kenya Game Park, expansive savannah landscape, game lodges and restaurants, conservancies and a rich Maasai culture.

As indicated in 2019 Laikipia County Statistical Abstract, tourist arrivals to Thompson falls increased to 152,890 in 2018 from 135 905 arrivals recorded in 2017. The number of both classified and non-classified hotels rose to 40 in 2018 compared to 36 hotels recorded in 2017. Consequently, the bed capacity rose to 1,133 from 1,064.

The county government has put in place measures towards marketing and promotion of Laikipia as a leading wildlife tourism destination. Some of these measures include use of online marketing platforms (Destination

Laikipia), development of tourist sites and infrastructures, investment in film production and strengthening of collaborations with the stakeholders in tourism sector.

d) Trade and Investment

Trade in the County has continued to expand through increased investment in; wholesale and retail trade; agriculture and livestock production; construction and real estate; tourism and hospitality industries; transport and storage; financial and insurance activities. Investments in these sectors greatly contributed to the expansion of the County Gross Domestic Product (GDP) from Ksh. 72.89 billion in 2017 to Ksh. 81.095 billion recorded in 2018.

The County has other diverse investment opportunities worth pursuing especially in mining and quarrying, industrialization and manufacturing, generation and supply of renewable energy, water supply, waste collection and recycling, value addition on agricultural produce, contract farming, eco-tourism and conservancies, tours and travel services, artefacts and sports tourism among others.

To promote and facilitate trade and investment in the county the government has invested in, promotion and development of micro small and medium industries; enterprise development; co-operative development and marketing; market infrastructure development, favourable policy and legal framework; enhanced stakeholder's engagement and participation; capacity building and information sharing.

3.3 Progress Report on Budget Implementation

The implementation of the County Budget 2019/20 has been marked by slow progress during the first quarter of the year. This is attributed to impasse in approval of the division of revenue bill 2019 at the national level therefore delaying the release of funds by the National Government.

The County Annual Procurement Plan 2019/20 and two-year prequalification plan (2019/20-20/21) are in place and uploaded to the IFMIS. In addition, continued sensitizations on compliance with AGPO and e-procurement system are expected to ensure inclusivity and efficiency in supply chain management.

The local revenue collection estimates during the period July-mid September 2019, recorded Kshs. 129,927,189. This represents 13 % realization of the projected annual target of ksh.1, 006,875,000.

As the first quarter ends, eight exchequer releases have been effected with amount received totalling to Kshs 441,306,673. The recurrent expenditure received Kshs.398,106,673.00 for County Executive and Kshs. 43,200,000.00 for County Assembly.

Low implementation of development vote is attributed to the fact that the County is operating on a vote on account which approved expenditures for recurrent votes only. Recurrent expenditures like personnel emoluments take first priority in spending thus impact negatively on the development expenditures. Increased budget implementation is expected in the coming months with adoption of the final County budget as revenue flows both from the National Government and own sources picks up.

3.4 County Economic Outlook and Policies

Despite both National and County Governments' efforts, Kenya's growth rate is still below the target of 10 per cent as per Kenya Vision 2030. The County Government will continue to implement policies aimed at enhancing productivity amongst priority sectors. Consistent growth will be contributed through increased production and services in: agriculture, horticulture, wholesale and retail trading, tourism, construction and transport industry.

The County Government is committed to enhance agricultural sector output through promotion of agribusiness, post-harvest management, access to quality farm inputs, water harvesting and irrigation technologies, extension services and promotion of climate resilient agricultural technologies. Breed improvement, fodder production and conservation, feedlot systems, livestock vaccination and diseases surveillance and refurbishment and maintenance of existing slaughter houses will also be supported to boost livestock production. The government will continue to implement revolving enterprise and co-operative development funds to support enterprise growth and co-operative movement that significantly contribute to improved livelihoods through job creation, marketing and access to business capital. Urban development initiatives such as smart towns are at the epicenter of the County government development blue print. In addition, wholesale, retail and related service industries have increasingly set base within the county and this generally indicates a positive growth prospects in the medium term.

Due to inadequacy of resources against high development needs, the County Government aims at increased role of the National Government agencies, private sector, development partners and civil societies in meeting the economy's resource requirements while at the same time developing a conducive investment environment.

Local revenue collection in the year is projected at Kshs 1,006,875,000 and the County Finance Bill 2019/20 is expected to be fully implemented.

Laikipia County Development Authority will play a crucial role towards supplementing government's efforts in resource (financial and technical) mobilization and development implementation.

Key policies expected in the medium term include: Annual Development Plan, County Spatial Plan, County Climate Change Policy and Act, County Water Master Plan, County Valuation Roll and Rating Act among others. These policies will mirror the priorities stipulated in the Third Medium Term Plan of Kenya Vision 2030.

3.5 Medium Term Fiscal Framework

Over the medium term, the County Government will continue to pursue prudent fiscal policy to assure economic stability. In addition, the county fiscal policy objectives will provide an avenue to support economic activities while allowing for implementation of the programmes within sustainable public financing. The county will also ensure full compliance with the national standards and existing legislations to avoid litigations touching on financial administration and management that may delay development and generate possible sanctions impacting negatively on the county financial systems. Moderation in county expenditures will help assure equity and value for money in line with the Constitution of Kenya, 2010 and the fiscal responsibility principles in the PFM Act, 2012.

With respect to revenue, the County Government hopes to maintain strong revenue collection mechanisms that will realize 100 per cent of estimated revenue targets in 2019/2020 and higher in subsequent years. Measures in place to enhance local collections include; up scaled automation of revenue collection streams, diversification of revenue sources, improved tax compliance, strengthened operations of Laikipia County Revenue Board and partnerships, capacity building of revenue collection staff, sustained enforcement in the implementation of the finance bill and adoption of best practices in revenue collection and administration. It is expected that the amount of revenue collected will be 26 % higher in year 2019/2020 than in 2018/2019.

On expenditure, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastages. Expenditure management will be strengthened with enhanced use of the Integrated

Financial Management Information System (IFMIS), e-procurement and the County Operations Management System (COMS). The various provisions in PFM Act, 2012 and its regulations shall continue to be entrenched towards accelerating reforms in expenditure management system. The fiscal standing envisages no borrowing from domestic sources. Joint initiatives with development partners will be pursued to support increased public expenditure on capital projects.

To address the issue of high wage bill, the county will limit recruitments to only areas with critical needs. Further the existing staff will be rationalized in order to improve productivity. Early and voluntary retirement will be encouraged to staff above 50 years of age. The County Government will continue to provide capacity building to the county personnel on performance management, area of specialization, financial management and prudence.

Citizens' engagement and public participation will be improved to accelerate good working relations and minimize conflicts in county taxation and revenue collection, legislation, development planning, budgeting and development implementation.

3.6 Risks to the Outlook

Agriculture, which is the main economic activity in the County, remains vulnerable to unpredictable and sporadic weather patterns. The short rain season during October to December 2019 indicates generally above normal rainfall in all parts of the county. However, rainfall amounts and distribution may vary across various parts of the county. This may pose risks in the production sector such as agriculture that is heavily dependent on rain water. Greater attention need to be taken and structures put in place to address overreliance on rain fed production.

External factors such as bank rates, exchange rates and inflation may contribute towards negative variances on the performance of the economic growth. However, the national government in collaboration with county governments will undertake appropriate measures to minimize negative variances thereby safeguarding macroeconomic stability. In addition, bank interest rates, inflation and shilling exchange rate are expected to be stable within expected margins.

There is also the risk of delayed development implementation and low funds absorptions mainly caused by delays in enactment of budget related legislations and releasing of funds from the National government as it's with the current Division of Revenue bill 2019/2020.

Public expenditure pressures, especially recurrent expenditures, continue to pose fiscal risk to the County Governments. The county government will continue mitigating internal risks that include delays in passage of the finance related bills, court cases and weak implementation framework of development projects. In addition, competing political interests may adversely affect timely realization of development programmes and related outcomes.

The rapid growth of the county wage bill, driven by high salaries and allowances for staff and recruitment of new staff, could impact negatively on the amount of resources available for development spending

CHAPTER FOUR

RESOURCE ALLOCATION FRAMEWORK

4.1 Introduction

This section highlights the 2018/19 resource envelope. It further highlights changes in the forecasts compared with the County Fiscal Strategy Paper 2019, how actual financial performance for the 2018/19 financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the County Fiscal Strategy Paper for that financial year; and reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

4.2 Financial Outlook

In the financial year 2018/19 the CFSP estimated the county revenues at Ksh. 5,884,189,487.00 comprising of Ksh. 4,113,400,000 from equitable share of the national revenue, Ksh 800,000,000 from local revenue collections, conditional grants of Ksh. 970,789,487. In addition, there was an opening balance of Ksh. 467,255,507 and lease deposit refund of Ksh. 110,000,000.

The County however received total revenues to the tune of Ksh 6,177,024,175 comprising of opening balances of KShs474,076,126; Ksh 4,113,400,000 as National Revenue Allocation, County Local own revenue of Ksh 815,770,156; Conditional grants of Ksh. 605,536,793 (comprising of Ksh 397, 894, 252 for 2018/19, KShs26,143,057 Roads Maintenance Levy Fund (RMLF) 17/18 and Ksh 33,358,878 for Youth Polytechnics 2017/18, Ksh 37,000,000 for KDSP Level 1 2017/18 b/f, Ksh. 111,140,605 KDSP Level 2 2017/18 b/f) and Ksh 168,241,100 as balances brought forward.

In summary, the following table shows the CFSP projections against the actual performance for the equitable share, Local Revenue and the Conditional grants for 2018/19.

Table 5: CFSP projections against actual performance for 2018/19

Source of Revenue	CFSP Projection 2018/19 (Ksh)	Actual Performance 2018/2019
Equitable share	4,113,400,000	4,113,400,000
Local Revenue	800,000,000	815,770,156
Conditional grants	970,789,487	605,536,793
Total	5,884,189,487	5,534,706,949

From the foregoing, the county performed better in own revenue mobilization surpassing its revenue target by 2% with an amount of Ksh. 15,770,156 while receiving 100% of equitable share. On conditional grants, a total of Ksh 435,611,573 was not disbursed to the county in the period.

In FY2018/19 the total expenditure figures for both recurrent and development stood at Ksh. 5,443,613,407 against budget estimate of Ksh. 6,451,789,465 for the county executive which represents 84.4% budget utilisation, Recurrent expenditure amounted to Ksh. 3,604,117,059 against budget estimate of Ksh.3,658,763,398 which represents 98.5% budget utilisation while development was at Ksh.1,839,496,348 against a budget of Ksh 2,793,026,067 representing 65.9% budget utilisation. The recurrent expenditure amounted to Ksh. 3,604,117,059 representing 66.3% of the total expenditure while development expenditure amounting to Ksh. 1,839,496,348 representing 33.7%. This was consistent with the requirement of at least 30 % of the expenditures being on development.

An amount equivalent to KShs.2,616,158,811 was spent on compensation of employees representing 49.89% of the total expenditure. The growth in compensation of employees from Ksh. 2,416,274,895 in 2017/2018 was due to salary increments, new temporary staff and entry of interns in the reporting period, and pending PAYE and other deductions from the previous financial year that was settled in the FY 2018/19.

4.2 Medium Term Expenditure Framework

The County Integrated Development Plan, Annual Development Plans and Annual Procurement Plans will continue to guide resource allocations in the medium term. The County Sector Working Groups will work closely with the County Budget and Economic Forum in prioritizing core areas of financing and public investment. Focus will be towards optimal funding of infrastructure development, social services, productive sectors, and supportive services.

The sectoral ceilings targeting various county departments in the year 2019/20 and the medium term are detailed in the following Table 4.2

Table 6: Total Sector Ceiling for the MTEF Period 2019/2020-2021/2022

Total Expenditure (Ksh)			Projections		% Share of Total Expenditure		
County Sector	Estimates 2019/2020	CFSP Ceilings 2019/20			Estimate s	Projections	Projections
			2020/2021 (Ksh)	2021/2022 (Ksh)	2019/2020	2020/2021	2021/2022
County Assembly	475,775,000	509,775,000	503,980,000	525,319,250	10.1	9.9	10.0
Agriculture Livestock and Fisheries	275,262,716	275,262,716	278,010,528	277,987,544	5.4	5.5	5.3
Education, Youth and Social Services	225,151,314	229,026,314	237,545,280	251,684,702	4.5	4.7	4.8
Public Service and County Administration	781,402,224	778,402,224	645,636,138	652,079,371	15.4	12.7	12.5
Lands, Housing and Urban Planning	696,182,131	696,182,131	746,841,004	798,307,543	13.7	14.7	15.3
Trade, Tourism and Co-operatives	153,868,485	153,868,485	228,497,049	247,776,574	3.0	4.5	4.7
Health	1,568,195,326	1,627,195,326	1,536,010,190	1,510,056,774	32.1	30.1	28.9
Water Environment and Natural Resources	298,008,981	298,008,981	464,174,991	499,626,714	5.9	9.1	9.6
Public Service Board	22,000,000	25,000,000	18,383,687	21,940,134	0.5	0.4	0.4
Revenue Board	64,600,000	71,600,000	59,950,000	65,945,000	1.4	1.2	1.3
County Development Authority	34,700,000	22,500,000	91,550,018	115,000,000	0.4	1.8	2.2
Finance and Economic Planning	345,853,823	381,053,823	285,857,264	263,976,147	7.5	5.6	5.0
Total	4,941,000,000	5,067,875,000	5,096,436,149	5,229,699,753	100.0	100.0	100.0

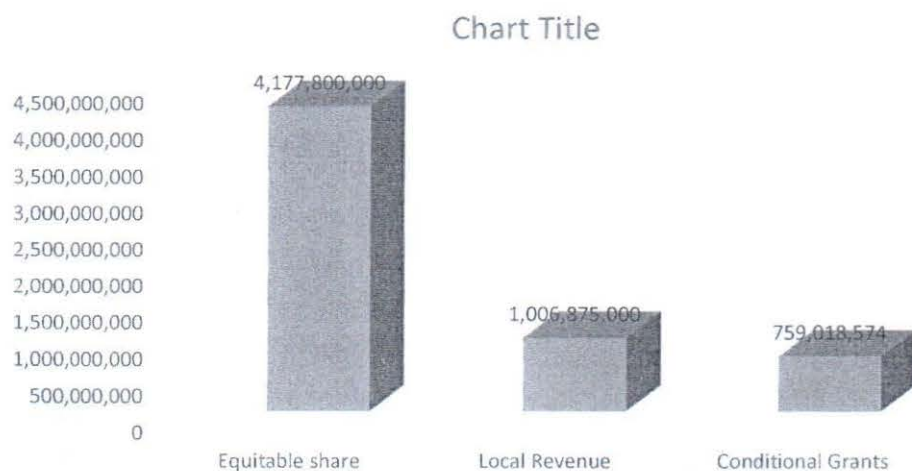
NB: Conditional grants for 2019/20, 2020/21 and 2021/22 are excluded

4.3 Proposed Budget 2019/20 Framework

(a) Revenue Projections

In the FY 2019/2020, the County's expected total revenue will be KShs5,943,693,574 comprising of equitable share of Ksh. 4,177,800,000; conditional grants to the tune of Ksh. 759,018,574 (comprising of Ksh 9,968,208. for compensation of user fees foregone; Ksh 131,914,894 for lease of medical equipment; Ksh. 118,589,625 for road levy; KShs31,908,298 for rehabilitation of village polytechnics; and other loans and grants amounting to KShs305,078,964 and Ksh 161,558,585 for KDSP Level 2 2018/19) and Local Revenue projected at Ksh. 1,006,875,000. This makes the revenues expected from the national government for the FY 2019/20 amount to Ksh. 4,936,818,574. This is as captured in the following figure.

Figure 1: Projected Revenue for 2019/20 FY



The key sources of local revenue include: land rates, business permits, cess, parking fees, natural resource exploitation, garbage dumping fees, lease charges, market fees, and technical services and building approvals. Hospital collections will also be channelled towards health service delivery.

(b) Expenditure Forecast

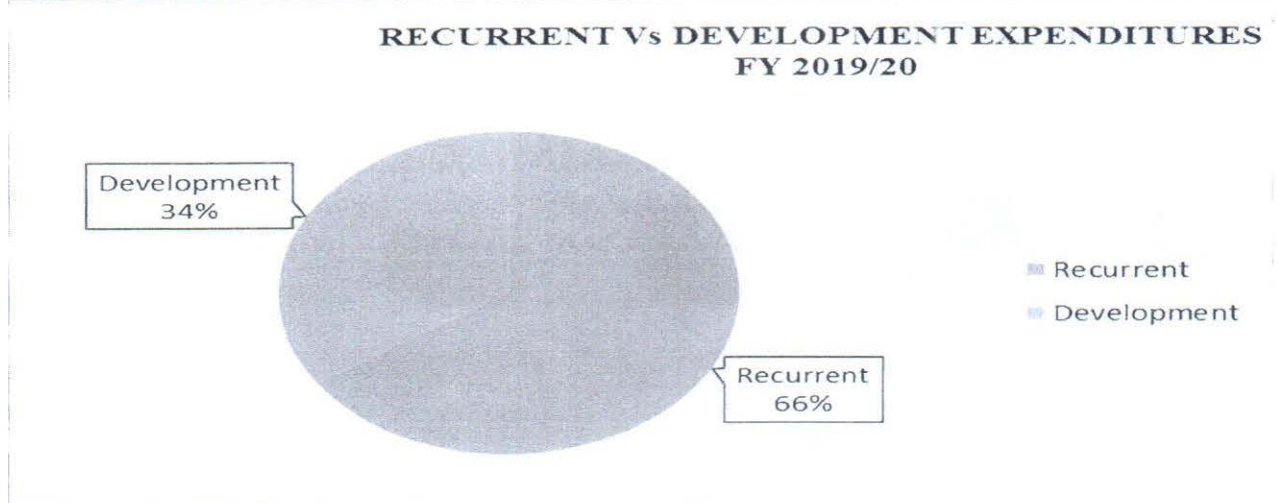
In the financial year 2019/20 the expenditure is estimated to be Ksh. 5,943,693,574 excluding balances b/f. The expenditure represents an increase of 1% compared to the comparable approved expenditure in the financial year 2018/2019 which was KShs5,884,189,487

In FY 2019/20, the county recurrent expenditure is projected at Ksh3,945,981,273. This recurrent expenditure represents 66 % of the total expenditure. The major spending departments in recurrent expenditure include: Health, Finance and Economic Planning, Public Service and County Administration, Agriculture and the County Assembly.

In FY 2019/2020, overall development expenditures are expected at Ksh.1,997,712,301 representing 34 % compared to Ksh 1,639,496,348 in 2018/19 budget. The major spending departments in development expenditure include: Lands Housing and Urban Development; Health; and Water, Environment and Natural Resources

In summary, for FY 2019/20, the county will spend 66% of the resource envelope on recurrent expenses while development will take the balance of 34% as capture in the following figure

Figure 2: Recurrent vs Development Expenditures for the 2019/20 FY



CHAPTER FIVE

CONCLUSION AND NEXT STEPS

5.1 Conclusion and Next Steps

The set of policies outlined in this C-BROP reflect the changed circumstances and are broadly in line with the County Integrated Development Plan, Annual Development Plan and the fiscal responsibility principles outlined in the PFM Act 2012. They are also consistent with the national and international strategic objectives which include the Vision 2030 pillars, and the Big Four Agenda, SDGs, Third Medium Term Plans and Africa Agenda 2063 pursued by the County Government as a basis of allocation of public resources. Details of the strategic objectives are provided in the second generation CIDP 2018-2022. The policies and sector ceilings in Annex 5 will guide the County Sector Working Groups and line departments in preparation of the 2020/21 budget. This is further guided by the provisions in the Annual Development Plan 2019/20 whose summary expenditure is detailed in Annexes 4.

As budgetary resources are finite, it is critical that CSWGs and county departments prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities. Towards minimizing increase in pending bills, all departments will be required to clear outstanding liabilities that are largely creditors. There is also need to ensure that resources are utilised efficiently and effectively. County Sector Working Groups need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocation resources. The budget calendar in Annex 1 therefore requires to be adhered to in line with the Budget Circular of August 2019.

In pursuit of this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending entities to ensure that resource application bears maximum benefits to the taxpayer. The involvement of all stakeholders in budget execution is also key in enhancing overall budget implementation. The prioritization of public needs will be key in shaping the final budget policies and allocations for the 2020/21 financial year.

The county will also strengthen its revenue collection and management systems with the goal of generating more revenues while ensuring the stability of the fiscal framework and financial health of the County. This way, the various projections for revenue streams provided in Annex 2 will be realized.

ANNEXES

Annex 1: 2019/20 Budget Calendar

S/ No	Activity	Due Date
1	Issue County Treasury Budget Circular	30 th August 2019
2	Submit County Annual Development Plan to the County Executive Committee	29 th August, 2019
3	Submit County Annual Development Plan to the County Assembly	30 st August, 2019
4	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	23 rd September, 2019
5	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	27 th September, 2019
6	Submit Sector Working Groups Reports to the County Treasury	30 th November, 2019
7	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury	13 th January, 2020
8	Review and Analysis of sector working groups Proposals by County Treasury	20 th January, 2020 up to 24 th April, 2020
9	Public Participation Meetings on CFSP	3 rd -7 th February, 2020
10	Preparation and finalization of the CFSP and DMSP and its public participation	10 th -14 th February 2020
11	Submit the County Fiscal Strategy Paper (CFSP) and Debt Management Strategy (CDMSto the County Executive Committee	17 th February 2020
12	Submit the County Debt Management Strategy (CDMS) to the County Assembly	24 th February, 2020
13	Dispatch of Approved ceilings and public participation reports to the sector for preparation of the budget proposals	23 rd March, 2020
14	Submit budget proposal for 2020-201 by sectors to the county treasury (program based and itemized)	30 th March, 2020
15	Consolidation of the program based budget 2020-2021 and its public participation report by county treasury	1 st -3 rd April,2020
16	Conduct Public Participation Fora on Annual Budget Estimates	6 th - 10 th April, 2020
17	Review of Annual Budget Estimates and compilation of public participation report	13 th -17 th April 2020
18	Submit Finalized County Annual Budget Estimates to the County Executive Committee	20 th April, 2020
19	Submit Finalized County Annual Budget Estimates to the County Assembly	27 th April, 2020
20	Submit Proposed Annual Procurement Plans to the Supply Chain Unit	30 th April, 2020
21	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	12 th June, 2020
22	Debate and Approval of County Annual Budget Estimates	30 th June,2020
23	Submission of Finance Bill to the County Assembly	28 th August,2020
24	Approval of Finance Bill by the County Assembly	30 th September,2020
25	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of every quarters

Annex 2: Revenue Projections for 2018/19, 2019/20 and 2020/21

Revenue Streams	2019/20	2020/21
	Target (Ksh)	Target (Ksh)
Land Rates and related charges	96,000,000	105,600,000
Business Permits and related charges	100,000,000	110,000,000
Various Cesses	35,000,000	38,500,000
Plot Rent and related charges	14,000,000	15,400,000
Administrative Services fees.	8,000,000	8,800,000
Various fees and court fines	15,000,000	16,500,000
Natural Resources Exploitation	92,675,000	101,942,500
Lease/Rental of County Government Infrastructure Assets and Social Premises Use Charges	200,000	220,000
Market/Trade Centre Fees	18,000,000	19,800,000
Enclosed Bus Park Fees and Other Parking Charges	95,000,000	104,500,000
Housing Estate Monthly Rent and Related Charges	25,000,000	27,500,000
Education institutions fees	65,000,000	71,500,000
Public Health and Sanitation Fees including slaughters houses	47,000,000	51,700,000
Land Survey and Building Fees	38,000,000	41,800,000
External services fees	8,000,000	8,800,000
Hospital fees	350,000,000	385,000,000
Total	1,006,875,000	1,107,562,500

Annex 3 : Local Revenue Collection statement For FY 2017/18 and 2018/19

Revenue Streams	Actual 2017/2018	Actual 2018/2019	variance
1520101 Land Rates Current Year	35,407,310	88,152,570	52,745,260
1520102 Land Rate Penalties	5,520,038	13,602,331	8,082,293
1520103 Land Rates Other Years	3,600,097	8,392,918	4,792,821
1520104 Other Property Charges	749,150	193,211	-555,939
1520201 Business Permits, Current Year	76,824,807	77,969,075	1,144,268
1520202 Business Permits Late Payment Penalties, Current Year	2,515,758	3,694,054	1,178,296
1520203 Business Permits, Other Years (Including Penalties)	1,895,249	642,385	-1,252,864
1520304 Wheat & Maize Cess	1,596,833	3,982,275	2,385,442
1520311 Fruits & Vegetables / Produce Cess	3,717,478	5,186,940	1,496,462
1520314 Log Cess	179,450	261,650	82,200
1520315 Charcoal Cess	280,310	4,450	-275,860
1520321 Livestock Cess	17,063,150	14,197,010	-2,866,140
Goat Cess	1,338,500	1,159,680	-178,820
1520501 Ground/Plot Rent - Current Year	8,156,556	4,142,252	-4,014,304
1520502 Ground Rent - Other Years	480,714	3,383,434	2,902,720
1520503 Stand Premium	262,000	13,775	-248,225
1520504 Temporary Occupation License (TOL)?TOP	153,008	333,812	180,804
1530101 Debts Clearance Certificate Fee	1,653,325	943,600	-709,725
1530102 Application Fee	2,403,100	2,777,400	374,300
1530103 Plot Transfer Fee	412,160	413,700	1,540
1530104 Plot Subdivision Fee	300,200	215,600	-84,600
1530105 Business Subletting / Transfer Fee	366,000	1,381,700	1,015,700
1530106 Isolation Fee (Surcharge on Business Permit)	4,800	1,000	-3,800
1530107 Document Search Fee	20,000	10,000	-10,000
Encroachment Fee	2,128,560	4,048,960	1,920,400
Miscellaneous income	1,489,086	0	-1,489,086
1530202 Court Fines	281,650	160,050	-121,600
1530203 Impounding Charges	303,680	286,120	-17,560
1530204 Liquor Licences	0	25,337,800	25,337,800
1530301 Sand, Gravel, and Ballast Extraction Fees	24,724,666	53,018,216	28,293,550
1530302 Quarry Extraction Fees	179,560	421,510	241,950
1530303 Mineral Extraction Royalties (Cement, Silica, etc.)	8,700	0	-8,700
1530321 Garbage Dumping/Conservancy Fee	12,155,438	19,021,156	6,865,718
1530331 Game and Nature Park Fee	7,969,616	11,495,587	3,525,971
1540104 Consent to Charge Fee/Property Cert Fee	63,000	15,000	48,000

Annex 5: Sector Ceilings in 2019/20 and Medium Term(CFSP2019)

County Sector	2018/2019 Supplementary Estimates		2019/2020 Projections		2020/21 Projections	
	Recurrent	Development	Recurrent	Development	Recurrent	Development
County Assembly	468,171,323	6,898,978.00	449,775,000	60,000,000	484,393,750	19,586,250
Agriculture Livestock and Fisheries	23,900,000	102,500,000	18,036,268	61,298,304	20,578,818	71,938,134
Education, ICT and Social Services	78,500,00	55,000,000	61,177,793	100,374,090	62,565,572	110,878,999
Public Service County Administration	2,735,638,000	68,900,000	2,690,137,887	40,624,860	2,434,943,589	47,068,459
Lands, Housing and Urban Development	25,800,000	178,500,000	18,036,268	515,215602	19,839,895	572,217,361
Trade, Tourism, Co-operatives	14,500,000	137,000,000	16,534,823	112,279,767	18,188,305	186,507,544
Finance and Economic Planning	132,500,000	225,362,000	106,628,122	109,746,090	70,540,915	47,320,700
Health	275,600,000	328,600,000	273,489,094	93,675,111	245,838,003	93,142,622
Water, Environment and Natural Resources	22,200,000	206,500,000	18,019,589	203,036,584	22,571,538	368,498,285
County Revenue Board			39,000,000	32,600,000	41,800,000	18,150,000
County Development Board			10,500,000	12,000,000	11,550,018	80,000,000
Public Service board			14,500,000	10,500,000	10,295,000	8,088,687
Total	3,699,409,323	1,309,260,978	3,716,506,592	1,351,368,408	3,443,105,404	1,623,397,041