COUNTY GOVERNMENT OF NAKURU

COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

SUSTAINING ECONOMIC EXCELLENCE

FEBRUARY 2016

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FOREWORD

Section 117 of the Public Finance Management Act 2012 envisages that The County, Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year. To this end the Nakuru County Treasury has prepared its third CFSP 2016 in compliance with the legal requirements and more significantly to provide direction on County fiscal management.

In order to consolidate the gains being made in the current and previous MTEF period, the 2016 CFSP has maintained the theme of current fiscal framework "*Sustaining Economic Excellence*". Therefore going forward in to 2016/2017 2018/2019 MTEF period, six strategy adopted in FY 2015/2016 has been maintained in the next MTEF period 2016/2017-2018/2017. This comprised of the following; i) creating an enabling environment for business and private sector participation in County Economic growth and development. ii) Development of County physical and social infrastructure facilities including feeder roads, water, ICT to stimulate growth. iii) Promotion of health services through investing in quality and affordable health services; iv) Promotion of value addition for agricultural produce, food security and environmental conservation; v) Promotion of equitable social economic development for county stability; vi) Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people in governance.

In preparing the 2016 CFSP the County treasury has been guided by the fiscal responsibility principles set out in section 107 of the PFM Act 2012. In this regard the total county receipts projected for the FY 2016/2017 is Ksh. 12.82 billion Local revenue sources including AIA from the Department of Health will finance approximately 25 percent of the total budget.

Already the Finance Act 2015 has incorporated some of the devolved revenue streams which includes the liquor licence and the bed levy. This and other newly identified streams of revenues will partly account for the expected increment in local revenue sources. During the FY 2016/2017 the County Government of Nakuru expects to receive Ksh 8.7 billion as equitable share of nationally raised revenues as per the Budget policy statement 2016. This translate to only 7.9 percent growth against a projected CBROP target of 11.5 percent.

On the expenditure front, the overall county expenditure is expected to reach Ksh 12.8 billion a growth of 7.9 percent from the approved estimates in the current year 2015/2016. Salaries and wages are expected to rise by14.2 percent from the approved estimates in the current FY 2016/2017. Capital expenditure has allocated 30.5 percent of the total budget in line with fiscal responsibility principals of the PFM law. The County Government will also continue to invest in social infrastructure to ensure access to services for its residents.

The fiscal objective in the next MTEF period will be guided by the need to fully operationalise the already constructed facilities in a bid ensure maximum utility of the investments in the past and current MTEF period. Other priority areas include provision of social safety nets, provision of extension services and value addition in Agricultural sector, investment in trade enhancement projects, physical infrastructural development including drainage works.

It is expected that other specific project/programme proposals in the County Integrated shall be firmed up during the planned.

The 2015 County Budget Review and Outlook Paper revealed an appreciable progress in County fiscal management. Further the various departmental sector reports has demonstrated significant progress in achievement of the 2014/2015 budget year. Over the next MTEF period (2016/2017- 2018/2019) The County Treasury will focus on increasing efficiency budget execution through facilitating proper procurement planning and timely disbursement of capital budget.

ANN NJENGA
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ACKNOWLEDGEMENT

The County fiscal strategy paper (CFSP 2016) is the third to be tabled in the county assembly under the Public finance management act 2012. It outlines the broad strategic and economic issues and framework together with county government spending plans as a basis of 2015/16 budget and medium term. It is envisaged that the document will enhance the fiscal management of the County Government of Nakuru and further guide public debate on economic growth and development activities.

The preparation of the county fiscal strategy paper is a collaborative effort between stakeholder both within and outside County Government. Much of the input is borrowed from the National Budget Policy Statement for 2015, county department through the C.E.Cs and his H.E the Governor policy statements. We are grateful for comments from the County Treasury Macro Working Groups, Various Sector Working Groups and public sector hearing in January 2015, in addition to comments from commission for revenue allocation and other stakeholders.

I would like to recognise the efforts of the acting County Executive Committee member for Fincena for her exemplary leadership in steering the County Treasury mandate. A technical team in the county treasury spent a significant amount of time putting together this paper. We are particularly grateful to the County Director Economic planning Mr Shem Siahi, County budget officers lead by Mr Cyrus Kahiga head of fiscal planning Mr Patrick Kinuthia, Ms Dorcas N Mwangi, Ms Asina Ashiku and controller of budget, Mr Philemon Ronoh for coordinating the execution of this task. Special thanks goes to members of the County Budget and Economic Forum who through constant consultations and input guided the document preparatory stage. I would like to take this opportunity to thank the entire staff of the County treasury for their dedication and commitment in delivering this statutory document.

PARSALOI .K. TOROME

CHIEF OFFICER FINANCE AND ECONOMIC PLANNING

I POLICIES TO ACHIEVE MEDIUM TERM OUTLOOK

1.0 Overview

The CFSP 2016 is the third to be prepared since the integration of the County Government after the March general elections. This Medium term plan (2013 – 2017) as outlined in the CIDP is characterized by the transition to the County Government and laying of the foundation for effective functioning of the County governments to discharge their mandates as per the constitution of Kenya 2010.

The focus going forward will therefore be guided on the need to consolidate gain being made in the implementation of the 3rd budget under County Government (FY 2015/2016). Further this fiscal Strategy paper has relied on the focus of the draft national Budget Policy statement released by the National Treasury late January.

The strategies guiding the Nakuru County Government Budget MTEF period 2016/2017 – 2018/2019 will remained as earlier outlined in the CFSP 2015.

The six strategies shall include the following;

i. Creating an enabling environment for business and private sector participation in County Economic growth and development.
ii. Development of County physical and social infrastructure facilities including feeder roads, water, ICT to stimulate growth.
iii. Promotion of health services through investing in quality and affordable health services.
iv. Promotion of value addition for agricultural produce, food security and environmental conservation.
v. Promotion of equitable social economic development for county stability.
vi. Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people in governance.

The national BPS 2016 has been framed on the background of un-even global economic recovery. Decline in the commodity prices at the World Market is expected to impact Kenya export of Agricultural producers. The strengthening of the US dollar the main currency for the international trade is like to impact Kenya’s importation of capital goods and machineries.

The National Outlook as observed in the BPS 2016 has revealed a more conservative approach in both Revenue and expenditure forecast.

1.1 Macro-Economic Indicators:

Given the above observations the 2016 CFS is framed against a backdrop of subdued performance of the national revenues and the showdown expected as we approach the national and Counties election cycle. The County Budget Review Outlook revealed significant progress in the Fiscal capacity of County Government. Budget execution rate reached 80 percent compared to 60 percent in the previous period.

The implementation of the development budget has led to rise in both physical and social infrastructure facilities particularly in Health and Education sectors. Going forward therefore effort will be placed on investment in operationalization of capital projects under the County government.

However the rising County Wage bill expected to reach 5.7 Billion in the FY 2016/2017 will be the major obstacle in the county Government ability in meeting its financial obligations for recurrent expenditures.

The 2016 CFSP is premised on the progress being made in implementing the strategies adopted in the preceding CFSP 2015. The agenda of the County in promoting and sustaining economic excellence will continue to advise the fiscal policy of the County Government in the next Medium Term Expenditure framework period. : I) creating an enabling environment for business and private sector participation in County Economic growth and development. ii) Development of County physical and social infrastructure facilities including feeder roads, water, ICT to stimulate growth. III) Promotion of health services through investing in quality and affordable health services. IV) Promotion of value addition for agricultural produce, food security and environmental conservation. V) Promotion of equitable social economic development for county stability VI) Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people in governance.

Sustaining the implementations of the above strategies through the selected sectoral programmes will consolidate the gains being made in the current and previous MTEF period.

Strategy I: Creating an enabling environment for business and private sector participation in County economic growth and development

The County Government will continue to put emphasis on improving the business environment for Private sector growth and development. Major policy initiatives involving both legislative and regulatory frameworks will be formulated to both reduce the cost of doing business encourage expansion of private sector investments. Major sub sectors within the mandate of the County Government include the Tourism, Cooperative development and trade and enterprise. Nakuru County is endowed with abundant natural resources which provides a huge potential for niche tourism further the County have diverse potential in small and medium enterprises buoyed by the ready markets from the high County populations and as well rising access to credit for small businesses.

Major Programmes to fulfil this initiative will entail;

- Co-operative development and management
- Commerce and enterprise development.
- Development of markets and improving the efficiency along the value chain.
- Tourism marketing and investments on niche tourism attraction sites.

Concrete efforts will be made to provide business development services to SMEs and enlarging the SME Fund kitty. In addition the County Government will increase its extension services to the cooperative movements and further embolden the regulatory process of promoting fair trade practices and Consumer protection.

The County Government will continue to engage non state actors particularly the private sector in formulations of its policies to ensure more responsive approach to County growth and development.

In order to maximise revenue collections the County Government will continue in its initiative of harmonising fees and charges as envisaged in the Finance Act 2015. In addition the new sources of revenues with the County mandate will be explored to broaden the County Tax base while recognising the burden of tax on the tax papers. In the next MTEF period County will concentrate on improving revenue administration strategies to reduce the perceived delays in tax collections and burden on the part of tax payers. Further this will be achieved improving the revenue automation system.

Overall the fiscal policy will ensure maximisation of the county receipts and containing the rise in County recurrent expenditure which limits the commitment of the County Government on capital investments.

Other County Government initiatives to support conducive business climate will entail;

i. Continued cooperation with National Government agencies to promote security and peace building initiatives.
ii. Investment in physical infrastructure including access roads and street lighting programmes as well as other social infrastructure.
iii. Fostering intercounty partnerships on matters of trade and commerce as envisaged in Article 2019 (5) of the Constitution of Kenya 2010.
iv. Deeping the adoption of the revenue automation to reduce the burden of tax administration on the part of tax payers.
v. Continuous support of the small scale traders though offering of alternative business location and reduce decongestion of the central Business District (CBD) in Nakuru and other major towns.

Strategy II: Development of County physical and social infrastructure facilities including feeder roads, water, ICT to stimulate growth.

The CIDP 2013- 2017 had identified the status of the physical infrastructure as a major social economic challenge; Further other social infrastructure like water and sewerages have be characterised by aging networks and limited access. The County Government is committed in promoting efficiency in physical infrastructure across the County. So far the County Government has made significant progress in improving the County Physical Infrastructure through deliberate budgetary allocations to the Sectors.

During the period FY 2014/2015 significant achievement was made in the Roads and Transport sector. A total of 2161 Km were graded and rehabilitated in FY 2014/2015.

In addition, under street lighting programme 270 streetlights were installed in major urban centres of the county against a target of 300 lights in line with H.E the Governors programme of "*Inua Biashara Initiative*".

Major urban centres now have street lights and more is expected with implementation of the current budget FY 2015/2016. During this MTEF period 2016/2017-2018/2019 the County will priorities increasing the proportion of all-weather roads, street light expansion programme; deepen the adoption of ICT and strengthen disaster preparedness services.

Beginning this FY 2015/2016 the County Government will be getting a conditional grant from the Roads Maintenance Levy Fund (RMLF) with Ksh 103.1 million in the current year. In FY 2016/2017 the County will receive Ksh 134.5 Million from RMLF. This allocations will be utilised in accordance with the work-plan prepared by the Department of Roads, Transport and Public Works. Priority guiding the selection of roads works projects under RMLF will include.

- Artery roads that connect more than one ward
- Roads that are commonly utilised by the Public Service Vehicles (PSV)
- Roads that has industrial importance
- County bus parks and terminals

In the FY 2016/2017 the County Government will priorities on Infrastructure, Development & Maintenance, Street lighting, Fire Fighting & Disaster Management. This is geared to achieving the sector mission of providing quality and sustainable ICT and physical infrastructure development. In the FY 2016/2017 the Roads sub sector will target to rehabilitate 1800 km of roads networks. Firefighting and disaster preparedness will target to increase response to fire disasters from 90 percent recorded on FY 2014/2015 to 100 percent in FY 2016/2017.

The ICT sub sector will concentrate on building network infrastructure in order to facilitate digital connectivity and automation of County Government operations. Further the sub sector will promote public digital literacy among the Nakuru County citizenry through implementation of information and communication programmes.

Ongoing Project infrastructure donor project for Kenya Informal Settlement Improvement Programme (KISIP) and Kenya Municipal Programme (KMP) are well on course are expected to greatly improve urban infrastructure in Nakuru and Naivasha towns. Further other informal settlement in Molo, Njoro and Gilgil have been mapped for consideration in future programme implementation.

During the current FY 2015/2015 the World Bank through the state department of urban development is supporting the development the Nakuru and Naivasha Strategic Urban Development Plans in line with the Urbans Areas and Cities Act 2011. So far validation of the plan is complete. The County Government has initiated the process of development urban development plans for other major towns within the County with a view of reclassifying their status as per the urban Areas and Cities Act 2011.
Further the County Government has stated the process spatial development Plan as envisaged in the CIDP and this is expected to be completed within the next MTEF period 2016/2017-2018/2019. This spatial plan will guide and control the long term development of all other centres in the County.

Further Projects in Housing Development and Management will ensure that the existing stock of housing is well maintained while new stock is added to ensure that the envisaged target of 3000 new houses is achieved through PPP approach.

Strategy III: Promotion of health services through investing in quality and affordable health services.

The Health sector overall goal is to reduce inequalities in health care services and reverse the downward trend in health-related outcome indicators in the county. The CIDP (2013-2017) had identified service delivery and physical infrastructure as some of the key constraint to the sector performance.

The transfer of health services have seen significant progress in investments under the sector. Health indicators particularly those on reproductive health services have been buoyed by the National Government policy of offering free maternal services and the leasing of medical equipment. Nakuru Level 5 hospital and Naivasha Level 4 hospital are set to receive assorted medical equipment under the terms agreed with the National Government. The transformation of health services under the devolved has seen increased improvement in physical infrastructure. The current budget FY 2015/2016 has prioritised allocation for equipping and operationalising of the expanded facilities.

Key achievement under the FY 2014/2015 include increased uptake of PMTCT services more than 80 percent immunisation coverage for children under 1 year; increased number of deliveries by skilled birth attendants; increased family planning uptake amongst women in the reproductive age. The County Government in its commitment to the sector has also implemented promotions eligible health workers

Going forward in FY 2015/2016 the sector will focus two major programmes namely; (a) Preventive and Promotive health services (b) Health curative and rehabilitative services. This will be guided by six policy objectives namely;

i. Eliminate Communicable Conditions
ii. Halt, and reverse the rising burden of non-communicable conditions
iii. Reduce the burden of violence and injuries
iv. Minimize exposure to health risk factors
v. Provide essential health services
vi. Strengthen collaboration with health related sectors

The sector will priorities improving delivery of services at the existing facilities through enhancing efficiency, provision of more equipment and addition of the necessary human resource capacity. Although the budget for the sector remains the highest proportion of the total County budget the sector spending is still below the expected international standard for per capital expenditure.

Strategy IV: Promotion of value addition for agricultural produce, food security and environmental conservation.

Agricultural Transformation and Food Security;

Agriculture is the largest sector of the County economy accounting for approximately 62 percent of the total to employed labour force (CIDP 2013-2017 Fact Sheet). The sector also provides important linkage to all other sectors of the economy. The Agriculture sector therefore directly contributes towards achievement of food security for all, employment creation, income generation and poverty reduction. The 2nd Sustainable Development Goals (SDGs) adopted in Sept 2015 by UN member Countries "*End hunger, achieve food security and improved nutrition, and promote sustainable agriculture*" will also guide the policy framework for the sector in line with the Medium term targets of the CIDP (2013-2017)

To this end therefore transformation in the Agriculture sector through deliberate investments will have a multiplier effect on the cross section of the County economic growth and development. The policy objective in the sector therefore will be guided by the need to sustain the innovation and promotion of commercially- oriented and modern agriculture.

Key achievements in the sector include 3600 farmers assisted to access farm inputs; pyrethrum planting materials supplied to farmers in collaboration with Agriculture Sector Development Support Programme (ASDSP); Campaigns on post-harvest management awareness; purchase of milk coolers and pasteurizers; animal vaccination against common diseases; purchase and distribution of AI kits; purchase of patrol boats Lake Naivasha; as well as extension services across various sub sectors.

Within the next MTEF period (2016/2017-2018/2019) the sector will focus on sustaining the gains made in the reporting period FY 2014/2015 spearheaded by the following sub sector focus.

i. The agriculture sub-sector will spearheads training of farmers through field extension services, promoting crop varieties adaptable to prevailing climate conditions, pests and disease control, agribusiness marketing and provision of planting materials in the County as well advocating for commercially oriented farming.
ii. The livestock sub-sector will train farmers on proper animal husbandry practises, disease control for improved livestock productivity and further liaising with community and the private sector on provision of veterinary clinical and extension services. The sub sector will also continue supporting organised farmers groups with the necessary infrastructure for daily value addition
iii. Fisheries sub sector will embark on completing fish value chain approach through training of farmers and fishermen to increase production and also markets infrastructures establishment to reduce post-harvest loses.

The sector will also endeavour to build partnership with both state and non-state organisations in extension service delivery and value addition of all produces and products for increased household incomes.

In addition the sector will strengthen other Semi-Autonomous County Government agencies namely Agricultural Training Centre (ATC) and Agricultural Mechanisation Services (AMS) to both increase their effectiveness and enhance local revenues streams.

Implementation of the Agriculture Fisheries and Food Authority (AFFA) and Crops Act 2013will also guide the sectors strategic direction in the next MTEF period (2016/2017-2018/2019). As noted before in this strategy document County expected controlled land use management with the completion of the Nakuru County Spatial Plan over the next MTEF period (2016/2017-2018/2019).

Major challenge in the sector that has to be surmounted include population growth leading to land fragmentation; conversion of agriculture land to commercial and other non-agricultural usage, disease outbreak, poor environmental conservation; threats from changing microclimatic conditions and negative human activities such as deforestation.

Environmental Conservations

The County environment sector aspires to provide “" A self-reliant, secure and quality life”. The Constitution of Kenya 2010 recognizes the principle of sustainable development which ensures sustainable exploitation, utilization and management of its natural resources with the aim of guaranteeing intergenerational equity. In a rising urban population environment conservation has become even more significant as a result of human activities and urbanisation.

Going forward the sector will concentrate on;

- Control and management of solid and liquid waste,
- tree planting and beautification to enhance carbon sinks including revival of the tree planting days.
- Control of pollution air, land , noise and other public nuisance
- Environmental education and awareness, green energy promotion and provision of water services and management, including afforestation and reforestation
- Protection of sensitive ecological zones particularly springs and other wetlands

Strategy V: Promotion of equitable social economic development for county stability

Fiscal decentralisation is a key indicator of an attempt of promoting and enhance social economic development across region. *Reducing inequality within country* is part of the Sustainable development goal no 10. The County Government of Nakuru is therefore keen to ensure that transfers from the nationally raised revenue are equitably beneficial to all County residents. Though the relevant County government entities the County Government has provided policy initiatives aimed at offering equitable social economic development. A number of social safety nets proposed in the current plan period include; disability fund to support if PWD and other vulnerable groups; Creation of a sports fund to support recreational activities at the ward level.

The County department of social services has been managing the elderly person’s facility *Nyumba ya Wazee* catering for older persons neglected by their families. Over the next MTEF period the department will concentrate on rehabilitation and expansion of the facility to improve its standard and increase capacity. The overall goal is to finally reintegrate to inmates with their families as soon as it is practically possible.

Other strategies to be adopted over this MTEF period include;

i. Improving of the quality of vocational training through Equipping and operationalisations of the already polytechnics
ii. Sustaining the support for needy and bright students though the County bursary Fund.
iii. Operationalisation of other social infrastructure through deployment of health workers recruited and equipping expected in the current FY 2015/2016.
iv. Providing alternative building technology through the Housing Technology transfers to promote decent housing for all.
v. Sustaining the kitty for supporting the vulnerable in the Community from the 55 million allocated in the current budget FY 2015/2016.
vi. Continue investment on sport, culture and recreation to empower the youthful population and nurture talents at the lower levels including wards
vii. Sustain investment in health with the primary focus on prevention and promoting its linkages to nutrition, sports and physical activity;

Strategy VI: Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people

As the Country approach the end of the transitional period, the success of devolved system of governance therefore shall be measured on the ability of County governments to promptly offer services. To this end, major reform initiatives have been adopted to transform the County Government public service. Among them include joint with the National Government Capacity Assessment and Rationalisation Programme (CARPS), job evaluation, skill audit as preparatory process of Performance management as envisaged in Section 47 CG Act 2012. N the current FY 2015 2016 the department of Public Service Management expected to complete recommendations for staff promotions to County Public Service Board in order to enhance staff motivation and productivity, purchase of vehicles for 11 Sub County Administrators as well as establish county registry, confidential registry.

Over the medium term period the public administration sector will embark on improving service delivery at the sub counties, wards and village levels as envisaged in the County Government Act 2012. With the formation of the County Human Resource advisory committees and Departmental training committees, the County Government expects to transform management of county employees with the aim of improving efficiency and effectiveness in public service delivery.

Other planned strategies proposed in the next MTEF period 2016/2017-2018/2019 include the following;

- Continuous implementation of the public participation forums for both the county budgets fiscal plans and other County policy development initiatives;

- Operationalisation of the Monitoring and Evaluation committees, training and capacity development of county staff.
- Continue to build and pursue intergovernmental partnerships nationally, regionally and internationally in order to contribute positive to our county's development.
- Enhance transparency and Accountability though information sharing creating interfaces in social media platforms and information centres.
- Enhancement adherence to the County fiscal responsibility principals and of automation in managing county public resources including both revenue collection and expenditure management.

II RECENT ECONOMIC DEVELOPMENT AND POLICY OUTLOOK IN 2015/16

2.0 REVIEW OF THE FISICAL PERFOMANCE

2.1.0 County revenue

Total revenue for the county from both exchequer issues and local revenue was 4.98 billion for the 1st half of the financial year 2015/16. The targeted revenue collection for the first half of the year was kshs 6.84 billion. Local revenue collection was below target by 615 million while exchequer issues excluding receipt for July which was meant for May and June last financial year had a shortfall of 1.6 billion over the same period. Appropriation in Aid (F.I.F) had a shortfall of 32 million while 11.4 million that the county expected to receive in the first half of the year 2015/16 as grant from donors (DANIDA) was not received.

The sources of the revenue is analyzed in the following graph shown in figure 1.

County revenue sources

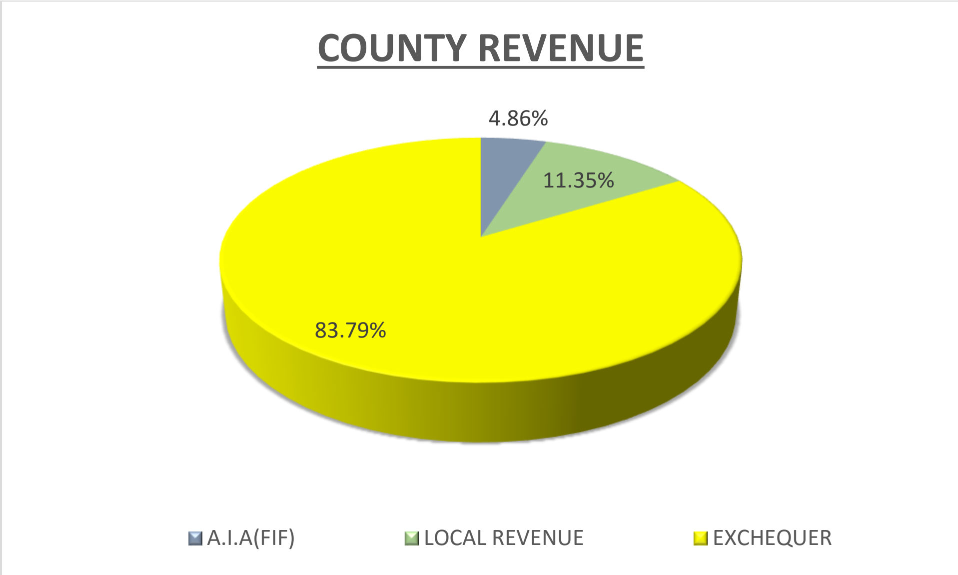
The major sources of revenue was exchequer release from the national treasury which accounted for 84% followed by local revenue source with 11%. Revenue collected as appropriation in aid accounted for 5%. There was no revenue source from donations within this period.

Table 1: County Revenue Source

MONTH	A.I.A(F.I.F)	LOCAL REVENUE	DONOR(DANIDA)	EXCHEQUER ISSUE	SUB TOTALS
JULY	36,762,630	169,657,368	-	1,328,820,365	1,535,240,363
AUGUST	29,565,141	85,441,960	-	-	115,007,101
SEPTEMBER	32,408,133	82,345,193	-	679,481,927	794,235,253
OCTOBER	36,981,654	70,464,507	-	764,417,168	871,863,329
NOVEMBER	32,549,451	77,840,347	-	681,367,892	791,757,690
DECEMBER	73,928,587	79,634,742	-	720,063,582	873,626,911
TOTALS	**242,195,596**	**565,384,117**	-	**4,174,150,934**	**4,981,730,647**

Source: county treasury/controler of budget

Figure 1 : county revenue sources



Source: county treasury/controler of budget

Table 2: Revenue Analysis by unit

Revenue Sources	A.I.A (FIF)	LOCAL REVENUE 2015/16	SUB TOTALS	Percent OF COLLECTION
FINANCE AND TRADE		81,015,801.00	81,015,801.00	10.04%
HEALTH	242,195,596.00	33,584,905.00	275,780,501.00	34.17%
EDUCATION		2,139,476.00	2,139,476.00	0.27%
LANDS		196,251,716.00	196,251,716.00	24.32%
AGRICALTURE		42,973,909.00	42,973,909.00	5.32%
ROADS		150,396,333.00	150,396,333.00	18.63%
ENVIRONMENT		58,495,817.00	58,495,817.00	7.25%
TOTALS	**242,195,590.00**	**564,857,957.00**	**807,053,553.00**	**100**

The total cumulative revenue collection from all ministries amounted to ksh 807 million during the first half of year 2015/16. The ministry of health collected the highest revenue during the period under review as illustrated in table 2. Collection from the ministry of health was slightly over a third of total local revenue collection with the major contributor being Appropriation in Aid where the various health facility were able to collect 242 million for the various services they provide on cost sharing basis. The other major revenue collector was the ministry of lands with a cumulative revenue collection of 196 million with the major contributor being land rates. The ministry of roads collected 150 million primarily from parking fees. The main collection from ministry of agriculture was from agriculture produce cess. The ministry of education collected the least revenue with their contribution to the total revenue being 0.27%.

Comparison in revenue growth rate

Apart from July which recorded growth in revenue in 2015 compared to year 2014/15 all the other month i.e. August to December recorded a decline in revenue growth. Overall the performance in revenue collection in the first half of the year was poor compared to the same period last year with a revenue drop of 10%.

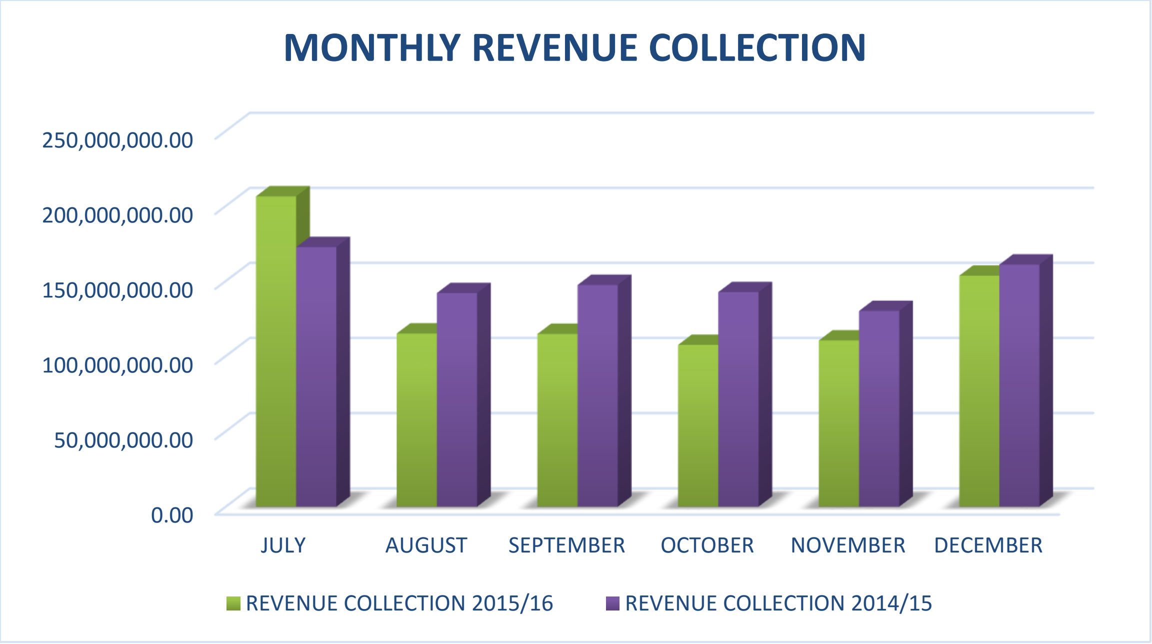
Table 3: revenue collection for the first half of year 2015/16 and 2014/15

MONTH	LOCAL REVENUE 2015/16	A.I.A(FIF) 2015/16	SUB TOTALS 2015/16	SUB TOTALS 2014/15	% OF COLLECTION 2015/16
JULY	169,657,368.00	36,762,630.00	206,419,998.00	172,609,640.00	25.56%
AUGUST	85,441,960.00	29,565,141.00	115,007,10.00	141,963,762.00	14.24%
SEPTEMBER	82,345,193.00	32,408,133.00	114,753,326.00	147,364,883.00	14.21%
OCTOBER	70,464,507.00	36,981,654.00	107,446,161.00	142,606,964.00	13.30%
NOVEMBER	77,840,347.00	32,549,451.00	110,389,798.00	130,066,800.00	13.67%
DECEMBER	79,634,742.00	73,928,587.00	153,563,329.00	160,962,798.00	19.02%
TOTALS	565,384,117.00	242,195,596.00	807,579,713.00	895,574,847.00	100%

Source: County Treasury

The trend in revenue growth for both 2015/16 and 2014/15 is further illustrated in the following graph

Figure 2: Trend of County Local Revenue Analysis by Month 2015/2016 vs 2014/2015



Source: County treasury

In the first half of the year the highest revenue has been collected in July then decline until December where it starts to increase. Considering that renew of business licenses is done in the second half of the year collection of revenue from local sources is expected to improve. Collection from liquor licenses and bed occupancy fee is expected to further boost revenue collection in the second half of financial year 2015/16.

Table 4: Exchequer Issues to Nakuru County

MONTH	DONOR(DANIDA)	EXCHEQUER ISSUE	SUB TOTALS
JULY	-	1,328,820,365	1,328,820,365
AUGUST	-	-	-
SEPTEMBER	-	679,481,927	679,481,927
OCTOBER	-	764,417,168	764,417,168
NOVEMBER	-	681,367,892	681,367,892
DECEMBER	-	720,063,582	720,063,582
TOTALS	-	**4,174,150,934**	**4,174,150,934**

Source: office of the controller of budget

The exchequer receipt from the national treasury amounted to 4.17 billion for the 1st half of the year. This amounted to 38% of the total amount the county expect to receive as equitable share and conditional grant from the national treasury. The amount received in July 2015 was exchequer issue for May and June last financial year i.e. 2014/15 therefore the exchequer issue for 2015/16 financial year was only 2.8 billion. Excluding what was received for May and June amounting to 1.3 billion the county expected to receive 4.4 billion as equitable share and conditional grants but only received 2.8 billion which meant that there was a shortfall of 1.6 billion translating to a deficit of 36% of what the county expected to receive.

2.1.1 Expenditure Trends

The total spending by ministries, executive and county assembly amounted to 4,753,139,850 for the 1st half of the year

Table 5: Actual expenditure by ministries from July to December 2015

DEPARTMENT	BUDGET ESTIMATES (KSHS.000)	TOTAL EXPENDITURE	BUDGET BALANCE(KSHS)	% OF BUDGET ABSORPTION
County Treasury	1,218,844,280.28	497,199,277	721,645,003.30	40.79%
Agriculture, Livestock and Fisheries	772,877,678.69	280,269,057	492,608,621.50	36.26%
Health	4,330,806,918.54	1,825,202,887	2,505,604,031.00	42.14%
Environment, Water and Natural Resources	895,602,672.29	258,442,617	637,160,055.30	28.86%
Education, Sports, Youth and Social Services.	1,438,000,115.43	265,843,074	1,172,157,041.00	18.49%
Lands, Physical Planning and Housing	341,571,160.73	81,968,271	259,602,889.70	23.99%
Roads Public Works and Transport	1,796,925,701.78	488,312,653	130,861,304.90	27.17%
Public Service Management	969,577,136.49	388,570,848	581,006,288.49	40.07%
Trade, Industrialization and Tourism	409,556,787.21	108,205,210	301,351,577.20	26.42%
ICT and E-Government	108,884,708.87	28,642,819	80,241,889.87	26.31%
Office of the Governor and Deputy Governor	286,360,491.85	157,972,278	128,388,213.90	55.16%

DEPARTMENT	BUDGET ESTIMATES (KSHS.000)	TOTAL EXPENDITURE	BUDGET BALANCE(KSHS)	% OF BUDGET ABSORPTION
County Public Service Board	85,643,634.94	44,810,707	40,832,927.94	53.32%
County Assembly	1,077,425,655.00	327,700,151	749,725,504.00	30.42%
TOTAL	13,732,076,942.10	4,753,139,850	8,978,937,092.00	34.61%

Source: County Treasury

Table 5 above compares the approved budget against the actual expenditure for the first six months i.e. July –Dec 2015.Overall the county was able to spend 4.75 billion, in the first half of the year out of the total budget of 13.7billion. This represents an absorption rate of 34.6% against expected absorption of 50%.the office of the Governor and the Deputy Governor was the highest spender compared to the budget, while the Ministry of Education, Sports, Youth and Social services spent the lowest amount compared to the budget. However, absorption across all ministries is expected to improve in the second half of the year as procurement process for major development projects is complete and implementation of this project will improve the absorption of development project. However no major changes is expected under recurrent expenditure and spending in the second half is expected to remain relatively the same as reported in the first half.

TABLE 6: Expenditure by economic classification

DESCRIPTION	TOTAL EXPENDITURE 2015/2016	TOTAL EXPENDITURE 2014/2015	TOTAL EXPENDITURE %
Personnel emoluments	2,378,599,373	2,131,951,968	50.04%
Operational & Maintenance	1,453,126,937	1,002,919,571	30.57%
Development Expenditure	921,413,541	698,408,997	19.39%
TOTAL	**4,753,139,851**	**3,833,280,536**	**100.00%**

Source: County Treasury

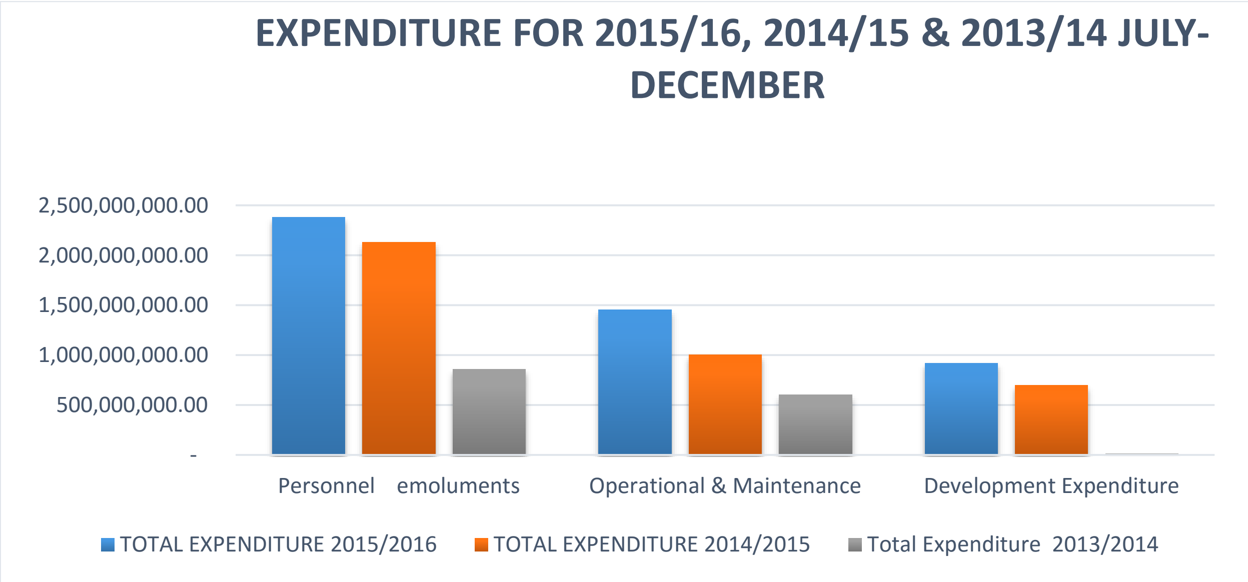
Table 6 above categorizes expenditure into 3 major economic classification namely:

a. Personnel emolument is composed of staff salary and allowance
b. Operation in maintenance include expenditure incurred in running the offices such as the payment of bills, maintenance of vehicles ,maintenance of buildings, fuelling of vehicles, travelling cost, and purchase of working tools such as stationaries, computer and accessories and any other cost incurred in running the office.
c. Development expenditure involves amount incurred in payment of development projects.

As per the table 6 above, during the first half expenditure on personnel (salary and allowances) accounted for 50% of cumulative expenditure followed by expenditure incurred in running the office with 30.6% .The development expenditure was the least with 19.4%.

As illustrated in figure 3 below the county spending in both recurrent and development expenditure has been increasing for the past three years. The graph also illustrate that compensation to employees had the highest expenditure in each of the past three years followed by operation and maintenance and the county spent the least amount on development expenditure. Majority of development expenditure during the first half relates to previous financial year project which were rolled over to the current financial year. Majority of the project in budget will be implemented in the second half of the year therefore the proportion of expenditure on development is expected to improve while compensation to employees and operation and maintenance expenditure are expected to remain relatively the same.

Figure 3: Expenditure Trends



Source: county treasury

2.2 Update on Fiscal Performance in FY 2015/16 and emerging challenges

In the year 2015/16 budget, revenue was projected to grow by 15% compared to the previous financial year. However first half performance illustrate that there was a 10% drop in revenue collection in year 2015/16 compared to the same period last year. The county missed it revenue target in local collection by 52% for the first half of the year. However collection of revenue from local sources is expected to improve in the second half of the year due to renew of business licenses and issue of liquor licenses. Both receipt from exchequer issue and A.I.A (F.I.F) is achievable but it is highly unlikely to achieve the target for local revenue collections which currently have a negative deviation of 615 million.

The implementation of 2015/16 budget is on track despite the cashflow constraints faced by the county in the first quarter of the year. The national treasury delayed in disbursing fund to the county thereby affecting the absorption of both recurrent and development expenditure. In addition the significant reduction in local revenue collection had an adverse impact on liquidity thereby affecting the smooth flow of fund for use in operation and development. The combined effect of significant reduction in local revenue and late disbursement of fund was a reduction of expenditure by the end of December 2015. Development expenditure was below target by 66% and recurrent expenditure was below target by 346 million. Overall the county missed its expenditure target by 65% since only 4.75 billion was spent against a target of 6.87 billion.

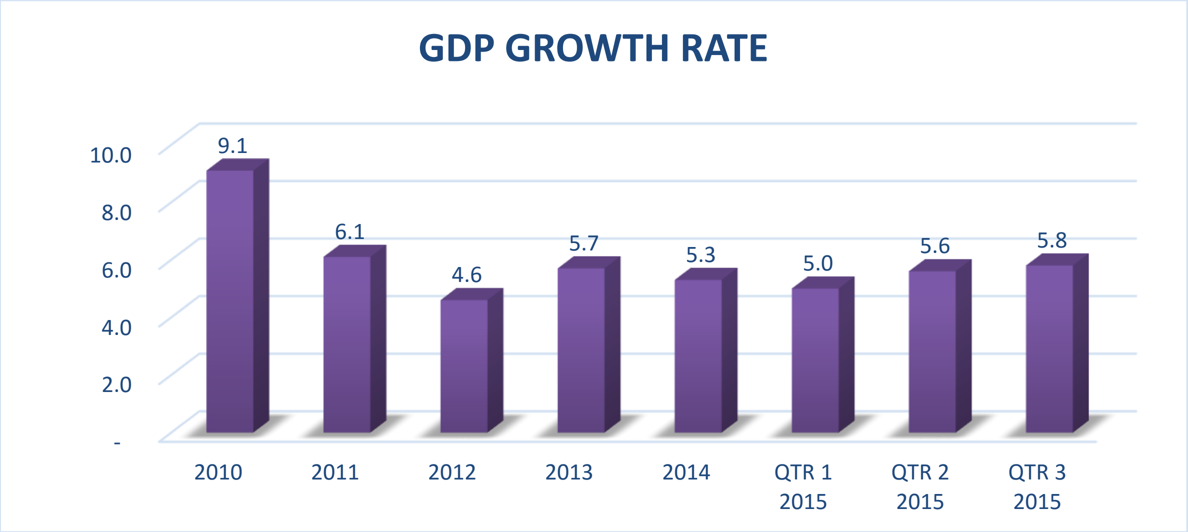
The tithing problem associated with E-procurement affected the absorption of expenditure in the initial stages of implementation however following a successful capacity building of staff the use of E-procurement is expected to run smoothly across all department. The county treasury has taken appropriate actions to ensure that the budget implementation is on course particularly with regard to development projects.

2.2.1 National growth updates

Kenya economy has experienced robust growth supported by increased investment in cheap and renewable energy, infrastructure e.g roads and railway, construction, mining and improved performance in agriculture as a result of good climate. The Kenyan economy grew by 5.3% in 2014 and further growth is expected in 2015 with a projection of 5.6% and by 2016 the economy is expected to grow further by additional 0.4% to reach an annual growth rate of 6.0%. Over the medium term the economy is projected to grow at the rate of 6.5%.

During the third quarter of 2015 the economy grew by 5.8% compared to 5.2% recorded the same quarter last year. This growth is an improvement from first and second quarter of 2015 which recorded a growth of 5.0% and 5.6% respectively. Continued growth rate was supported by improved activities in construction industry with a growth rate of 14.1% followed by mining and quarrying (12.5%), electricity supply (11%) and financial service and insurance with 10.1%.

Figure 4: GDP growth rate



The improved growth rate has been sustained through the stability in the macroeconomic environment. The Kenya shillings has now stabilized and is relatively less volatile compared with other major regional currencies. The currency has stabilized at ksh 101.7 against the US dollar as of 11th February, 2016 compared to ksh 103.02 which was trading as of 12th October, 2015. The intervention of the central bank to mop out the excess liquidity in the market has helped to maintain the inflation rate at a single digit and despite the increase in food and non-alcoholic drink index by 1.23 the rate was 8.0% in December up from 7.3% recorded in November 2015. The average annual inflation was 6.5% in December 2015 compared with the average annual inflation of 6.9% in December 2014 implying that the inflation rate was within the the current allowable margin of 2.5% on either side of the 5% target. The improved monetary condition since November 2015 has helped to increase liquidity in the money market and consequently leading to a decline in short term interest rate. Going forward, the growth outlook is promising due to continued implementation of bold economic policies and structural reforms as well as sound economic management. The economy is expected to grow by 6.0% in 2016 and over the medium term the economy is projected to grow at the rate of 6.5%.

III FISCAL POLICY AND BUDGET FRAMEWORK.

3.0 Overview

The 2016/2017 Medium-Term Fiscal Policy aims at supporting rapid economic growth and ensuring the debt position remains sustainable while at the same time providing service delivery to the citizens effectively and in a sustainable manner. Specifically, the Fiscal policy underpinning the FY 2016/17 Budget and MTEF aims at revenue target of 2.59 billion from Local Sources and 8.7 Billion from equitable share as per the National Treasury Budget Policy Statement (BPS). Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth.

Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure. The County Government is committed to reducing the recurrent expenditure to devote more resources to development.

In the 3 years the County government has been in existence, efforts have been concentrated in servicing existing debts, majorly inherited from the defunct local authorities. With the passing of Public Finance Management Regulations by parliament this year, borrowing guidelines will be adhered to as set out in those guidelines when need arises. Nevertheless, as a prudent fiscal policy over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.

The County Government also takes into account the fiscal risks arising from contingent liabilities, liquidity risk arising from failure to actualize local revenue targets, high county public wage bill (currently at 42%) of the total budget and potential changes to national transfers and allocations.

Continuing with Prudent fiscal policy

Fiscal policy will continue to support economic activity within a context of sustainable public financing. Over the past three financial years, the County Government has oriented expenditure towards priority programmes in Health, Agriculture, Infrastructure, Environment and Youth sectors under the MTEF. The county has also been focusing in debt resolution for inherited debts in order to reduce the county debt levels. In addition, the County Government in making decisions that establishes a new County sector agency with personnel and wage implications, will consider such policies in relation to financial capacity of the County. All such establishments will however be guided by comprehensive restructuring and rationalization of the County Government in accordance with the Constitution.

3.1 Observing Fiscal Responsibility Principles

The County Government recognizes that the fiscal stance it takes today will have implications in to the future. Therefore, and in line with the constitution and the Public Finance Management (PFM) Act of 2012, the principle of sharing the burdens and benefits of the use of resources and public borrowing between the present and future generations implies that we have to make prudent policy decisions today so that we do not impose an unwarranted debt burden on future generations.

Pursuant to Section 107 (2) PFM-County Government's Regulations, 2015, the County Government the expenditure on wages and benefits for public officers is supposed not to exceed (35) percent of the County government's total revenue. This has been a challenge to achieve since Nakuru County Government inherited staff from 4 Local authorities and others seconded from the National Government whose functions were devolved.

3.3 Fiscal Responsibility Principles

In line with Article 201 of the Constitution, Section 107 of the Public Finance Management (PFM) Act, 2012, and in keeping with the prudence and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

a. Over the medium term, a minimum of 30% of the County Budget shall be allocated to development expenditure.

The County Government's development budget allocation over the medium term is above 30 percent, the minimum set out in law. In FY 2015/16 the County Government allocated 30 percent to development, however, the execution rate for development expenditure was below average at 45 percent performance. This is attributed to delay in exchequer releases and the introduction of e-procurement in the middle of the year the delayed implementation of some of the projects.

b. The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.

Pursuant to Section 107 (2) PFM-County Government's Regulations, 2015, the County Government the expenditure on wages and benefits for public officers is supposed not to exceed (35) percent of the County government's total revenue.

The wages and benefits for the County employees accounts for 42% of the total FY 2015/16 and is projected at 42.25 percent in FY 2016/17.This expenditure item is projected to decline over the Medium term planning period . A sizeable number of county staff are expected to exit on retirement.

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

It is a prudent fiscal policy for a government to procure external financing only for development projects. Any borrowing by the county government shall be informed by the county government medium term debt management strategy and shall set out the framework for the management of county public debt.

Although the County Government envisages maintaining a balanced budget, it will seek to adhere to borrowing guidelines as set out in the section **107** of the PFM

Act and regulation **25** of these County Government PFM Regulations iff need arises.

- using short term borrowing only when it is necessary;
- the borrowing shall be for financing a devolved function capital project

d. Public debt and obligations shall be maintained at a sustainable level as approved by National Assembly (NA) and County Assembly (CA).

The sustainability of debt is guided by PFM Act section 107 (2) (e) and section 107 (4). As per section 107 (2) (e) the county debt shall be maintained at sustainable level as approved by county assembly. Section 107 (4) further states that every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by resolution of the county assembly.

Over the medium term the Nakuru County Government will continue to maintain a balanced budget where total revenue equal total expenditure i.e. the preparation of MTDS does not envisage borrowing to finance the budget and over the medium term the focus will be on ensuring the sustainability of current debt.

The total stock of county debt as at 31st January, 2016 stood at Ksh 2.38 billion. This comprises of both inherited debt of Ksh 840 million and pending bills arising from all ministries on a commitment basis amounting to Ksh 1.54 billion this debt is projected to be approximately 1.8 billion by 30th June, 2016 as per the draft Medium Term debt Strategy Paper.

e. Fiscal risks shall be managed prudently.

The County Government has improved its macroeconomic forecasts and regularly reviews the impact of macroeconomic projections and its implications to the budget. The Government also takes into account the fiscal risks arising from contingent liabilities, impact of the Public Private Partnership and Financial Sector Stability, liquidity risk arising from failure to actualize local revenue targets, high county public wage bill (42%) of the total budget and potential changes to national transfer and allocations. The County government continues to put measures in place to enhance revenue collection, majorly through automation and widening of revenue base. In addition the County Government has put aside Ksh 30 Million as an Emergency Fund in the current financial year.

3.4 Fiscal structural reforms

The County Government will continue pursuing its policy objectives within the financial context established by fiscal responsibility principles. The progress made in the context of strategic priorities will continue to be regularly reviewed to establish the parameters for the Budget, with a continued focus on the level of expenditure on County development and the reduction of debt levels. The 2016/17 Budget will operate under tight fiscal conditions, with any new policies needing to be offset by savings in other areas. The fiscal policy will be geared towards:

- Enhanced revenue collection and administration, by formulating revenue administration regulations, reviewing tax legislations and improved enforcement. This is expected to increase revenue collection in the medium term from Ksh 2.05 billion in 2014/2015 to Ksh 2.7 billion in 2017/18. Automation of revenue collection will extend to other major revenue streams as the current process cover parking, Cess barriers and markets.
- The County will continue to embrace Programme Based Budgeting (PBB) during the medium term for effective implementation of programmes as well as continue with capacity building on the budget process.
- The County Treasury is expected to bank on the Finance Act 2016 which has broadened the tax base to include other fees and charges from devolved functions e.g. liquor licence and the entertainment act so to improve revenue collection.
- **On the expenditure side,** the County Government will continue with expenditure management reforms initiated by the National Treasury to improve efficiency and reduce wastage in line with the PFM Act, 2012. Compliance with the budgetary requirements and full adoption of the Integrated Financial Management Information System (IFMIS) from budgeting to reporting will be necessary.

The County Government will continue its prudent approach to budgeting through expenditure rationalization and optimal resource allocation as a measure of realizing quicker socio-economic growth.

3.5 Deficit Financing Policy

It is in the interest of the government that county expenditures be limited to county estimates which should be commensurate with revenue collections, share of the national revenue and from other sources. Therefore, the county will not run into deficits while drawing budget because the budget is supported by prerequisite revenue.

3.6 2016/17 Budget Framework

The 2016/17 budget framework is based on the Annual Development Plan (ADP) and the Medium-Term Fiscal Framework broad priorities. These priorities address the strategic objectives of the County Government as set out in the County Integrated Development Plan (CIDP) and contribute to the national objectives as identified by Medium Term Plan II (MTP II) of the Kenya Vision 2030.

Local revenues are expected to improve significantly following the enactment of necessary legislations as stated in the Finance act.

Cumulative local revenues excluding FIF amounted to Ksh 1,600,420,288 during the FY. 2014/2015 compared to Ksh. 1,372,049,460 in the FY2013/2014 reveal that the local revenues grew by 16.64 percent.

The 2016/17 budget will target revenue collection including Facility improvement funds (F.I.F) of Ksh 3.1 billion. Additional funding under the national Budget Policy Statement (2016) includes proposed allocations of:

> Ksh 8.7 billion of equitable share: Ksh. 356,069,364 on as conditional allocation to level 5 hospital; Ksh 215,283,613 as conditional allocation for free maternal care; Ksh 95,744,681 as conditional allocation for leasing of medical equipment; Ksh 134,560,844 as conditional allocation from roads maintenance fuel levy fund; Ksh. 39,216,180 as Compensation of foregone fees for health facilities, Ksh 12,630,000 million as conditional allocation loans and grants.

The total proposed allocation for FY 2016/17 in the draft Budget Policy Statement to the county government amounts to Ksh 9.6 billion made up of equitable share and conditional allocations. As such, total revenues including Local revenue, CRA allocations and FIFs are expected to be Ksh 12,826,023,985**.** Equitable share amounts to Ksh. 8,757,624,645 representing 7.9 percent growth compared the allocation of Ksh. 8.2 billion FY. 2015/16. Conditional grant for Road Maintenance Levy Fund has increased by 18 percent where the Conditional Grant for Level 5 Hospital has dropped by 15 percent.

3.7 Expenditure Forecasts.

In 2016/17, total expenditures are expected to rise to Ksh. 12.826 billion up from 11.883 billion in the approved estimates of FY2015/2016. This reflects an overall growth of 7.8 percent.

Other recurrent expenditures ceilings are projected at Ksh. 3.5 billion a growth by 5 percent from the approved estimate of FY 2015/2016.

Recurrent expenditures are expected to increase slightly from 8.3 billion in the FY 2015/16 to Ksh. 8,912,936,969 billion in the FY 2016/17. In 2016/17 the Budget, will continue to focus on the level of expenditure on County development and the reduction of debt levels, these will lead to allocation of more resources for development and reduction of existing debts. The 2016/17 Budget will operate under tight fiscal conditions, with any new policies needing to be offset by savings in other areas.

- Over the medium term the debt to revenue ratio is expected to be 15% while debt service to revenue ratio is expected to be 4%.
- The county treasury has set aside Ksh 500 million in the 2016/17 budget for debt resolution.
- The wage bill is expected to rise by 10 percent to steady at Ksh. 5.6 billion in FY 2016/2017.

Development expenditures are projected to rise by 7.3 percent to Ksh. 3,913,087,016 billion in the FY 2016/2017 from Ksh 3,581,762,865 in the FY.

2015/2016. Further, development budget ceiling in FY 2016/2017 is 30.5 percent proportion of the total budget in line with Section 107 (2) of the PFM 2012 Act.

Summary

The set of policies outlined in the County Fiscal Strategy Paper reflects the circumstances that are in line with the fiscal responsibilities as outlined in the PFM Act, 2012. The use of the Integrated Financial Management Information System (IFMIS) and Performance Monitoring Tools will make it possible for the County to track the resources to results achieved in a more efficient manner. The county is already making requisition plans for web based M&E system that will form an anchor flagship project in the next financial year. The County will continue to embrace Program Based Budgeting (PBB) to ensure that all County resources are linked to specific projects outputs and outcomes. The Fiscal policy will also endeavour to adhere to medium-term debt targets as provided in the medium term debt management strategy that aims at ensuring public debt sustainability.

IV. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

4.0 Overview

The Nakuru County Government seeks adherence to fiscal responsibility principles as set out in Section 107 of the PFM Act 2012, PFM Amendment Act (2015) on County Regulations and the principles of public finance set out in Chapter 12 of the Constitution.

Adoption of the IFMIS system has continued to take root, with all county government departments using the system whilst equipping of the sub counties with ICT infrastructure to support the system has been given prominence. In the first half of FY 2015/2016, the National Treasury through sponsorship from World Bank and other institutions continued to support the County Government through training key personnel on the IFMIS modules. County staffs were trained on budget and e-procurement modules, including the CECs and Chief Officers. The county has been fully implementing the e-procurement module.

The BPS 2016 cites a proposed capacity building/performance grant programme, which is anchored under the National Capacity Building Framework (NCBF). It targets results in four priority areas namely: i) strengthening public financial management systems; ii) strengthening county human resource management; iii) improving county planning and monitoring and evaluation systems; and, iv) civic education and public participation. The programme is motivated by the need for a mechanism to incentivize counties which adhere to fiscal responsibility principles as per the Public Finance Management Act (2012) and the Public Finance Management Regulations (2015); and, which attain set minimum conditions and key service delivery standards. Accordingly, the national government proposes to access a US$ 200 million World Bank credit -- out of Kenya's existing IDA allocation --to be disbursed over four (4) Financial Years based on capacity building and performance levels achieved by the National and the County Governments, and upon independent verification that predetermined results have been achieved.

Much of funds in the above capacity building/performance grant programme will flow directly to County Governments. As per the programme's architecture, it is expected that 80 percent of the funds (approximately Ksh 16.3 billion) will stream to the counties as a combined capacity/performance grant i.e. a conditional grant. Counties will be free to 'opt into' the grant, which will entail agreeing to prepare and implement a capacity building plan, an annual performance assessment, reporting on grant funds received, among other 'conditions'. Proper guidelines on the usage of the facility by the county government need to be put into place.

The Public Procurement and Asset Disposal Act, 2015 has been passed by Parliament, and the National Treasury has commenced work on related Regulations. According to the Act, County Treasuries are responsible for implementing the policy relating to procurement and asset disposal, and their duties include promoting preference and reservations schemes for small and micro enterprises (SMEs) and other disadvantaged groups, and for ensuring local residents access a minimum of 25 percent in public procurement within the county.

As envisaged in Section 117 of the PFM Act 2012, the County has drafted its 2nd County Debt Management Strategy paper. This will assist the County in adhering to Borrowing, fiscal responsibility principles, and ensure their debt levels are manageable and do not hinder the undertaking of other functions by the county government. The PFM County Regulations (2015) Act and its regulations have clarified the procedure, purpose and thresholds for borrowing by the County Governments so as to contain fiscal risks and ensure public debt sustainability. Section 176 details the guiding principles for county government's borrowings. According to Section 179(1) and pursuant to section 50(5) of the Act, a County total public debt shall not exceed twenty percent (20%) of the county government's most recent audited revenues, as approved by county assembly. In addition, the annual debt service cost of a county government shall not exceed fifteen (15%) percent of the most recent audited revenue of that county government, as approved by county assembly. In light of these, there is need to sensitize both the county executive and legislative arms on these guidelines.

Notably, the national government, through the National Treasury should continue building capacity to the county government on issues relating to public finance management, to enable it act optimally.

The National government through the CRA guides the process of revenue sharing between the Counties and the National government. The CRA's report on sharing of revenue 2017-2017 highlighted several recommendations that seem to have been overlooked by the Approved BPS including a conditional grant to cushion counties against high wage bills, funds for rehabilitation of primary and secondary schools, rehabilitation of village polytechnics and establishment of Emergency Funds in 47 counties.

Subject to Section 187 of the PFM Act, the IBEC as chaired by the Deputy President deliberates on matters relating to budgeting, the economy and financial management and integrated development at the national and county level. The counties, through a consultative process with the national government, has identified a number of policy reform proposals whose implementation will contribute towards improved resourcing of counties, essentially by enhancing revenue collection from property taxes while capturing a greater share of appreciating property values. Accordingly, the National Treasury through the Intergovernmental Budget and Economic Council (IBEC) will initiate a national framework legislation aimed at supporting enhancement of county own-source revenue. The proposed national framework legislation is intended at regulating how County Governments can introduce new taxes, fees, service charges and business licenses in keeping with Articles 209 and 210 of the Constitution as well as Section 161 of the PFMA. In addition, a comprehensive review is to be undertaken of all existing legislation related to taxes, fees, service charges and business licenses being imposed by the counties, with the aim of recommending how these should be better harmonized. This review is among 'next steps' agreed upon by stakeholders following the *National Conference on County Own Source Revenue Enhancement* held in September 2015.

To spearhead implementation of the above policy measures, establishment of an inter-agency working committee is underway. Through IBEC and with National Treasury in the lead, the working committee will formulate and thereafter support implementation of the afore-mentioned national framework legislation.

4.1 Transfer of Functions and Budgeting by the TA

The Transition Authority approaches its expiry, by March 2016. Crucial decisions are still pending on the transfer of responsibility as well as budgets for a number of devolved functions.

For instance, functions related to cultural activities and public entertainment (gambling, casinos, libraries, cinemas, among others) and management of county roads are yet to be transferred due to pending court cases triggered by inconclusive agreements between the two levels of Government on realignment of relevant legislative frameworks. Likewise, transfer of functions related to Regional Development Authorities (RDAs) and Water Services Boards (WSBs) is pending due to incomplete unbundling of the mandates as well as clarifications of function definitions. Final determination on the transfer of these functions will have important budget implications, because it is on the basis of devolved-function costs that decisions will be made on further resources to be decentralized.

The Transitional Authority needs to finalize the transfer of functions to county governments through gazettment, so as give room for additional resources on transferred functions to be reflected in the Division of Revenue Bill (DoRB) and the County Allocation of Revenue Bill (CARB).

4.2 Cash Disbursement to the County Government

There has been continued lag in exchequer releases to the county government. At the closure of the FY 2014/2015, the national government had not released a figure amounting to Ksh 1.8B on the development account. This was only released on the last day, hence giving the impression that the county budget absorption capacity was very low, going by the County Revenue Fund opening balances as at July 2015. Additionally, the national government must prioritise releasing funds to counties, if optimal resource use by counties has to be achieved.

4.3 Revenue Allocation for Each County Government for FY 2016/17

In order to arrive at County Governments' equitable share of revenue for FY 2016/17, the equitable revenue share allocation in FY 2015/16(as the baseline) has been adjusted by a revenue growth factor of 7.9 percent, compared to the 10.41% adjustment for revenue growth in 2015/16. Based on this adjustment, County Governments' equitable share of revenue in FY 2016/17 is estimated to be Ksh 280.3 billion. As contained in the Budget Policy Statement 2016/2017, the total allocations including conditional grants amounts to Ksh 302.19 billion.

Nevertheless, the National Assembly should expedite their approval process of audited revenues as government revenue has been on in the increase in recent years.

The table below provides estimates of revenue allocation among Counties in the financial year 2016/17. The allocations comprise of the equitable share of Ksh. 280.3 billion, distributed based on the formula for sharing revenue approved by Parliament in accordance with Article 217 of the Constitution(population (45 percent); equal share (25 percent); poverty (20 percent); land area (8 percent); and, fiscal responsibility (2 percent).
The ongoing process of developing the second criteria for the sharing of revenue among the counties should be fast-tracked.
The Nakuru County will receive a total allocation of Ksh. 9,611,129,328 out of which, the equitable share of revenue to Ksh. 8,757,624,645.

Table: Horizontal Allocation of Revenue across Counties

	FY 2015/16						FY 2016/17					
County	Allocation Ratio	Total Allocations	Equitable Share	Level-5 Hospitals	Purpose Grant Supporting Emergency Medical	Compensation for user fees foregone	Free Maternal Healthcare	Road Maintenance Levy Fund	Leasing of Medical Equipment	Loans & Grants	Total Allocations	Per capita allocation (Ksh)
Baringo	1.71%	4,714,634,596	4,791,438,190	-	-	13,370,516	64,662,618	73,620,416	95,744,681	90,746,278	**5,129,582,699**	9,233
Bomet	1.81%	4,952,714,726	5,078,797,925	-	-	14,191,766	61,258,095	78,035,696	95,744,681	7,475,000	**5,335,503,163**	7,368
Bungoma	2.95%	8,274,372,514	8,282,207,328	-	-	33,282,912	189,574,801	127,250,840	95,744,681	7,375,000	**8,735,435,561**	6,353
Busia	2.09%	5,762,432,476	5,870,096,945	-	-	17,302,828	92,079,522	90,194,001	95,744,681	6,495,000	**6,171,912,976**	8,296
Elgeyo/Marakwet	1.26%	3,500,744,439	3,528,847,275	-	-	8,956,070	50,228,374	54,220,715	95,744,681	67,332,570	**3,805,329,685**	10,285
Embu	1.48%	4,358,698,061	4,141,186,056	286,705,202	-	10,776,608	54,985,378	63,629,297	95,744,681	6,875,000	**4,659,902,222**	9,027
Garissa	2.22%	6,398,640,113	6,227,726,513	328,323,699	-	13,126,919	53,772,809	95,688,977	95,744,681	50,131,467	**6,864,515,065**	11,017
Homa Bay	2.17%	5,980,612,450	6,080,193,774	-	-	22,616,803	128,736,441	93,422,137	95,744,681	12,385,000	**6,433,098,836**	6,675
Isiolo	1.18%	3,234,386,192	3,298,073,210	-	-	3,514,477	22,181,866	50,674,874	95,744,681	26,232,373	**3,496,421,481**	24,400
Kajiado	1.70%	4,719,837,174	4,761,279,540	-	-	16,311,160	54,758,022	73,157,028	95,744,681	149,526,341	**5,150,776,771**	7,494
Kakamega	3.43%	9,992,150,911	9,612,093,312	406,936,416	-	38,617,147	217,184,083	147,689,749	95,744,681	11,750,000	**10,530,015,389**	6,341
Kericho	1.73%	4,797,168,868	4,861,021,578	-	-	18,313,556	89,327,921	74,689,564	95,744,681	11,300,000	**5,150,397,299**	6,792
Kiambu	2.87%	8,802,966,316	8,053,256,819	393,063,584	-	35,773,082	221,521,352	123,738,238	95,744,681	9,600,000	**8,932,697,755**	5,503
Kilifi	2.86%	7,916,741,770	8,029,167,704	-	-	26,392,597	181,669,778	123,368,108	95,744,681	139,290,244	**8,595,633,111**	7,746
Kirinyanga	1.36%	4,078,704,757	3,817,781,963	-	-	11,625,078	45,389,754	58,660,195	95,744,681	6,385,000	**4,035,586,671**	7,642
Kisii	2.73%	7,862,610,477	7,654,114,596	397,687,861	-	26,947,170	168,133,301	117,605,419	95,744,681	11,475,000	**8,471,708,029**	7,352
Kisumu	2.19%	6,398,745,421	6,130,158,037	351,445,087	-	21,854,292	118,015,691	94,189,837	95,744,681	38,290,000	**6,849,697,625**	7,069
Kitui	2.80%	7,626,511,155	7,841,480,359	-	-	23,144,997	54,367,434	120,484,293	95,744,681	133,152,642	**8,268,374,406**	8,165
Kwale	1.97%	5,465,526,238	5,530,693,069	-	-	15,397,611	119,385,662	84,979,062	95,744,681	88,976,289	**5,935,176,374**	9,132
Laikipia	1.33%	3,898,405,779	3,722,107,269	-	-	9,872,539	61,409,667	57,190,153	95,744,681	65,814,676	**4,012,138,985**	10,050
Lamu	0.79%	2,207,595,769	2,214,008,742	-	100,000,000	2,481,810	15,372,820	34,018,227	95,744,681	18,348,378	**2,479,974,658**	24,424
Machakos	2.61%	7,584,151,595	7,303,463,453	365,317,919	-	24,764,877	105,476,087	112,217,667	95,744,681	13,350,000	**8,020,334,684**	7,301
Makueni	2.30%	6,486,801,433	6,441,351,588	-	-	19,449,802	83,696,467	98,971,324	95,744,681	12,065,000	**6,751,278,862**	7,633
Mandera	3.45%	9,263,850,614	9,663,318,677	-	-	15,521,730	55,335,158	148,476,828	95,744,681	49,787,798	**10,028,184,872**	9,776
Marsabit	2.00%	5,402,694,782	5,599,495,639	-	-	6,872,636	25,096,698	86,036,213	95,744,681	42,302,134	**5,855,548,000**	20,111
Meru	2.50%	7,292,143,828	7,006,680,257	356,069,364	-	32,096,227	114,704,443	107,657,595	95,744,681	1,710,295,000	**9,423,247,567**	6,948
Migori	2.25%	6,280,618,796	6,298,037,918	-	-	21,882,372	172,348,147	96,769,311	95,744,681	148,440,725	**6,833,223,154**	7,450
Mombasa	2.00%	5,943,023,337	5,608,593,923	369,942,197	-	23,514,312	125,722,505	86,176,009	95,744,681	19,150,000	**6,328,843,626**	6,737
Muranga	2.06%	5,747,364,897	5,779,189,434	-	-	20,749,146	78,828,699	88,797,208	95,744,681	12,405,000	**6,075,714,168**	6,446
Nairobi	5.00%	19,860,988,262	14,023,506,891	-	-	79,879,082	199,899,133	215,471,089	95,744,681	373,900,000	**14,988,400,877**	4,776
Nakuru	3.12%	8,974,634,409	8,757,624,645	356,069,364	-	39,216,180	215,283,613	134,560,844	95,744,681	12,630,000	**9,611,129,328**	5,994

	FY 2015/16						FY 2016/17					
County	Allocation Ratio	Total Allocations	Equitable Share	Level-5 Hospitals	Purpose Grant Supporting Emergency Medical	Compensation for user fees foregone	Free Maternal Healthcare	Road Maintenance Levy Fund	Leasing of Medical Equipment	Loans & Grants	Total Allocations	Per capita allocation (Ksh)
Nandi	1.83%	5,014,166,594	5,130,819,903	-	-	18,055,819	68,195,394	78,835,014	95,744,681	9,155,000	**5,400,805,810**	7,173
Narok	2.04%	5,582,985,813	5,705,712,797	-	-	20,106,734	70,154,161	87,668,239	95,744,681	90,146,403	**6,069,533,015**	7,133
Nyamira	1.60%	4,420,867,181	4,482,799,531	-	-	11,578,458	82,174,925	68,878,185	95,744,681	11,960,000	**4,753,135,779**	7,945
Nyandarua	1.66%	4,614,005,020	4,647,384,381	-	-	13,122,239	46,514,879	71,407,030	95,744,681	9,430,000	**4,883,603,210**	8,190
Nyeri	1.71%	5,251,293,397	4,800,764,767	388,439,306	-	14,347,664	69,215,585	73,763,719	95,744,681	11,465,000	**5,453,740,722**	7,863
Samburu	1.37%	3,732,219,907	3,832,957,535	-	-	5,321,855	16,946,829	58,898,587	95,744,681	35,343,554	**4,045,213,041**	18,063
Siaya	1.92%	5,421,244,785	5,389,991,057	-	-	19,057,307	112,559,127	82,817,177	95,744,681	13,765,000	**5,713,934,348**	6,784
Taita Taveta	1.27%	3,528,164,037	3,571,066,305	-	-	6,631,099	37,659,621	54,869,411	95,744,681	43,439,216	**3,809,410,333**	13,382
Tana River	1.53%	4,173,641,069	4,299,401,838	-	100,000,000	5,699,850	25,230,780	66,060,281	95,744,681	28,819,105	**4,620,956,535**	19,248
Tharaka Nithi	1.21%	3,643,158,115	3,385,474,466	-	-	8,419,197	29,853,703	52,017,792	95,744,681	50,819,343	**3,622,329,182**	9,915
Trans Nzoia	1.96%	5,358,463,018	5,502,547,171	-	-	20,209,153	76,292,795	84,546,600	95,744,681	5,665,000	**5,785,005,400**	7,066
Turkana	4.03%	10,783,601,899	11,307,010,770	-	-	26,122,720	31,964,040	173,732,145	95,744,681	73,293,982	**11,707,868,338**	13,687
Uasin Gishu	2.00%	5,508,064,767	5,601,025,717	-	-	22,181,068	40,766,831	86,059,722	95,744,681	8,660,000	**5,854,438,019**	6,547
Vihiga	1.49%	4,163,843,066	4,177,302,901	-	-	13,002,761	66,469,814	64,184,231	95,744,681	7,085,000	**4,423,789,388**	7,976
Wajir	2.78%	7,522,540,574	7,804,219,087	-	-	16,011,344	55,574,174	119,911,775	95,744,681	56,211,458	**8,147,672,518**	12,309
West Pokot	1.66%	4,545,426,807	4,654,529,143	-	-	12,316,429	51,050,356	71,516,809	95,744,681	62,139,761	**4,947,297,179**	9,650
GRAND TOTAL	100.00%	287,044,158,204	280,300,000,000	4,000,000,000	200,000,000	900,000,000	4,121,029,353	4,306,807,629	4,500,000,000	3,870,679,737	302,198,516,718	7,827

Source: Budget Policy Statement 2016

In addition, the County Government will also get the following conditional allocations:

- **Allocation for Free Maternal Health Care of Ksh 215,283,613**

This grant is to be transferred to County Governments on a reimbursement basis, upon confirmation that the County Government provided maternal health care services in their health facilities in accordance with agreed specifications. However, past experience has shown that the amount allocated is far much lower than that expended by the County previously.

- **Compensation for user fees forgone amounting to Kshs 39,216,180**
- **Allocation for leasing medical equipment of Ksh. 95,744,681.**

This grant is intended to facilitate the purchase of modern specialized health care equipment in at least two health facilities in each County Government over the medium term. Nevertheless, the National Ministry of Health has not given clear guidelines on how the program will be executed. The program requires the counties to construct or refurbish special centers to house the specialized equipment, where such do not exist.

- **Allocation for level-5 hospital (Nakuru Provincial General Hospital PGH) of Ksh. 356,069,364, as a conditional grant**.

Level-5 hospitals continue to play a significant role in providing specialized health care services. These hospitals provide health care services to citizens residing outsides their host County Governments. The amount allocated for Nakuru PGH is less than half of what the hospital requires for optimal service delivery in a financial year. With the introduction of specialized care occasioned by the leasing of machinery the Nakuru level-5 hospital operating cost is expected to rise. Going forward the County Government of Nakuru appeals for a significantly higher allocation for the level-5 facility based on the cost of running the facility.

The Naivasha Level hospital should be considered for a conditional grant as it serves communities from other surrounding counties such as Kiambu, Nyandarua and Narok.

- **Allocation from the Fuel Levy Fund of Ksh. 134,560,844.**

In order to enhance County Governments capacity to repair and maintain county roads the National Government proposes to transfer some percent of the Road Maintenance Fuel Levy Fund to the County Governments. Alongside theis fund, the transfer of county roads function and the accompanying budget needs to be finalized.

- **Conditional Allocation-Loans and Grants of Ksh 12,630,000.**

According to the Approved BPS 2016, management of these loans/grants is to be undertaken by the National Government with involvement of County Governments through Project Steering Committees and Project Implementation Units for each programme/project. Prior to the release of funds, a clear framework needs to be agreed within the existing intergovernmental fiscal relations framework, to avoid non-remittance of the said funds, as past years' experience has shown.

Conclusion

The Transitional Authority needs to finalize the gazzetment of functions to County governments. Recommendations by CRA on conditional grants to cushion counties against high wage bills, funds for rehabilitation of primary and secondary schools, rehabilitation of village polytechnics and establishment of Emergency Funds in counties needs to be considered for inclusion in the Division of Revenue Bill.

V: MEDIUM TERM EXPENDITURE FRAMEWORK

5.0 Resource Envelope (Revenue Projections)

The total county receipts projected for the FY 2016/2017 is Ksh. 12.82 billion Local revenue sources including AIA from the Department of Health will finance approximately 25 percent of the total budget. This projected for FY 2016/2017 local revenues are 10 percent growth from the forecast in the current FY 2015/2016. Sustaining the revenue automation system and improving efficiency in county revenue administrations are expected to shore up projected revenues for the FY 2016/2017. Major local revenues streams include property taxes at 26.3 percent, trade licences at approximately 17.8 percent and outdoor advertisements at approximately 12 percent.

Observations from the 2015 budget review and outlook paper demonstrated an appreciable predictability in revenue projections with the County having achieved an 80 percent performance in local revenues for FY 2014/2015. In compliance with the laid down fiscal responsibility for Counties as set out in section 107 PFM Act 2012, the County Government of Nakuru shall ensure reasonable degree of predictability in both revenue projection and expenditure forecast. Therefore the County shall ensure a zero deficit financing policy and further maintain the County debt stock at 20 percent of the total County budget over the medium term.

Already the Finance Act 2015 has incorporated some of the devolved revenue streams which includes the liquor licence and the bed levy. This and other newly identified streams of revenues will partly account for the expected increment in local revenue sources.

Incomes from local sources are expected to finance 30.3percent of the County Government's recurrent expenditures. The balance of the recurrent expenditures (including compensation to employees) and the Development expenditure will be financed by transfers from nationally raised revenues.

During the FY 2016/2017 the County Government of Nakuru expects to receive Ksh 8.7 billion as equitable share of nationally raised revenues as per the Budget policy statement 2016. This translate to only 7.9 percent growth against a projected CBROP target of 11.5 percent. The County has therefore had to scale down its planned expenditure for FY 2016/2017 by a similar margin of Ksh 292 million. It is worthy to note that the equitable share of revenues account 68.3 percent of the total budget and therefore any slight deviation on the allocation of the equitable share has a fundamental impact on the entire County budget.

Notably the share of conditional grant for the level 5 hospital has slightly decline from Ksh 377.1 million in FY 2015/2016 to Ksh 356.1 million projected in FY 2016/2017. The BPS 2016 has failed to offer any policy guidance in arriving at this lower than expected allocation. Further the allocation may not have been based on the catchment area of the level 5 hospitals across the Country as observed from the Budget Policy Statement 2016.

Other conditional grant under the department of Health in the FY 2016/2017 include;

An amount of Ksh 215.2 million for free maternity health services and shall be financed as reimbursement for all deliveries in public health facilities within the County; An amount of Ksh 39.2 Million for forgone user fees.

For the second year running Nakuru County has been Ksh 95 million a financing for leasing medical equipment supplied by the National Government on behalf of Counties.

The County revenue share from the Road Maintenance Levy Fund has been increased from Ksh. 103.1 million in FY 2015/2016 to Ksh 134.6 million in FY 2016/2017 reflecting a 36 percent.

5.1 Key Priorities and Expenditure framework FY 2015/16 (Expenditure Forecast)

The CIDP 2013-2017 will guide the overall implementation framework of the fiscal year 2016/2017 and the entire MTEF period. Sustaining the gains being made through the first three years under the County Government shall be necessary in ensuring prudence and responsible public spending. Key focus in the FY 2016/17 Medium Term Budget will be guided by the County's medium terms, Departmental strategic plans and the Annual sectoral reports as prepared by the various Sector Working Groups (SWG). The inputs of relevant stakeholders have been incorporated in finalising the sector budget proposal of the County government entities.

Departmental programmes to align them with core County mandate as outlined in various legal notices on County functions with the aim of deepening the programme based budgeting approach. This is further expected to reduce non-core expenditures and eliminate overlap/duplication across budget sectors.

During the next MTEF period 2016/2017-2018/2019 the County Government will focus on operationalisation of major social and physical infrastructure constructed so far.

- Overall county expenditure is expected to reach Ksh 12.8 billion a growth of 7.9 percent from the approved estimates in the current year 2015/2016.
- In addition compensation to employee is expected reach Ksh 5.6 billion in FY 2016/2017 a rise of 14.2 percent from the approved estimates in the current. This is on account of provisions for the   recruitment and planned staff promotions in the current FY 2015/2016. This growth in share of the compensation to employees poses the greatest fiscal risk yet to the County budget outlook in the next MTEF period.
- Further allocation for use of good and services is expected to reduce marginally by 2.8 percent to reach to approximately Ksh 3.0 billion in FY 2016/2017.
- The department of Health continues to take the lion share of the total budget at 33 percent of the total budget in FY 2016/2017. This is mainly on account expenditure from local AIA receipts and several conditional grants from the sector.

- Capital expenditure is expected to rise from Ksh 3.5 billion to Ksh 3.9 billion representing a 9.3 growth. Ksh 52 million will be allocated for county emergency services. While donor capital transfers will account for Ksh 25 million of the development expenditure.

MEDIUM TERM EXPENDITURE ESTIMATES

Table 5.1 MTEF Sector Ceilings 2015/2016 – 2017/2018 with Indicative Projections

MTEF SECTOR CEILINGS WITH INDICATIVE PROJECTIONS									
						%SHARE OF TOTAL EXPENDITURE			
SECTOR		Approved Estimates	CFSP Ceilings	PROJECTIONS		Approved Estimates	CFSP Ceilings	PROJECTIONS	
		2015/16	2016/17	2017/18	2018/2019	2015/16	2016/17	2017/18	2018/2019
1.AGRICULTURE, RURAL AND URBAN DEVELOPMENT SECTOR		**1,031,631,687**	**1,077,855,221**	**1,185,640,743**	**1,304,204,818**	8.7%	**8.4%**	8.4%	8.4%
a) AGRICULTURE LIVESTOCK AND FISHERIES	**SUB-TOTAL**	**720,159,382**	**764,197,322**	**840,617,054**	**924,678,759**	6.1%	**6.0%**	6.0%	6.0%
	Rec. Gross	543,350,664	575,616,520	633,178,172	696,495,989	4.6%	4.5%	4.5%	4.5%
	Dev. Gross	176,808,718	188,580,802	207,438,882	228,182,770	1.5%	1.5%	1.5%	1.5%
b) LAND	**SUB-TOTAL**	**311,472,306**	**313,657,899**	**345,023,689**	**379,526,058**	2.6%	**2.4%**	2.4%	2.4%
	Rec. Gross	111,141,852	122,991,841	135,291,025	148,820,127	0.9%	1.0%	1.0%	1.0%
	Dev. Gross	200,330,454	190,666,059	209,732,665	230,705,931	1.7%	1.5%	1.5%	1.5%
2. ENERGY, PHYSICAL INFRUSTRUCTURE AND ICT SECTOR		**1,286,938,351**	**807,222,258**	**887,944,484**	**976,738,932**	10.8%	6.3%	6.3%	6.3%
a) ROADS	**SUB-TOTAL**	**1,191,424,135**	**673,112,727**	**740,424,000**	**814,466,400**	10.0%	5.2%	5.2%	5.2%
	Rec. Gross	285,538,321	317,275,130	349,002,643	383,902,907	2.4%	2.5%	2.5%	2.5%
	Dev. Gross	905,885,814	355,837,598	391,421,357	430,563,493	7.6%	2.8%	2.8%	2.8%

MTEF SECTOR CEILINGS WITH INDICATIVE PROJECTIONS									
						%SHARE OF TOTAL EXPENDITURE			
SECTOR		Approved Estimates	CFSP Ceilings	PROJECTIONS		Approved Estimates	CFSP Ceilings	PROJECTIONS	
		2015/16	2016/17	2017/18	2018/2019	2015/16	2016/17	2017/18	2018/2019
b) ICT	**SUB-TOTAL**	**95,514,215**	**134,109,530**	**147,520,483**	**162,272,532**	0.8%	**1.0%**	1.0%	1.0%
	Rec. Gross	36,670,731	53,015,386	58,316,924	64,148,616	0.3%	0.4%	0.4%	0.4%
	Dev. Gross	58,843,484	81,094,145	89,203,559	98,123,915	0.5%	0.6%	0.6%	0.6%
								0.0%	0.0%
3. GENERAL ECONOMIC AND COMMERCIAL AFFAIRS SECTOR		**307,170,204**	**250,321,045**	**275,353,150**	**302,888,465**	2.6%	2.0%	2.0%	2.0%
TRADE	**SUB-TOTAL**	**307,170,204**	**250,321,045**	**275,353,150**	**302,888,465**	2.6%	2.0%	2.0%	2.0%
	Rec. Gross	123,197,730	130,172,159	143,189,375	157,508,313	1.0%	1.0%	1.0%	1.0%
	Dev. Gross	183,972,474	120,148,886	132,163,775	145,380,152	1.5%	0.9%	0.9%	0.9%
								0.0%	0.0%
4. EDUCATION, CULTURE, YOUTH AFFAIRS, SPORTS AND SOCIAL SERVICES SECTOR		**953,065,378**	**737,941,550**	**811,735,705**	**892,909,275**	**8.0%**	**5.8%**	5.8%	5.8%
EDUCATION	**SUB-TOTAL**	**953,065,378**	**737,941,550**	**811,735,705**	**892,909,275**	**8.0%**	**5.8%**	5.8%	5.8%
	Rec. Gross	605,925,378	632,173,926	695,391,318	764,930,450	5.1%	4.9%	4.9%	4.9%
	Dev. Gross	347,140,000	105,767,624	116,344,387	127,978,825	2.9%	0.8%	0.8%	0.8%
								0.0%	0.0%
5. ENVIRONMENT, NATURAL RESOURCES, WATER AND ENERGY SECTOR		**713,072,421**	**544,992,703**	**599,491,973**	**659,441,170**	6.0%	4.2%	4.2%	4.2%
ENVIRONMENT	**SUB-TOTAL**	**713,072,421**	**544,992,703**	**599,491,973**	**659,441,170**	6.0%	4.2%	4.2%	4.2%

MTEF SECTOR CEILINGS WITH INDICATIVE PROJECTIONS									
						%SHARE OF TOTAL EXPENDITURE			
SECTOR		Approved Estimates	CFSP Ceilings	PROJECTIONS		Approved Estimates	CFSP Ceilings	PROJECTIONS	
		2015/16	2016/17	2017/18	2018/2019	2015/16	2016/17	2017/18	2018/2019
	Rec. Gross	326,849,947	365,876,313	402,463,944	442,710,338	2.8%	2.9%	2.9%	2.9%
	Dev. Gross	386,222,474	179,116,390	197,028,029	216,730,832	3.3%	1.4%	1.4%	1.4%
6. HEALTH SECTOR									
HEALTH	**SUB-TOTAL**	**4,014,454,753**	**4,263,940,710**	**4,690,334,780**	**5,159,368,259**	33.8%	**33.2%**	33.2%	33.2%
	Rec. Gross	3,575,732,509	3,908,125,100	4,298,937,610	4,728,831,371	30.1%	30.5%	30.5%	30.5%
	Dev. Gross	438,722,244	**355,815,610**	391,397,171	430,536,888	3.7%	2.8%	2.8%	2.8%
								0.0%	0.0%
7.ADMINISTRATION AND INTERNAL RELATIONS SECTOR		**3,290,710,811**	**4,810,013,123**	**5,291,014,436**	**5,820,115,879**	27.7%	37.5%	37.5%	37.5%
a) EXECUTIVE	**SUB-TOTAL**	**286,360,492**	**333,737,376**	**367,111,113**	**403,822,225**	2.4%	2.6%	2.6%	2.6%
	Rec. Gross	228,806,136	237,025,481	260,728,029	286,800,832	1.9%	1.8%	1.8%	1.8%
	Dev. Gross	57,554,356	96,711,894	106,383,084	117,021,392	0.5%	0.8%	0.8%	0.8%
b) County Treasury	**SUB-TOTAL**	**1,206,045,091**	**2,768,742,322**	**3,045,616,554**	**3,350,178,210**	10.1%	**21.6%**	21.6%	21.6%
	Rec. Gross	710,441,514	741,012,459	815,113,705	896,625,076	6.0%	5.8%	5.8%	5.8%
	Dev. Gross	495,603,577	2,027,729,863	2,230,502,849	2,453,553,134	4.2%	15.8%	15.8%	15.8%
c) COUNTY PUBLIC SERVICE BOARD	**SUB-TOTAL**	**85,643,635**	**87,723,388**	**96,495,726**	**106,145,299**	0.7%	**0.7%**	0.7%	0.7%
	Rec. Gross	80,249,649	83,639,758	92,003,733	101,204,107	0.7%	0.7%	0.7%	0.7%
	Dev. Gross	5,393,986	4,083,630	4,491,993	4,941,192	0.0%	0.0%	0.0%	0.0%

MTEF SECTOR CEILINGS WITH INDICATIVE PROJECTIONS									
						%SHARE OF TOTAL EXPENDITURE			
SECTOR		**Approved Estimates**	**CFSP Ceilings**	**PROJECTIONS**		**Approved Estimates**	**CFSP Ceilings**	**PROJECTIONS**	
		2015/16	**2016/17**	**2017/18**	**2018/2019**	**2015/16**	**2016/17**	**2017/18**	**2018/2019**
d) PUBLIC SERVICE MANAGEMENT	**SUB-TOTAL**	**969,577,136**	**1,055,725,735**	**1,161,298,308**	**1,277,428,139**	8.2%	**8.2%**	8.2%	8.2%
	Rec. Gross	880,926,404	945,072,698	1,039,579,968	1,143,537,965	7.4%	7.4%	7.4%	7.4%
	Dev. Gross	88,650,732	110,653,036	121,718,340	133,890,174	0.7%	0.9%	0.9%	0.9%
e) COUNTY ASSEMBLY	SUB-TOTAL	1,029,444,948	897,821,679	987,603,847	1,086,364,232	8.7%	7.0%	7.0%	7.0%
	Rec. Gross	792,810,396	800,940,200	881,034,220	969,137,642	6.7%	6.2%	6.2%	6.2%
	Dev. Gross	236,634,552	96,881,479	106,569,627	117,226,590	2.0%	0.8%	0.8%	0.8%
						0.0%		0.0%	0.0%
TOTAL		**11,883,404,098**	**12,826,023,985**	**14,108,626,383**	**15,519,489,022**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
TOTAL REC. GROSS		8,301,641,233	8,912,936,969	9,804,230,666	10,784,653,733	69.9%	69.5%	69.5%	69.5%
TOTAL DEV. GROSS		3,581,762,865	3,913,087,016	4,304,395,717	4,734,835,289	30.1%	30.5%	30.5%	30.5%

5.3 Primary Ceilings

Table 5.0 above reflects the overall budget ceilings per sector and per County departments. Total recurrent expenditure comprises of compensation to employees, use of goods and services and maintenance. The non-discretionary charges which include payment of salaries to county employees and utility expenses shall take priority of all recurrent payments. Compensation to employees is composed of 63 percent of the planned total recurrent expenses for the FY 2016/2017. As a share of total expenditure for FY 2016/2017 total recurrent expenses will account for 69.5 percent.

Capital expenditure is expected to approximately 30.5 percent of the total County Budget. The breakdown for total include allocation of Ksh 1.375 billion to ward resource envelop, Ksh 50 million transfers to County Emergency Fund, Transfer of Ksh 96.8 Million and Ksh 25 Million capital transfer from the DANIDA. The County Government expects the development expenditure will be finance by transfers from equitable share of revenues (at 85 percent) and the balance from conditional grants and local revenue sources.

Considerations for additional expenditure will be guided by the following priority.

The County Government spending plans is to eliminate non-core and non-productive expenditures. During the next MTEF period therefore the County Government make priority to following areas in the event of additional revenues;

- Operationalisation of social infrastructure to maximises the gains being made in the current/ previous MTEF period
- Increase allocation for operations and maintenance for the County department of environment including payment of casual labourers
- Interventions observed from public participation activities including.
- Consideration for projects aimed at reducing poverty reduction and maximisations of equitable development.
- Increasing allocation for the completion of the county spatial planning.

5.4 MTEF Budget Sectors

i. **Energy Infrastructure and Information, Communication and Technology**

The sector aims at improving both quality and quantity of the existing Infrastructure facilities as well as ICT development. At the County level the sector is composed of the Roads Transport and Public Works as well ICT and e-Governance.
During the period 2014/15 the Roads sub-sector earmarked to grade and gravel 1600km of road and achieved 2161km, further 25 footbridges were targeted out of which 3 bridges

were completed. 300 streetlights were set out to be installed out of which 270 were installed.

The ICT sub sector achieved the following; procured and distributed 100 computers and accessories, Interconnect county offices to enable sharing of information, installed IP Telephones to improve internal communication.

Some of the specific programmes to be undertaken in the FY 2016/17 include; The Roads subsector has planned to rehabilitate 1800kms of road, install 400 new street lights across the county and rehabilitate 250 street lights

The ICT sub-sector has planned to install Wide Area Networks connecting all sub counties and various county offices, set up a call centre at the County Headquarters, set up 3 digital villages and install Structured cabling- LAN

During the FY 2016/17 period, the Roads infrastructure sub sector has been allocated Ksh 673,112,727 up from the FY 2015/16 approved budget of Ksh. 588,914,135, of this, Ksh. 317,275,130 will been allocated to Recurrent whereas Ksh. 355,837,598 will be for development. This is projected to increase to Ksh. 740,424,000 and Ksh. 814,466,400 the FY 2017/18 and FY 2018/19 respectively.

However the allocations are much less than the sub sector requirements of Ksh 939,810,622. Nonetheless the County Government has noted from the draft Budget Policy Statement that the sub sector expect to benefit from an additional funding of Ksh 134,560,844 allocated through the Road Maintenance Levy Fund (RMLF).

On the other hand the ICT sub sector has been allocated Ksh. 134,109,530 (that is Ksh 53,015,386 for recurrent expenditure and Ksh. 81,094,145 for Development expenditure). This is an improvement from the approved allocation for the FY. 2015/16 of Ksh. 95,514,215.

Emerging issues in this sector include reclassification of roads and transfer of all county roads to be done by the county government.

ii. Health Sector

The health sector goal is to reduce inequalities in health care services and reversing the downward trend in health related outcomes in the County. The health functions devolved are County health facilities and pharmacies, ambulance services, promotion of primary health care and licensing and control of undertakings that sell food to public. Former Nakuru Provincial General Hospital and other seven (Naivasha, Gilgil, Bahati, Molo, Elburgon, Olenguruone and Annex) Hospitals plus health centres and Dispensaries as per the Constitution of Kenya 2010, Sixth schedule as read with section 23 and 24 of the Transition to Devolved Government Act 2012, and further to the legal notice no. 157 of 2013.

In order to achieve its goal, the sector has six objectives: Eliminate communicable conditions; Halt and reverse the rising burden of non-communicable conditions; reduce the burden of violence and injuries; minimize exposure to health risk factors; provide essential health services and strengthen collaboration with health related sectors.

The Sector receives 30% of the total County budget which is the highest across all budget sectors though the sector still experiences underfunding.

The sectors' achievement in the FY 2014/15 were; construction of dispensaries within the county most which are at various level of completion, upgrading of various Health Centre i.e Subukia Health Centre, Kabatini Health Centre, Construction of a sanitary block in Flamingo estate, construction of an Eco-toilet at Njoro and purchase of ambulances.

In the FY 2016/2017 the County government has allocated Ksh. 4,263,940,710 (that is Ksh 3,908,125,100 recurrent and Ksh 355,815,610, for Development) to finance priority programmes in the Health sector against a resource requirement of Ksh. 5,102,000,509. Out of the above allocation the Facility Improvement Fund (FIF) collections is projected to be Ksh 605,000,000.

The County Level 5 hospital has been allocated Ksh. 356,069,364 as per the baseline contained in the Budget Policy Statement 2016. This is a drop by 15 percent compared to the allocation for the FY. 2015/16 which is Ksh. 377,193,143.
Further the sector has been allocated Kshs.215, 283,613 for Free Maternity Health care as well as Kshs. 39,216,180 as compensation of user fees foregone for dispensaries and health centres and Kshs 95,744,681 for lease of medical equipment.

Further an amount of Ksh 25,260,000 of the Health sector allocations for FY 2016/2017 is expected to come from a DANIDA Donor grant.

It is worthy to note that while there evident gaps in County healthcare financing, national Government and Other Major Donors (WHO, World bank, USAID, HSSF) still bridge a significant budgetary gaps through direct transfers to facilities for instance in the immunisation and treatment of selected Major Diseases like Malaria, Tuberculosis and HIV/AIDs including supply of ARVs.

Challenges and emerging issues in the sector include;

1. New epidemics e.g. Zika, Cholera, MDR TB and Increase in Non-Communicable diseases
2. Fast expansion of health facilities vs inadequate funding for operationalization.
3. Increased demand for drugs and health commodities due to rapidly increasing life style diseases

4. High cost of HIV/AIDS, T.B, Malaria and RH drugs and vaccines (Previously under National government but are now the responsibly of the county government.

iii. Environment Protection, Water and Natural Resources

The sector objective is to promote, conserve and protect the environment and improve access to water and enhance sustainable use of Natural resources. The sector plays a key role in ensuring that every citizen has access to portable water in a clean and secure environment. Under this sector, functions include, soil and water conservation, forestry, storm water management, and water and sanitation services, air pollution, noise pollution, other public nuisance and outdoor advertising.

During the period 2014/2015 the sector was able to achieve the following;

- ***Tree Planting and beatification.***

The sector managed to plant more than 100,00 of various species of trees in the sub-counties, under climate change mitigation and partners contribution for the purpose of increasing forest cover .

The sector has partnered with various partners in beautifying our urban areas the area of concentration being towns' roundabouts, open spaces, road medians, and open spaces especially in Nakuru and Naivasha.

Rehabilitation of County 's Lions garden has been a success story whereby the garden has received a facelift though Climate change mitigation project and partners like Safaricom.

- ***Environmental Conservation and solid waste management***

The sub-sector has drafted Environmental conservation and management bill 2015 which has been forwarded to county Legal office for submission to the county assembly. The Sub-sector has constructed a pollution and quality control laboratory in Naivasha and Molo.

- ***County Water services***

The sub-sector has managed to increase water accessibility through borehole drilling, increased reticulation and rehabilitation. Area of coverage increased by 2%.

Going forward the sector has planned to increase accessibility to water by drilling 9 bore holes, desilting 6 water pans, protect 4 water springs as well as rehabilitate 10 water projects. On solid waste management, the sector plans to fence 3.5 Km of sewerage treatment plant as well as increase the number of households with sewerage connectivity and purchase 3 refuse trucks.

To achieve the above projects and programmes the Sector requires Ksh 2,202,995,508 but has been allocated Ksh 544,992,703 that's Kshs. 365,876,313 recurrent expenditure and Kshs. 179,116,390 for development.

Some of the challenges facing the sector include; lack of land for solid waste management as people are not willing to sell land for the purpose of solid waste management.

iv. Public Administration and Internal Relations Sector

The sector plays a critical role facilitating public service delivery as well as providing supportive services to other county Government entities. The sector also oversees county legislation, resource mobilisations, intergovernmental relations, public service management, recruitment and placement and overall political leadership. Management of the county public service and resource mobilisation, policy formulation and implementation are some of the other cross cutting mandates of the sector.

During the 2016/2017- 2018/2019 MTEF period, the sector will comprise of 16 major programmes aimed at attaining the mandates highlighted above as well transforming the county public service delivery and overall leadership on economic management of the fiscal resources. Other major programmes include public finance management, coordination of County and sub county Coordination services, Human resource advisory services, and County legislation and oversight functions, providing intergovernmental linkages.

To implement the planned programmes for the sector Total allocation for the sector will reach Ksh 3.29 billion in FY 2016/2017 up from Ksh3.29 billion in the current budget. This exclude the allocation for the Ward resource envelop for Ksh 1.375 billion which are allocated in the department of Finance and Economic Planning. The total allocation including ward resource envelope comprises of 37.5 percent of the budget. Allocation to County Assembly for FY 2016/2017 is seven percent of the total budget as envisaged in section 25 (f) PFM regulation (County Government).

v. Education Sector/ Social Protection

The Sector comprise the Education (ECDE), Culture & Gender, Youth Affairs & Vocational Training, Sports, Social Services and community development directorates. The goal of the sector is to realize issues relating to youth development, culture and gender, social services, sports development, early children education, betting and control in the county.

In the MTEF period 2016/17-2018/19, the sector has prioritized the following programmes, in order to meet its mandate: Promotion of Early Childhood Education and development; Youth empowerment, training and participation; Development of Socio-cultural diversity, economic empowerment and promotion of responsible gaming; Management and development of sports, recreation and sports facilities and Administration, Planning and support services.

In order to implement these priorities, the sector has been allocated Ksh 737,941,550 in the FY 2016/2017, Ksh 811,735,705 in 2017/18 and Ksh 892,909,275 in 2018/19 in the CFSP, representing 5.8% of the county budget. Recurrent ceilings for the MTEF period is Ksh 632,173,926, Ksh 695,391,318 and Ksh 764,930,450 respectively, whereas the development ceilings for the same period is Ksh 105,767,624, Ksh 116,344,387 and Ksh 127,978,825. The Development Expenditure ceilings are expected to increase substantially once the public participation fora on budget preparation are concluded, when the community prioritizes on the Ward Resource Envelope.

vi. Agriculture, Rural and Urban Development Sector

The sector comprises of two subsector, namely: Agriculture, Livestock and Fisheries and the Lands, Housing and Physical planning subsector. The total sector allocation as contained in the CFSP is Ksh 1,077,855,221 for FY 2016/17, Ksh 1,185,640,743 in 2017/18 and Ksh 1,304,204,818 in 2018/19 representing 8.4% of county budget ceilings.

The Agriculture, Livestock and Fisheries subsector’s goal is to attain food security, sustainable land management and improve linkage to markets. In the MTEF period, the subsector will implement the following programmes, in order to meet its mandate: Livestock Resources Management and Development; Fisheries Management and Development; Crop Development and Management; Administration, planning and Support Services. The subsector allocation amounts to Ksh 764,197,322 representing 6% of the county budget in the FY 2016/17. Of this, Ksh 575,616,520 is recurrent whereas Ksh 188,580,802 is development. The development ceiling may increase depending on the outcomes of public participation forums on Ward Resource Envelope during budget preparation.

The Lands, Housing and Physical Planning subsector is mandated to implement Land Policy, undertake Physical Planning, Land Surveys & mapping and provide affordable and accessible housing. In the MTEF period, the department will implement the following programmes: Administration, Planning, Management and Support Services; Land Use Planning and Survey; Development and management of housing. To achieve this, the Subsector CFSP allocation is Ksh 313,657,899 in FY 2016/17, Ksh 345,023,689 in 2017/18 and 379,526,058, representing 2.4% of the county budget ceilings. In the FY 2016/17, the recurrent vote ceilings is Ksh 122,991,841 while that of development is Ksh 190,666,059, which is likely to increase at the conclusion of budget preparation.

vii. General Economics and Commercial Affairs Sector

The sector encompasses the department of Trade, Industrialization, Cooperative and Tourism Management. The sector works towards achievement of creating conducive environment for the development and growth of trade and industrialization, Cooperatives and Tourism.

To achieve its mandate in the MTEF period the sector will implement the following programmes: Administration, Planning and Support Services; Cooperative Development & Management; Commerce and Enterprises; Market Rehabilitation & Development; Tourism Development & Management.

Towards this goal, the sector has been allocated a CFSP ceiling of Ksh 250,321,045 in 2016/17, Ksh 275,353,150 in 2017/18 and Ksh 302,888,465 in 2018/19, representing 2% of the county budget ceilings. For the FY 2016/17, the recurrent vote ceiling amounts to Ksh 130,172,159, while that of development is Ksh 120,148,886, which is likely to get enhanced depending on the outcomes of the public participation meetings on budget priorities for the year 2016/17.

Annex 1: County Government of Nakuru operations FY 2016/2017-2018/2019

REVENUE SOURCE	APPROVED ESTIMATES	CFSP Ceilings	PROJECTIONS		ANNUAL GROWTH	% GROWTH			
	2015/2016	2016/2017	'2017/2018	2018/2019		2016/2017	'2017/2018	2018/2019	Percent of total Receipts
Property tax (Plot rent and Land rates	620,000,000	682,000,000	750,200,000	825,220,000	62,000,000	10.0%	10%	10%	5.3%
Single Business Permit	420,000,000	462,000,000	508,200,000	559,020,000	42,000,000	10.0%	10%	10%	3.6%
Market Fees	105,000,000	115,500,000	127,050,000	139,755,000	10,500,000	10.0%	10%	10%	0.9%
Building Approval	80,325,850	88,358,435	97,194,279	106,913,706	8,032,585	10.0%	10%	10%	0.7%
Cess	125,910,000	138,501,000	152,351,100	167,586,210	12,591,000	10.0%	10%	10%	1.1%
Royalties	103,092,000	113,401,200	124,741,320	137,215,452	10,309,200	10.0%	10%	10%	0.9%
Stock/ Slaughter fees	20,000,000	22,000,000	24,200,000	26,620,000	2,000,000	10.0%	10%	10%	0.2%
House Rent	50,000,000	55,000,000	60,500,000	66,550,000	5,000,000	10.0%	10%	10%	0.4%
Advertising	288,000,000	316,800,000	348,480,000	383,328,000	28,800,000	10.0%	10%	10%	2.5%
Parking fees	265,000,000	291,500,000	320,650,000	352,715,000	26,500,000	10.0%	10%	10%	2.3%
Liquor Licensing	85,000,000	93,500,000	102,850,000	113,135,000	8,500,000	10.0%	10%	10%	0.7%
County Park Fees	5,000,000	5,500,000	6,050,000	6,655,000	500,000	10.0%	10%	10%	0.0%
Water And Sewerage	4,500,000.00	4,950,000	5,445,000	5,989,500	450,000	10.0%	10%	10%	0.0%
Health fees and charges	70,000,000.00	77,000,000	84,700,000	93,170,000	7,000,000	10.0%	10%	10%	0.6%
Other Fees and Charges	119,321,839.00	131,254,023	144,379,425	158,817,368	11,932,184	10.0%	10%	10%	1.0%
Total Local Sources	**2,361,149,689**	**2,597,264,658**	**2,856,991,124**	**3,142,690,236**	236,114,969	**10.0%**	**10%**	**10%**	**20.2%**
Facilitiy Improvement Fund	550,000,000	605,000,000	665,500,000	732,050,000	55,000,000	10.0%	10%	10%	4.7%
SUB TOTAL (AIA & Local Sources)	**2,911,149,689**	**3,202,264,658**	**3,522,491,124**	**3,874,740,236**	**291,114,969**	**20.00%**	**20.00%**	**20.00%**	**25.0%**

REVENUE SOURCE	APPROVED ESTIMATES	CFSP Ceilings	PROJECTIONS		ANNUAL GROWTH	% GROWTH			
	2015/2016	2016/2017	'2017/2018	2018/2019		2016/2017	'2017/2018	2018/2019	Percent of total Receipts
Donor Grants (DANIDA)	22,880,000	25,260,000	25,260,000	25,260,000	2,380,000	10.4%	0%	0%	0.2%
Loans and Grants CRA	-	-	-	-	-		0%	0%	0.0%
Conditional Allocation to compensate Forgone user fees	37,373,449	39,216,180	-	-	1,842,731	4.9%	0%	0%	0.3%
Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681	-	-	-	0.0%	0%	0%	0.7%
Conditional Fund -Free Maternal Health	219,627,800	215,283,613	-	-	- 4,344,187	-2.0%	0%	0%	1.7%
Road Maintenance Fuel Levy Fund (RMFLF)	103,104,393	134,560,844	124,756,316	137,231,947	31,456,451	30.5%	10%	10%	1.0%
Conditional Allocation For Level- 5 Hospital	377,193,143	356,069,364	456,403,703	502,044,073	- 21,123,779	-5.6%	10%	10%	2.8%
C.R.A Equitable Share	8,116,330,943	8,757,624,645	10,090,425,537	11,250,824,473	641,293,702	7.9%	12%	12%	68.3%
SUB TOTAL	**8,972,254,409**	**9,623,759,327**	**10,696,845,555**	**11,915,360,494**	**651,504,918**	7.3%	11%	11%	75.0%
GRAND TOTAL	**11,883,404,098**	**12,826,023,985**	**14,219,336,679**	**15,790,100,730**	**942,619,887**	7.93%	11%	11%	100.0%
Expenditure:		-			-				0.0%
Current Expenditure:		-			-				0.0%
Compensation to Employees	4,919,199,048	5,620,118,952	5,789,897,279	6,079,392,143	700,919,905	14.2%	7%	5%	43.8%
Use Of Goods And Services	3,171,419,322	3,081,244,010	3,629,689,414	3,956,361,461	- 90,175,311	-2.84%	9%	9%	24.0%
Grants And Other Transfers		-			-				0.0%
Other Recurrent	211,022,863	211,574,006	239,299,927	258,443,921	551,143	0.26%	8%	8%	1.6%
Sub Total:	**8,301,641,233**	**8,912,936,969**	**9,658,886,620**	**10,294,197,525**	**611,295,737**	**7.4%**	**8%**	**7%**	**69.5%**
Capital Expenditure:		-			-				0.0%
Acquisition Of Non-Financial Assets	3,528,882,865	3,835,577,016	4,499,715,059	5,431,620,705	306,694,151	8.7%	19%	21%	29.9%

REVENUE SOURCE	APPROVED ESTIMATES	CFSP Ceilings	PROJECTIONS		ANNUAL GROWTH	% GROWTH			
	2015/2016	2016/2017	'2017/2018	2018/2019		2016/2017	'2017/2018	2018/2019	Percent of total Receipts
Capital Grants To Governmental Agencies	22,880,000	25,260,000	25,260,000	25,260,000	2,380,000	10.4%	0%	0%	0.2%
Other Development	30,000,000	52,250,000	35,475,000	39,022,500	22,250,000	74.2%	10%	10%	0.4%
Sub Total:	**3,581,762,865**	**3,913,087,016**	**4,560,450,059**	**5,495,903,205**	**331,324,151**	9.3%	19%	21%	30.5%
Grand Total:	**11,883,404,098**	**12,826,023,985**	**14,219,336,679**	**15,790,100,730**	**942,619,887**	7.9%	11%	11%	100.0%
DEFICIT/ SURPLUS	-	-	-		-		0	0	
PERCENT OF TOTAL BUDGET		-			-				
Current Expenditure:	70%	69%	68%	65%	- 0	-0.5%	-3%	-4%	
Capital Expenditure:	30.1%	30.5%	32.1%	34.8%	0	1.2%	6.9%	8.5%	

Annex II: Medium Term Expenditure Framework Sector Ceilings

MINISTRY		CFSP CEILINGS 2016/2017		PROJECTIONS 2017/2018			PROJECTIONS 2018/2019		
		DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL
Office of The Governor & Deputy Governor	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	76,711,894	224,150,522	162,182,490	84,383,084	246,565,574	178,400,739	92,821,392	271,222,131
	Local Revenue	20,000,000	109,586,854	98,545,540	22,000,000	120,545,540	108,400,094	24,200,000	132,600,094
	SUB TOTAL	**96,711,894**	**333,737,376**	**260,728,029**	**106,383,084**	**367,111,113**	**286,800,832**	**117,021,392**	**403,822,225**
				-					

MINISTRY		CFSP CEILINGS 2016/2017		PROJECTIONS 2017/2018			PROJECTIONS 2018/2019		
		DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL
County Treasury	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	2,007,729,863	2,359,895,601	387,382,312	2,208,502,849	2,595,885,161	426,120,543	2,429,353,134	2,855,473,677
	Local Revenue	20,000,000	408,846,721	427,731,393	22,000,000	449,731,393	470,504,533	24,200,000	494,704,533
	SUB TOTAL	**2,027,729,863**	**2,768,742,322**	**815,113,705**	**2,230,502,849**	**3,045,616,554**	**896,625,076**	**2,453,553,134**	**3,350,178,210**
Ministry of Health	FIF	55,000,000	605,000,000	605,000,000	60,500,000	665,500,000	665,500,000	66,550,000	732,050,000
	Donor Grant (DANIDA)	25,260,000	25,260,000						
	Conditional Fund Level 5 Hosp.	87,135,162	356,069,364	295,827,623	95,848,678	391,676,300	325,410,385	105,433,546	430,843,930
	Conditional Fund Free Maternal Health	30,000,000	215,283,613	203,811,974	33,000,000	236,811,974	224,193,172	36,300,000	260,493,172
	Conditional Allocation to compensate Forgone user fees	-	39,216,180	37,373,449	-	37,373,449	41,110,794	-	41,110,794
	Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681						
	Equitable Share	62,675,767	2,515,859,592	2,698,502,208	68,943,344	2,767,445,552	2,968,352,428	75,837,678	3,044,190,107
	Local Revenue		411,507,279	452,658,007	-	452,658,007	497,923,808	-	497,923,808
	SUB TOTAL	**355,815,610**	**4,263,940,710**	**4,293,173,261**	**258,292,022**	**4,551,465,282**	**4,722,490,587**	**284,121,224**	**5,006,611,811**
Ministry of Roads, Transport & Public Works	Conditional Fund (RMFLF)	134,560,844	134,560,844	-	148,016,928	148,016,928	-	162,818,621	162,818,621

MINISTRY		CFSP CEILINGS 2016/2017		PROJECTIONS 2017/2018			PROJECTIONS 2018/2019		
		DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL
	Equitable Share	191,276,754	358,936,822	184,426,076	210,404,429	394,830,505	202,868,683	231,444,872	434,313,555
	Local Revenue	30,000,000	179,615,061	164,576,567	33,000,000	197,576,567	181,034,224	36,300,000	217,334,224
	SUB TOTAL	**355,837,598**	**673,112,727**	**349,002,643**	**391,421,357**	**740,424,000**	**383,902,907**	**430,563,493**	**814,466,400**
Ministry of Agriculture, Livestock & Fisheries	Conditional Fund		-	-	-	-	-		
	Equitable Share	177,580,802	525,274,580	382,463,156	195,338,882	577,802,038	420,709,471	214,872,770	635,582,241
	Local Revenue	11,000,000	238,922,742	250,715,016	12,100,000	262,815,016	275,786,518	13,310,000	289,096,518
	SUB TOTAL	**188,580,802**	**764,197,322**	**633,178,172**	**207,438,882**	**840,617,054**	**696,495,989**	**228,182,770**	**924,678,759**
Ministry of ICT & e-Government	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	71,094,145	103,356,418	35,488,500	78,203,559	113,692,059	39,037,350	86,023,915	125,061,265
	Local Revenue	10,000,000	30,753,113	22,828,424	11,000,000	33,828,424	25,111,267	12,100,000	37,211,267
	SUB TOTAL	**81,094,145**	**134,109,530**	**58,316,924**	**89,203,559**	**147,520,483**	**64,148,616**	**98,123,915**	**162,272,532**
Ministry of Education, Culture, Youth Affairs, Sports And Social Services	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	95,767,624	434,263,223	372,345,158	105,344,387	477,689,545	409,579,674	115,878,825	525,458,500
	Local Revenue	10,000,000	303,678,327	323,046,160	11,000,000	334,046,160	355,350,776	12,100,000	367,450,776
	SUB TOTAL	**105,767,624**	**737,941,550**	**695,391,318**	**116,344,387**	**811,735,705**	**764,930,450**	**127,978,825**	**892,909,275**
Ministry of Land, Housing And Urban Development	Conditional Fund		-	-	-	-	-	-	-

MINISTRY		CFSP CEILINGS 2016/2017		PROJECTIONS 2017/2018			PROJECTIONS 2018/2019		
		DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL
	Equitable Share	164,965,291	227,982,000	69,318,380	181,461,821	250,780,200	76,250,218	199,608,003	275,858,220
	Local Revenue	25,700,767	85,675,899	65,972,645	28,270,844	94,243,489	72,569,910	31,097,928	103,667,838
	SUB TOTAL	**190,666,059**	**313,657,899**	**135,291,025**	**209,732,665**	**345,023,689**	**148,820,127**	**230,705,931**	**379,526,058**
Ministry of Trade, Tourism & Cooperatives	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	112,448,119	209,229,757	106,459,802	123,692,930	230,152,733	117,105,782	136,062,224	253,168,006
	Local Revenue	7,700,767	41,091,288	36,729,573	8,470,844	45,200,417	40,402,530	9,317,928	49,720,459
	SUB TOTAL	**120,148,886**	**250,321,045**	**143,189,375**	**132,163,775**	**275,353,150**	**157,508,313**	**145,380,152**	**302,888,465**
Ministry of Public Service Management	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	95,054,571	664,060,240	625,906,236	104,560,028	730,466,264	688,496,859	115,016,031	803,512,890
	Local Revenue	15,598,465	391,665,495	413,673,733	17,158,312	430,832,045	455,041,106	18,874,143	473,915,249
	SUB TOTAL	**110,653,036**	**1,055,725,735**	**1,039,579,968**	**121,718,340**	**1,161,298,308**	**1,143,537,965**	**133,890,174**	**1,277,428,139**
Ministry of Environment, Water & Natural Resources	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	169,116,390	386,500,447	239,122,462	186,028,029	425,150,491	263,034,709	204,630,832	467,665,540
	Local Revenue	10,000,000	158,492,256	163,341,481	11,000,000	174,341,481	179,675,630	12,100,000	191,775,630
	SUB TOTAL	**179,116,390**	**544,992,703**	**402,463,944**	**197,028,029**	**599,491,973**	**442,710,338**	**216,730,832**	**659,441,170**
Public Service Board	Conditional Fund		-	-	-	-	-	-	-

MINISTRY		CFSP CEILINGS 2016/2017		PROJECTIONS 2017/2018			PROJECTIONS 2018/2019		
		DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL	RECURRENT	DEVELOPMENT	SUB TOTAL
	Equitable Share	4,083,630	62,863,930	64,658,330	4,491,993	69,150,323	71,124,163	4,941,192	76,065,356
	Local Revenue		24,859,457	27,345,403	-	27,345,403	30,079,943	-	30,079,943
	SUB TOTAL	**4,083,630**	**87,723,388**	**92,003,733**	**4,491,993**	**96,495,726**	**101,204,107**	**4,941,192**	**106,145,299**
County Assembly	Conditional Fund		-	-	-	-	-	-	-
	Equitable Share	96,881,479	685,251,514	647,207,039	106,569,627	753,776,666	711,927,743	117,226,590	829,154,332
	Local Revenue		212,570,164	233,827,181	-	233,827,181	257,209,899	-	257,209,899
	SUB TOTAL	**96,881,479**	**897,821,679**	**881,034,220**	**106,569,627**	**987,603,847**	**969,137,642**	**117,226,590**	**1,086,364,232**
SUB TOTAL	**AIA**	**55,000,000**	**605,000,000**	605,000,000	60,500,000	665,500,000	665,500,000	66,550,000	732,050,000
SUB TOTAL	**Conditional Fund**	**347,440,687**	**840,874,682**	542,777,395	382,184,755	924,962,150	597,055,134	420,403,231	1,017,458,365
SUB TOTAL	**DONOR GRANT (DANIDA)**	**25,260,000**	**25,260,000**	-	27,786,000	27,786,000	-	30,564,600	30,564,600
SUB TOTAL	**EQUITABLE SHARE**	**3,325,386,329**	**8,757,624,645**	5,975,462,147	3,657,924,962	9,633,387,110	6,573,008,362	4,023,717,458	10,596,725,820
SUB TOTAL	**LOCAL REVENUE**	**160,000,000**	**2,597,264,658**	2,680,991,124	176,000,000	2,856,991,124	2,949,090,236	193,600,000	3,142,690,236
GRAND TOTAL AMOUNT		**3,913,087,016**	**12,826,023,985**	**9,798,466,317**	**4,171,290,568**	**13,969,756,885**	**10,778,312,949**	**4,588,419,625**	**15,366,732,574**