REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

APPROVED LAIKIPIA COUNTY FISCAL STRATEGY PAPER (CFSP)

2020

COUNTY VISION AND MISSION

Vision

The Greatest County with the Best Quality of Life

Mission

To enable every household in Laikipia County lead a prosperous life

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The Laikipia County Fiscal Strategy Paper (CFSP) for the year 2020 is a key policy document of the County Government of Laikipia that indicates how the government intends to finance programmes and prioritize allocation of resources to implement programs and projects in the approved Annual Development Plan (ADP).

This approved version incorporates the inputs of the County Assembly as per the report on the approval of the CFSP by the County Assembly. It also take cognisant of the memorandum by the by my office necessitated by the COVID-19 pandemic. The proposed Covid interventions highlight measures to mitigate and revive the economy from the impact of the pandemic.

The county continues to embrace fiscal responsibility in line with the Public Finance Management Act 2012 Sec. 107 and the Public Finance Management Regulations (county governments), 2015, Sec. 25. This will be accomplished by progressively bringing the personnel emoluments down towards the required 35% of total budget target; reductions in the recurrent expenditure; allocating more resources to the development budget to above 30% and sustained revenue growth. In preparing this document, a number of factors are considered.

First, this paper reviews the budget performance for the 2019/20 financial year to establish whether the revenue and expenditure estimates were realistic based on the actual performance. In outlining the revenue sources, the Government utilizes the proposed allocations from equitable share and conditional grants outlined in the Budget Policy Statement issued by the Cabinet Secretary to the National Treasury and Planning in February of each year, projections of own revenue sources (OSR) and debt where approval has been granted by the National Treasury.

Second, the paper outlines the legislative and executive actions the County Government will undertake to grow the economy by at least 10% annually, raise revenues and manage expenditure to achieve a balanced budget.

Third, based on the strategic priorities, the paper allocates resources, commonly referred to as ceilings to line departments and County owned entities (semi-autonomous county government agencies). After approval of the CFSP, the line departments and County semi-autonomous agencies are then expected to generate budget estimates based on the programs/projects in the ADP for presentation to the County Assembly.

I confirm that the strategic priorities reflect objectives of the County Integrated Development Plan (CIDP 2018-2022), the county medium term framework for achieving fiscal balance and growing the Gross County Product by at least 10%. Consequently, the National Government's medium term framework captured 2019 Budget Policy Statement (BPS) theme: **Unlocking economic potential by harnessing "The Big Four"** has also been reflected.

In preparing this CFSP, we refer to the baseline from the Gross County Product data released in 2019, which places Laikipia as 3rd fastest growing county in Kenya with a growth rate of 8.6%, against the national growth rate of 5.6% during the same period. In this paper, in order to attain the 10% economic growth rate and improve the Human Development Index for the people of Laikipia the measures below will be undertaken:

a) Improving access and quality to and of our health facilities and pay great emphasis on preventive measures – ultimately maintaining the county's position of being the county with the highest lifespan in the country of 71.9 years against the Country's 67 years (KNBS).

b) Setting enough resources for infrastructural development through purchasing, leasing, partnering with government and non-government agencies to provide machinery and equipment, skills, expertise and management required to improve our roads network, develop county spatial plan as we upgrade our markets to smart-town standards. This will in turn spur economic growth through access to markets, movement of people, produce and goods, provision of water and ultimately improve the GCP per capita and give a decent standard of life.

c) We continue supporting the entities created by law (Laikipia County Development Authority, Laikipia County Revenue Board, Nanyuki Teaching and Referral Hospital and Nyahururu County Referral Hospital and the Laikipia County Public Service Board) to bring in proper corporate governance for sustained efficiency, enhance autonomy and cultivate accountability for better service delivery, sustainability and ultimately spur economic growth.

d) The county will make deliberate moves to harness innovation with the aim of incubating industries and supporting manufacturing. This will be done within our VTI and establishment of Industrial parks within the county. The County Government will also play a great role, supporting the national government, in helping improve transition of ECDE pupils into primary school, secondary school and ultimately to tertiary education through provision of bursary, mentorship and other materials and social support. Further, more ICT hubs will be set for the youth to access information.

   The county will further continue developing resources – through training of the county staff (targeting 350 staff members) on enterprise development that are expected to train individuals start and/or expand businesses.

e) Agriculture will also be a key driver. Increased productivity through irrigated agriculture, better seeds varieties, improved animal husbandly, embracing and encouraging feedlot ting, contracting farmers among other contemporary agricultural approaches. This will increase our county's GCP and ultimately improve our citizen's life standards through better nutrition and increased per capital.

In order to realise these targets and taking cognisance of limited resources, the county government shall continue to enhance the county revenue base to an increased resource envelope – through expansion of tax base and expand collaboration with private sector and development partners to complement the implementation of programmes.

In compiling this CFSP, we benefitted from the wise counsel and guidance of H.E the Governor, H.E the Deputy Governor and Hon. Speaker. The Finance, Planning, Budgeting and Appropriation Committees of the County Assembly of Laikipia played a critical role by providing oversight to the process. Equally, we received support and contributions from my CECM colleagues. We also consulted a wide range of stakeholders and the general public in line with the requirements of the Public Finance Management (PFM) Act and the Constitution.

Murungi Ndai
County Executive Committee Member
Finance, Economic Planning and County Development

ACKNOWLEDGEMENTS

This County Fiscal Strategy Paper 2020 has been prepared in accordance with Section 117 of the Public Finance Management (PFM) Act, 2012. It outlines the current state of the economy and outlook over the medium term, broad macroeconomic issues and the medium term fiscal framework, resource envelope and criteria for resource allocation, key strategic priorities and policy goals and a summary of the Government's spending plans as a basis for the FY 2020/21 budget. The CFSP is expected to improve the public's understanding of public finances in Laikipia and guide development and implementation of government programs.

The preparation of the Laikipia County Fiscal Strategy Paper 2020 was a collaborative effort supported by individuals, government agencies and entities. The County Executive Committee Members played a key role by providing departmental support towards the finalization of this paper.

I recognise the leadership role provided by CECM for Finance and Economic Planning and his guidance in the entire process. I also thank the other county government departments and Agencies for providing necessary information and technical assistance in the preparation of CFSP. We are highly indebted to the County officers for conducting very successful and insightful CFSP public participation forums across the county at the sub location level.

In addition, I am grateful to the core team in the County Treasury, Economic Planning Unit, Budget department and Laikipia County Revenue Board which spent a significant amount of time putting together this document.

Finally, I thank the Ward administrators, ward level technical staff and members of public who prepared the ground, mobilised and participated at the sub location level fora whose views greatly enhanced the County Fiscal Strategy Paper 2020.

Paul Njenga Waweru,
Ag. Chief Officer, Finance and Economic Planning

ABBREVIATIONS AND ACRONYMS

AIA	Appropriation in Aid
BPS	Budget Policy Statement
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CRA	Commission on Revenue Allocation
COMS	County Operations Management Systems
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development Education
FY	Financial Year
GDP	Gross Domestic Product
GCP	Gross County Product
HFIF	Hospital Facility Improvement Fund
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LCDB	Laikipia County Development Board/Authority
LCPSB	Laikipia County Public Service Board
LCRB	Laikipia County Revenue Board
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NSE	Nairobi Stock Exchange
PFMA	Public Finance Management Act
PPP	Public Private Partnership
NTRH	Nanyuki Teaching and referral Hospital
NYTRH	Nyahururu Teaching and Referral Hospital

CONTENTS

LIST OF TABLES

LIST OF FIGURES

EXECUTIVE SUMMARY

The fiscal strategy of Laikipia County Government for the year 2020/2021 is set out in this paper. The CFSP is prepared in accordance to PFM Act section 117 which states that, the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and then shall submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.

The contents of the CFSP are largely informed by the PFM Act section 117(2) which provides for the aligning of the CFSP with the national objectives in the Budget Policy Statement. The CFSP serves as the basis for the preparation of the annual estimates of revenue and expenditure for the County Budget FY 2020/2021. The County Fiscal Strategy Paper has five chapters, as outlined below:

Chapter I- Introduction to County Fiscal Strategy Paper. This chapter outlines legal basis for the preparation of the county fiscal strategy paper, fiscal responsibility principles and the strategic objective of the County Government.

Chapter 2 - Recent global, national and county economic developments. This chapter highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

Chapter 3 - Macro-economic policy framework and medium term outlook. This chapter explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term. Further, the chapter includes the County's medium term framework, outlining the strategic legislative and executive actions that Government will undertake to accelerate economic growth, raise additional own-source revenue and costs management. In addition, analysis of budget performance and significant internal risks to the outlook are highlighted.

Chapter 4 - Fiscal framework and structural measures for 2019/20 and the medium term. This chapter highlights the projections for county revenue, recurrent and development expenditure. It sets out a framework for sustainable public finances management, while managing vulnerability to economic and fiscal risks.

Chapter 5 - Resource envelope and criteria for resource allocation. This chapter highlights the resource envelope, sector ceilings and spending priorities for FY 2020/21, MTEF budget and the medium term. This is informed by the national objectives and goals as outlined in the 2020 Budget Policy Statement and the set out resource sharing guidelines.

CHAPTER ONE
INTRODUCTION

1.1 Introduction

Kenya has continued to implement the two-tier system of government comprising of national and county governments as stipulated in the Constitution of Kenya, 2010. The county governments are responsible for spearheading development in their respective areas of jurisdiction. They are to achieve this through a participatory process that links planning and budgeting as provided for in Section 102 of the County Government Act, 2012.

The Public Finance Management Act, 2012 provides guidelines on the budgeting process. Towards ensuring a comprehensive budget process, the county governments are expected to prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by 28th February of each year.

1.2 Legal Basis for the Preparation of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is prepared in accordance with Section 117 of the Public Finance Management (PFM) Act. The law states that:

- The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- The County Treasury shall seek and take into account the views of the Commission on Revenue Allocation (CRA), the public, any interested persons or groups and any other forum that is established by legislation.
- It further states that the County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Fiscal Responsibility Principles for the County Government

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107 (1-2) of Public Finance Management Act states that; in managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

- The County government's recurrent expenditure shall not exceed the county government's total revenue.
- Over the medium term a minimum of 30% of the County government's budget shall be allocated to the development expenditure.

- The County government's expenditure on wages and benefits for public officers shall not exceed 35% of the County government's total revenue as provided by PFM Act 2015 regulations.
- 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 debt shall be maintained at a sustainable level as approved by County Assembly.
- Fiscal risks shall be managed prudently
- A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking in to account any tax reforms that may be made in the future.

1.4: Strategic Objectives of the County Government

To achieve the County Government's development goals and transformative agenda, this County Fiscal Strategy Paper targets to raise the share of development budget, building a world class public service and improving the business climate to retain current businesses and attract new large investors. The expected outcomes in the medium term will include;

- Increase access to water – piped and accessible for household use, business us and for agriculture from the current 67% to at least 80%. This will ultimately expand land under irrigated agriculture to over 50,000 acres.
- Have mining as a key pillar to boost our economy by attracting detailed exploration, incentivize investment into value addition to the minerals.
- Focus to increase the Gross County Product to at least 360B from the current 120B by 2022 and there for raising the per capita income from the current Ksh 19,284 to Ksh 52,943 within the medium term.
- Grow licensed businesses to 70,000 businesses in Laikipia that would support 100,000 employees and further continue supporting new and expanding current innovations.
- Raising the literacy rates, business and technical skills (technical and entrepreneurship) of the youth.

1.5 Economic Stimulus Package

The county Executive submitted a memorandum to the County Assembly on proposed interventions occasioned by the covid-19 pandemic ravaging the whole world. Arising from the foregoing, the Government has to roll out short term and long term interventions to rejuvenate the economy and cushion the vulnerable members of the society and sectors of the economy from the economic shocks of the pandemic. There is need for a deliberate move to restore the productivity of the affected sectors (i.e. Agriculture Livestock and Fisheries, Trade, Tourism, Enterprise Development and Co-operatives, Infrastructure and Health) and to sustain the lives of the people during these uncertain times.

The farmers both for crops and livestock and the business community will be targeted to restore and improve on their productivity. There is need to target the youth who forms the bulk of the unemployed will be engaged in infrastructure improvement through opening and construction of new roads, maintaining existing roads and improve drainage networks using labour based contracts hence earning income that will be utilized within the Laikipia economy.

These proposed priority measures are detailed below

Program/project	Departments	Recurrent (KShs)	Development (KShs)	Totals (KShs)
Opening of new roads, maintaining existing roads and drainage networks using labour based contracts targeting approximately 80 kilometres	Lands, Infrastructure and urban development	0	40,000,000	40,000,000
Pilot road infrastructure improvement through the annuity program targeting road network around Nanyuki railway station and selected areas in Nyahururu town.		0	10,000,000	10,000,000
Funding to support leased machinery and equipment operations through purchase of fuel, leasing of murram pits and human capital costs.		0	90,000,000	90,000,000
Contractual payments for leasing of equipment and heavy machineries such as graders, trucks, rollers and excavators.		0	120,000,000	120,000,000
Procurement and supply of subsidized livestock vaccines	Agriculture, Livestock and Fisheries	5,000,000	0	5,000,000
Agriculture (Crop and livestock) input subsidies for purchase and distribution of certified seeds, fertilizer and other farm inputs.		**0**	30,360,000	30,360,000
Irrigation development services. Construction of household water pans, irrigation dams and provision of dam liners, and irrigating equipment.		**0**	33,800,000	33,800,000
Extension Services Promotion -Farmer trainings and advisory on livestock and crop management		10,000,000	0	10,000,000
Micro and Small Enterprise Financing and Partnerships for Recovery Program targeting 3,000 Business/ Enterprises (200 businesses per ward)	Trade, Tourism, Enterprise Development and Co-operatives	0	73,000,000	73,000,000
Cooperative and tourism sector financing support for recovery		0	47,500,000	47,500,000
Manufacturing and Investment Promotion support programs -Construction of common manufacturing facilities, product development, ICT business systems, investment profiling , linkages and partnerships , brand promotion and field operations support		10,500,000	30,500,000	41,000,000
Micro and Small Enterprise Support program -Capacity development and technical support to businesses		7,000,000	11,300,000	18,300,000
Tourism Promotion & Marketing-Data collection & Research, promotion activities ,infrastructure development and online marketing		12,000,000	5,592,275	17,592,275
Vocational training centers –Revenue refunds to facilitate VTCs operation and administrative costs	Education and Social Services	25,000,000	0	25,000,000
Education Empowerment/Bursary to support needy students		50,000,000	0	50,000,000
Contingent legal obligations	Administration	20,000,000	0	20,000,000
Research and Development: surveys and research programmes to inform future planning and budgeting.	Finance and Economic Planning	0	10,000,000	10,000,000

Supplier development – Capacity development of various categories of suppliers including youth , women and PLWDs	Finance and Economic Planning	6,000,000	0	6,000,000
Emergency Fund-Mitigation against unforeseen calamities		30,000,000	0	30,000,000
Support vulnerable families through Universal health coverage/NHIF subsidies	Health	30,000,000	**0**	30,000,000
Purchase of Medical drugs, essential supplies and non-pharmaceuticals.		150,000,000	**0**	150,000,000
Mining exploration and development –Support to exploration and exploitation of mining opportunities available to potential investors	Water, Environment and Natural Resources	**0**	10,000,000	10,000,000
Total		**355,500,000**	**512,052,275**	**867,552,275**

CHAPTER TWO

RECENT GLOBAL, NATIONAL AND COUNTY ECONOMIC DEVELOPMENT

2.1 Introduction

Global and national economic variability affect both directly and indirectly our county fiscal decisions and operations. This section therefore highlights recent economic developments on the global and national level and its impacts on the county's economic development.

2.2 Macroeconomic Environment

Kenya's economy performance in first three quarters of 2019 was comparatively slower than in the corresponding period of 2018. During the period the economy expanded by 5.6 per cent in the first and second quarters and 5.1 per cent in the third quarter of 2019. Growth for the first three quarters averaged 5.5 per cent compared to an average growth of 6.4 per cent during the same period in 2018. The growth, albeit significantly slower than that of 2018, was mostly supported by growths in the service sector industries such as wholesale and retail trade, transportation, accommodation and food services, financial and insurance activities.

The first half of 2019 was characterized by slowdown in agricultural activities following delay in the onset of long rains. This slowdown in agricultural growth somewhat affected agro-processing and consequently led to slowed manufacturing activities during the review period. In addition, the transportation industry was negatively impacted on by rise in prices of fuel. Third quarter of 2019 was marked by suppressed growth in most of the sectors leading to deceleration in economic growth. The slowed overall performance was occasioned by relatively slower growths in activities of manufacturing; Electricity and Water Supply; Construction; Wholesale and Retail Trade and Transportation and Storage relative to notable performances recorded in the same quarter of 2018. The performance recorded in the third quarter though significantly slower than the corresponding quarter of 2018 was supported by improved performances in activities of Mining and Quarrying, Financial and insurance and Real Estate. However, this growth momentum is estimated to pick up to 5.6 percent by the end of 2019.

Kenya has improved five positions to 56 globally on attractiveness to investors according to the latest World Bank Ease of Doing Business 2020 report. This is up from 61 in 2018 and has been pegged on among others, automation of systems that have made starting business in Kenya easy. The position 56 is out of 190 countries measured in the ease of doing business index.

Generally, macroeconomic factors were favorable to growth during the period under review. However, the average inflation rate edged upward to 5.16 per cent in the first half of 2019 compared to 4.24 per cent during the same period in 2018. The rise in inflation was mainly attributed to higher prices of food and beverages and rising cost of transportation during the period. In the second half of 2019 Inflation rates recorded an average of 5.24 percent. The rise in average inflation was mainly due to higher prices of food, house rent, cooking fuels and rising cost of transportation during the period in relation to the same period in 2018.

The overall year on year inflation remained low, stable and within the government target range of 5+/-2.5 percent. In December 2019, it stood at 5.82 percent up from 5.56 percent in November 2019 resulting from higher food prices.

The overall Consumer Price Index (CPI) increased by 0.90 per cent from 202.94 in November 2019 to 204.77 in December 2020. The Food and Non-Alcoholic Drinks' Index increased by 1.46 per cent between the same period, mainly driven by rise in prices of some foodstuffs outweighing decrease recorded in others. High increase in price of vegetables was recorded despite heavy rains during the period. However, during the same period, prices of unpacketed fresh milk and mangoes dropped. The Housing, Water, Electricity, Gas and Other Fuels' Index, increased marginally mainly attributed to higher prices of charcoal. However, the cost of electricity dropped slightly compared to the previous month. Despite decrease in the pump prices of diesel and petrol during the month, the Transport Index increased by 2.1 per cent mainly as a result of increase in public transport fares.

The overall producer prices decreased by 0.66 per cent from September 2019 to December 2019 while the 'year on year' inflation was negative 0.51 per cent. The cost of electricity and manufacture of paper and paper products had the highest decline in producer index from September 2019 to December 2019 at 6.4 per cent and 3.8 per cent, respectively. Over the last one year, the highest increases were in mining and quarrying and in manufacture of beverages at 10.1 per cent and 3.0 per cent, respectively.

The Kenya Shilling has been relatively stable recording mixed performance against major international currencies. In December 2019, the shilling appreciated against the major trading currencies except for the Sterling Pound and the SA Rand. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of KShs 101.4 and KShs 112.7 in December 2019 from KShs 102.3 and KShs 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of KShs 133.0 in December 2019 compared to KShs 129.7 in December 2018.

2.3 Recent Global and Regional Economic developments

Global growth was estimated at 3.0 percent in 2019 and was mainly hampered by stressed emerging markets. Advanced economies recorded an estimated growth of 2.3 per cent in 2018 while emerging markets and developing economies expanded by 3.9 per cent in 2019 reflecting recoveries in stressed economies.

Sub-Saharan Africa had an estimated growth of 3.2 per cent in 2018 and 2019 while the East African Community (EAC) region recorded a growth of 5.6 per cent in 2019.

2.4 County Economic Performance

According to Gross County Product (GCP) report, 2019 by KNBS, Laikipia County's main economic activities are agriculture (43.7%), construction (7%), wholesale and retail trade inclusive of repair of motor vehicles (8.8%), transport and storage (7.3%) financial and insurance activities (7.7%) and lastly public administration and defense (7.4%). The rest of the economic activities including mining and quarrying, manufacturing, electricity supply, water supply and waste collection, information and communication, real estate activities, professional technical and support

services, education, human health and social work activities and other social activities contributed a combined 18.1 % of the GCP.
In 2017, the County had a GCP of KShs 81.095 billion at current prices and KShs 38.864 billion at 2009 prices representing 1.1 % of the National GDP. The economic performance represented a growth rate of 11.26 per cent from 2016.

In 2018 and 2019, the county economy continued to expand across most of the sectors as indicated in the County Statistical Abstract 2019. Trends across the key sectors are highlighted below;

Agriculture, Livestock and Fisheries

In agriculture sub-sector, food crops production increased by 17.5% from 167.4 metric tonnes in 2017 to 196.8 metric tonnes in 2018 while volume of coffee produced contracted by 2.5% from 79 metric tonnes to 77 metric tonnes during the same period. Under the horticulture sub-sector, volume of fruits and vegetables expanded by 7.1% from 76,900 metric tonnes in 2017 to 82,336 metric tonnes in 2018 while the volume of cut flowers contracted by 3.5% from 458 metric tonnes to 442 metric tonnes during the same period. Area under irrigation increased by 117% from 1,729 hectares in 2017 to 3,758 hectares in 2018. Additionally, retail and wholesale prices of farm inputs and selected food commodities remained relatively stable throughout the period.

Livestock sub-sector also witnessed growth across various categories with meat production increasing by 39% from 2,594 metric tonnes in 2017 to 3,595 metric tonnes in 2018. Quantity of other livestock products grew by 6.7% from 519 metric tonnes in 2017 to 553 metric tonnes in 2018. Volume of milk produced increased slightly by 4.4% from 29.9 million litres in 2017 to 31.2 million litres in 2018. In poultry farming, egg production increased by 35% from 7.8 million eggs in 2017 to 10.5 million eggs in 2018. In addition, fish production increased by 21.9% from 15 metric tonnes in 2017 to 18.6 metric tonnes in 2018.

Trade, tourism and co-operatives

The sector continued to grow with the MSMEs expanding by 51.9% from 14,975 licensed business establishments in 2018 to 22,742 licensed business establishments in 2019.
The total number of visitors' arrival grew by 6.8% from 63,032 in 2017 to 67,290 in 2018. Visitors by tourist attraction also increased by 12.5% from 135,903 to 152,980 during the same period. The number of active SACCOs increased by 6.5% from 124 societies in 2018 to 132 societies in 2019 with share capital expanding by 36.7% from KShs 266.7 million to KShs 364.7 million during the same period.

Manufacturing

The sector grew by 4.6% on the number of industries from 435 in 2018 to 455 industries in 2019. The growth was mainly due to increase in enterprises dealing with grain mill products, wood and products of wood and dairy products.

Construction, Transport and storage

Building plans approved for private ownership increased by 15.8% from 202 plans in 2017 to 234 plans in 2018 while the number of public service vehicles operating in Laikipia County totaled to 1,350 and the number of passengers recorded was 6,855,840.

Electricity and water supply

Domestic electricity connections grew by 5.6% from 53,430 connections in 2017 to 56,430 connections in 2018. Commercial entities connections increased by 3% from 6,643 connections in 2017 to 6,844 connections in 2018. On water supply, the number of households with piped water expanded by 21% from 24,764 households in 2017 to 29,956 households in 2018.

County Business Environment

On the ease of doing business, Laikipia County was ranked position 5 overall out of 42 counties in a survey conducted by KIPPRA on the county business environment for SMEs in Kenya. Based on the parameters and scoring criteria used in the survey, the county fared well on electricity connections at 70.37, roads and access to markets at 63.47, licensing at 80.39, self-regulation at 78.43 and security at 59.3. On the other hand, the county performed decimally on innovations and patenting, access to government procurement opportunities (AGPOs), access to public toilets and waste management.

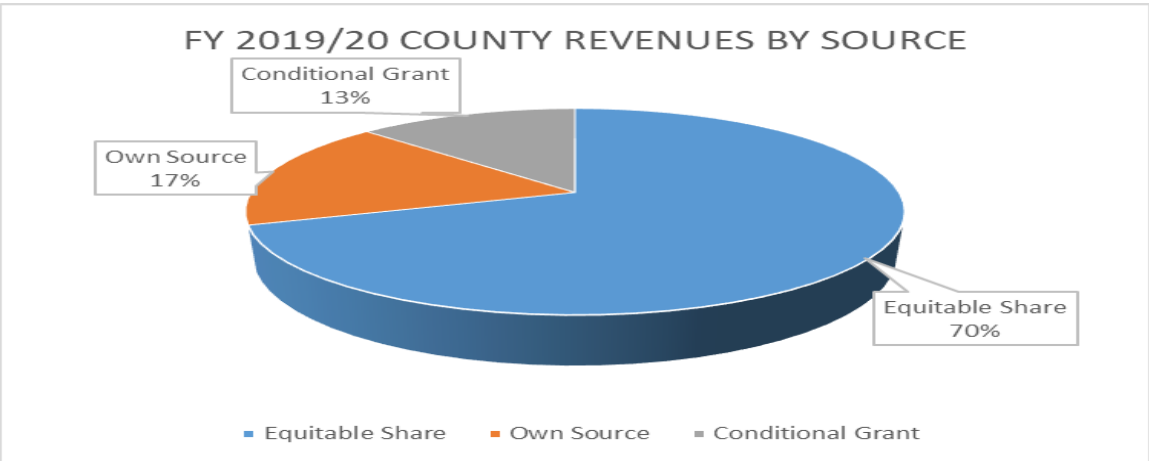
The County Government through the newly established Directorate of Industrialization and Innovations has prioritized on development initiatives aimed at improving business environment for SMEs to thrive in the county. These initiatives include programmes such as infrastructural development to support industrialization and innovation, provision of financial and technical capacities for SMEs and enactment of favorable legal framework.

In addition, the government continues to implement the affirmative action and the procurement and disposal Act 2015 by ensuring access to government tenders to youth, women and persons living with disabilities most of which are in SMEs.

2.5 Budget performance at the County Level

In the financial year 2019/20 the county expects to receive revenue of KShs. 5,124,675,000 comprising of KShs. 4,117,800,000 from equitable share of the national revenue and estimated KShs.1, 006,875,000 from local collections. In addition, the county will receive KShs. 759,018,574 as conditional grants and loans. In addition, the county expects to utilize KShs. 666,197,035 as balances brought forward from financial year 2018/19. This means that equitable share of the national revenue represents 70 percent of the county revenue as shown below:

Figure 1: FY 2019/20 County Revenues by Source



The conditional grants from national government comprise of: KShs.9, 968,208 User Fee Forgone, KShs.131, 914,894 Lease of Medical Equipment, KShs. 118,589,625 Road Maintenance Levy Fund and KShs. 31,908,298 for Vocational Training Center.

Loans and grants from development partners comprise of KShs. 35,000,000 Transforming Health Care Systems for Universal Care Project (THSUCP), KShs. 131,027,150 Climate Smart Agriculture project, KShs. 30,000,000 Kenya Devolution Support Programme (KDSP) level 1 grant, KShs. 161,558,585 Kenya Devolution Support Programme (KDSP) level 2 Investment grants, KShs. 50,000,000 Kenya Urban Support project (Urban Development Grant), KShs. 12,281,250 Universal Health in Devolved Systems Programme – DANIDA, KShs. 21,345,341 EU-IDEAS LED, KShs 16,625,223 Agricultural Sector Development Support Programme (ASDSP) and KShs. 8,800,000 Kenya Urban Support project (Urban Institutional Grants).

From July 2019 to December 2019 the county had collected KShs 285,774,640 from local sources representing 65.28 percent of the half year local revenue target of KShs. 437,750,000. This low performance is attributed largely to low collections from land rates arrears and majority of revenue streams in October, November and December. Largest collections are expected to be realized between January-March due to business permit renewals and payments of external services and encroachment fees.

Ongoing improvements in collection of hospital revenue are expected to cause the significant change in own source revenue. Revenue automation and continuous staff capacity development continues to play an important role in revenue generation and efficiency revenue management and reporting.

In the period July 2019 to January 2020 the total exchequer releases amounted to KShs. 2,735,962,277 representing 45.91 percent of the total budget. KShs 438,478,024 was released for development expenditures and KShs. 2,182,623,001 for recurrent expenditures including KShs.287, 726, 354 for the County Assembly. KShs.114, 861,252 was released as conditional grants.

In the period July 2019 to December 2019 the total expenditure amounted to KShs. 1,783,968,388 representing 25.11 per cent absorption rate on the total budget. The development and recurrent expenditures were KShs.147, 373,550 and KShs.1, 636,594,838 representing 5.2 per cent and 38.0 per cent absorption rate respectively. There was decrease in expenditure in the first quarter since the county was operating on a 30% recurrent expenditure vote as compared to second quarter when the budget was approved and fully operational.

To maintain the highest quality, reliability, timely and accuracy in financial reporting, the county treasury will continue to support the operations of Financial Reporting Unit. This is in line with the PFM Act 2012 and IPSAS requirements. Internal audit systems will be strengthened to ascertain that government resources are applied efficiently and effectively toward the intended purposes and in compliance with laid down laws and policies.

Public participation and stakeholder engagement continue to play an important role in the governance of public affairs. Given that the county government makes decisions throughout the year public engagements and consultations have been ongoing process. The government has prioritized civic education, foras with Civil Society Organizations, town hall meetings, community barazas and implementation of public participation communication strategies to better the process.

The County treasury has embraced the end to end procurement cycle through the IFMIS. In addition, the county treasury aims to achieve and sustain the proposed 14 days' as turn-around-time (TAT), through inception and complete adoption of procure to pay (P2P). Guidelines on the handling of purchase orders and invoices to all the accounting officers and contractors in order to ensure efficiency in service delivery have been issued.

The County Government through Supplier Development Program will continue to sensitize the county suppliers on PPDA (2015) procurement procedures and guidelines, the e-Procurement and the role suppliers' play in making the system successful. Partnerships with the financial institutions like banks to partner in trade finance products will be supported and lastly the need to focus on expanding and diversifying their businesses and building confidence.

CHAPTER THREE

MACRO-ECONOMIC POLICY FRAMEWORK AND MEDIUM TERM OUTLOOK

3.1 Introduction

This section explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term. In addition, analysis on significant internal risks to the outlook is highlighted.

3.2 Global,National and County Economic Prospects

The world economy is projected to grow marginally at 3.4 percent in 2020 from an estimated 3.0 percent growth in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies. For the advanced economies, growth is expected to slow down to 1.7 percent in 2020 from an estimated 2.3 percent in 2019 mainly due to trade tensions between the United States of America (U.S.A) and China, uncertainties surrounding the Brexit outcome, rising global oil prices due to tensions between U.S.A and Iran, weaker prospects in the United States as its fiscal stimulus fades, the forthcoming increase in the consumption tax rate in Japan and the pace of normalization of monetary policy in the advanced economies.

Among emerging markets and developing economies, growth is expected to pick up to 4.6 percent in 2020 from an estimated 3.9 percent in 2019 reflecting recoveries in stressed economies such as Turkey, Argentina and Iran as well pickup in growth for Brazil, Mexico, India, Russia and Saudi Arabia which recorded significant slowdowns in 2019 relative to 2018.

Growth prospects for Sub-Saharan Africa continue to strengthen. It is projected to improve to 3.6 percent in 2020 from 3.2 percent in 2018 and 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

On the domestic scene, Kenya's economic growth has remained strong and resilient. The economy is projected to expand by above 6.1 percent in 2020 up from 5.6 percent in 2019 and a further 7.0 percent over the medium term. The growth outlook for the FY 2020/21 and the medium term is supported by a stable macroeconomic environment, investments in the strategic areas under the "Big Four" Plan and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth.

Kenya's economic growth prospects for the FY 2020/21 and over the medium term take into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. Risks from global economies relate to increased volatility in the global financial markets due to tensions between the U.S.A and China, the slower growth of the Chinese economy, uncertainties over the nature and timing of Brexit and the pace of normalization of monetary policy in the advanced economies. Further, the uncertainty of trade agreements such as between the United Kingdom and the European Union, the free trade area encompassing Canada, Mexico, and the U.S.A as well as uneven and sluggish growth in advanced and emerging market economies could hamper the forecasted growth. The low commodity prices and the risk of energy prices taking an upward trend, if the rising geopolitical tensions are not subdued, could negatively impact on our exports.

Domestically, the economy will continue to be exposed to risks arising from public expenditure pressures, particularly related to wage related recurrent expenditures and the inevitable climate change and variability which has enhanced the frequency of disaster such as floods, landslides, droughts and destruction of physical infrastructure. Locust invasion witnessed in the country in late 2019 and early 2020 poses a risk to agricultural production and food security. These shocks are likely to have negative impact on energy generation and agricultural output leading to higher inflation that could slow down economic growth.

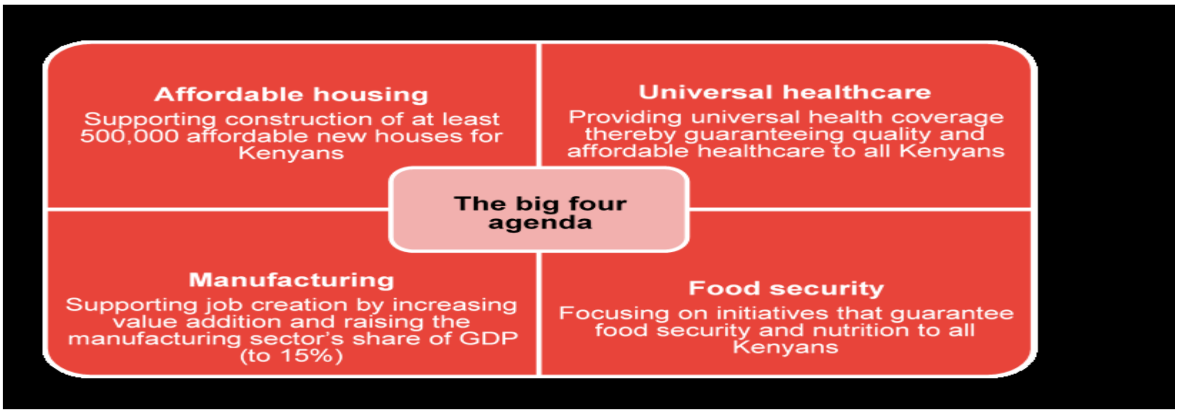
To mitigate against the risks, the Government will continually monitor these risks to inform appropriate mitigating monetary and fiscal policy measures to preserve macroeconomic stability and strengthen resilience in the economy. To protect the country from climate related risks and disasters, the Government has put in place various policies, strategies and financial risk protection instruments to cushion the economy against budget disturbances emanating from the need to address the unforeseen natural disaster. In particular, the Government has put in place a Disaster Risk Financing Strategy which outlines various financial protection instruments in the economy in the event of a disaster.

On risks emanating from domestic sources, the Government has laid foundations to enhance faster and lasting growth through the “Big Four” Plan, which will enhance growth momentum, and positively impact on the lives of people through jobs creation and poverty reduction. For example, the Government is expanding irrigation schemes, accelerating infrastructure development to support manufacturing and expand intra-regional trade, enhance domestic resource mobilization and expenditure rationalization to reduce wage related pressures and reduce debt accumulation among others

Towards unlocking the country’s economic potential, “The Big Four” which is a solid development agenda designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution, will be harnessed. Thus, actualization of policies and programmes under each pillar is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society in which all Kenyans are guaranteed of affordable and decent housing.

The “Big Four” agenda will work towards realizing various outputs as captured in the following figure.

Figure 2 Big Four Agenda Outputs



3.3 Laikipia County Medium Term Framework

In the medium term, the County Government will build on the reforms momentum to raise additional revenue for development, generate higher value for money, and manage costs to attain fiscal balance as contemplated in the Public Finance Management Act (2012) and Public Finance Management (County Governments) Regulations, 2015. We target to raise the development vote share to 30% from 26% (exclusive of conditional grants) realised in 2019/2020.

The Government will continue with reforms already underway such as the modernization of public service, revenue administration, expanded cost recovery through user fees and insurance, goodwill by donors and private sector, and prudent financial management. In this section, we highlight the proposed legislative and executive actions that the Government will undertake to attain fiscal balance and grow the economy by 10% annually. The 2020/21 CFSP infers from the 2017 Gross County Product data in addition to the 2019 Statistical Abstract to provide a sound basis of various growth estimates.

Specifically, we aim for GCP growth of 10% in the 2020-2023 period, based on:

a. Sustained agriculture & livestock growth driven by irrigated agriculture, mechanization, diversification (more crops), fodder production, feedlots, contract farming, logistics and value addition;
b. Sustained growth of urbanization driven by the Smart Towns Initiative; increased road construction & public works, completion of physical planning for small and emerging market centers, updating the physical plans of Nanyuki, Nyahururu and Rumuruti, update the valuation rating rolls, and completion of the 40,000 titles initiative.
c. Improved manufacturing performance driven by the Laikipia Innovation Program and development of serviced industrial parks in polytechnics and towns/commercial centres in partnership with private sector;
d. Launching of 'Product of Laikipia' brands platform, and preferential procurement of 'Made in Laikipia' products and services, with continued use of the county website and social media to market the Laikipia products;
e. Recovery and growth of accommodation and food service activities driven by improved security, Destination Laikipia, and sustained promotion of tourism, including product diversification.
f. Start of significant mining activities for iron and titanium, reinvigorated by the Laikipia Mining Conference to be held on 20th February, 2020 at Nanyuki;
g. Enhanced allocation to the development budget.
h. Continuous automation of revenue collection, expansion of the tax base and alignment of rates to market trends and cost of delivery.
i. Undertaking business reforms to improve the business climate to retain and grow existing businesses, and to attract new investments.

3.4 Structural reforms to support growth

In this section, we highlight the key structural reforms and initiatives that the Government will continue to undertake through executive and legislative actions to raise revenue and manage expenditure to sustainable levels.

3.4.1 Modernizing the public service

The Government has continued on her path towards creating a word class public service to eliminate wastage and corruption, and support the private sector create jobs and harness household wealth. The Government introduced spot awards, and continues to implement a results-based framework to raise staff productivity and meritocracy.

A few changes are worth mentioning. First, the Government deployed a performance appraisal system where all staff have created work plans that are uploaded online. The staffs are now filling time sheets, applying for leave and claims online. Secondly, there has been a series of training for staff across all levels, for example Senior Management Course (SMC) for 108 officers and Strategic Leadership Development Program (SLDP) for 22 officers comprising of directors and acting chief officers, as well as senior staff from the County Assembly. Thirdly, the County Public Service Board is working on deepening and accelerating the service's modernization program. Among key changes include:

- Aligning the structure to create results teams for better coordination of service delivery, job enrichment and ensuring the right skill sets are available, and that promotions and remuneration are based on merit.
- The creation of results teams to ensure seamless collaboration across departments to implement flagship initiatives and end of the 'silo' culture
- Development of a performance-based pay that will yield a 13^{th} salary for exceptional performance. This will build up on the spot awards granted each quarter;
- Cascading authority and accountability for results to directors and section heads by assigning them authority to incur expenditure (AIE) to fast-track the project designs, procurement, implementation and supervision.
- Operational autonomy of public owned entities such as the County Revenue Board, Laikipia County Development Authority and the County Enterprise fund to deliver effectively.

3.4.2 Staff right-sizing and rationalization

There has been a gradual increase in the growth of the total proportion of personnel emoluments expenditure to the current 54% of the budget. In order to bring the personnel emoluments to comply with the fiscal responsibility principles, the following key steps will be undertaken:

i) The overall target for wages & salaries remains at KShs. 2.3 billion for the fiscal year 2020/21 and measures to reduce the wage bill and /or raise revenues will continue to be envisaged;

ii) Measures to support early retirement and redundancy in the 2020/21 fiscal year will continue to be instituted. This will enable us to increase resources available for development. To realize this, subsequent allocations to support early retirement and redundancy will be effected.

iii) A radical review of Human Resources will be undertaken guided by the results of the staff audit undertaken in 2019. This includes human resource planning aimed at both rationalization and rightsizing of the county staff.

iv) Moving forward there will be a greater emphasis on technology and systems to achieve efficiencies in service delivery and continued automation so as to achieve revenue growth. This business process re-engineering will be useful for achieving efficiency, effectiveness and economical service delivery.

3.4.3 Revenue collection

The county has set a revenue target of KShs. 1.006 billion representing about 1.2% of 2017 Gross County Product. In the medium term, we aim to reach 2% of GCP. To sustain the revenue growth, the County Revenue Board will continue with a complete takeover of all revenue collection from line departments, accelerate automation, broaden of the tax base and update the records and valuation rolls for all towns.

3.4.4 Cost-recovery in the health sector

The NHIF coverage stands at 63% (326,340 people) for 65,268 households. The NHIF capitation is KShs 154,000,000 with public hospitals taking KShs 79,000,000. The benefits include: reduction in out of pocket expenditure by the public thus providing financial protection (65% of Hospital bills now coming out of NHIF); revenue generation with 65% of Health (FIF) revenue being generated out of NHIF; investments in preventive and promotive health care through Community Health volunteers and Health Assistants.

The proposals to upscale NHIF include: UHC conference in March 2020, more investment in CHVs and CHAS through training, tooling and payment of their stipends and payment of subsidy for the Vulnerable and indigent population.

On subsidy program, 12,568 households have been identified across the county as indigent and vulnerable. Total cost for the program is Kshs 62,768,131.21. However, a total of KShs. 20,000,000 is earmarked for the subsidy program this financial year. On stipends, the county will pay stipend at the rate of KShs 2,000 per month per CHV with the total budgetary requirement for the financial year being KShs. 16,000,000.

NHIF has special packages for renal @ KShs 9,000 per session for 2 sessions per week, CT scans at KShs 9,000 per scan, Special Surgical packages and special Rates for ICU and HDU. These services are high revenue generation points versus outpatient capitation. The department will explore appointment of the level 4 & 5 hospitals as service providers by private insurance companies through establishing semi-private or private facilities within the hospitals. There’s an opportunity to pilot the concept by utilizing the 120 Bed units are currently under construction

To sustain revenue growth, there will be further investments to improve quality of service, reduce congestion, provide more specialized care like CT scans, Renal Units, ICU and HDU, Oncology units and Orthopedic units. These investments will continue to upgrade Nanyuki and Nyahururu County Referral Hospitals to attain level 5 status, while Rumuruti, Doldol, Ndindika, Kimanjo and Lamuria attain level 4 status, and the other 39 accredited health facilities attain level 3 health status. In addition, there will be effort to eliminate disruption of operations arising due to staff labour issues.

3.4.5 Water & sanitation sector improvements

The Government held a water conference in April 2018 that attracted diverse partners in public sector, donors and private sector. The department has deepened collaboration with the Water Sector Trust Fund (WSTF). The highlight of this collaboration is the Solio water project expected to cost KES150million whose implementation is ongoing. Moving forward, the department of water and environment will increase cost recovery for services such as garbage collection in collaboration with the Nanyuki and Nyahururu Water and Sanitation companies. Re-introduction and subsequent enactment of the proposed Laikipia County Water Bill 2019 will make community water schemes self-sustaining, thereby lowering the operations and maintenance costs incurred by Government. These reforms are expected to save KES 43 million annually. Further, the department will seek private investors to establish waste recycling ventures, and re-use of water from sewer ponds for agriculture.

3.4. 6 Improving the standard of financial governance, management and reporting

The Government continues to target an unqualified audit opinion. The benefits of compliance includes: granting the citizens value for money, raising the confidence of suppliers, lenders and investors to bridge the funding deficit. The Government will continue implementing e-procurement, lowering the payable days to a target of 14 days, and link the performance management system with IFMIS for timely reporting. Further the Government will strengthen the audit department to undertake its functions effectively. Cost management measures will be deployed to establish opportunities for savings in procurement of works, goods and services. In 2020, a detailed, itemized analysis of the recurrent expenditure will be conducted to identify areas of potential savings.

3.4.7 Alternative financing mechanisms

The Government will continue exploring alternative financing mechanisms in line with the PFM Act, the Public Procurement and Assets Disposal Act (PPAD) and the Public Private Partnerships (PPP) Act. Key financing mechanisms underway includes operating leases and PPPs. A few highlights:

- In 2019, Laikipia County became the first County to pioneer leasing on its own. Under this, 2 motor graders, 5 tippers, 2 drum rollers, 2 water bowsers, an excavator and 4 double cabs, all valued at KShs 200 million were leased. This and other efforts are expected to deliver 700kms of gravel roads in the financial year. The county will continue to follow this path to explore other opportunities;
- The Government will accelerate identification of investors for the Nanyuki bulk water project PPP that has already been approved by the National PPP Committee and is ready for tendering;
- To accelerate the PPP pipeline, Laikipia County Development Authority (LCDA) will be further strengthened with sufficient budget allocation up from KShs 22.5 million in 2019/2020 to a tune of KShs 300 million in the medium term. The additional funding will be to build transaction advisory capacity, to actualize public private partnerships and make catalytic investments to spur investments in agricultural aggregator’s development and finance, farm mechanization, post-harvest management and manufacturing. In addition, the Government will strengthen the LCDA’s balance sheet through assignment of high value assets in order to have capacity to raise funds in the market – this will make LCDA self-sustaining.
- The Government intends to issue an infrastructure bond of up to KShs 5 billion to fund revenue earning infrastructure projects, serviced industrial parks, hospitals etc. In this respect, the Government will seek credit rating in the current fiscal year. At present, LCDA Board has been directed to generate the project pipeline for the bond, while the department of finance and economic planning is implementing financial governance and management reforms to attain an unqualified audit opinion for FY2019/20.

3.4.8 Improving the business (operating) environment

Laikipia targets to be the leading county on the ease of doing business index by improving conditions of existing businesses to operate and new ones to start or expand into the territory. In the county business environment for SMEs survey conducted by KIPPRA in 42 counties in Kenya in 2019, the county emerged as number five overall. Five critical areas were considered (worksites, adequacy of existing infrastructure, market environment, financial and technical capacity, governance and regulatory frameworks) where 20 indicators were used. The County performed well in access to markets (67%), public security (60%) licensing at 80% and self-regulation at 78% score. The County faired decimally on innovations and patenting, access to government procurement opportunities (AGPOs), access to public toilets and waste management among others. There is need to improve business environment at every governance level thus contributing significantly to the development agenda.

Among the key actions are the formalization of sector working groups by the LCDA for structured discussions on the reform agenda, analysis of the service delivery processes and touch points to eliminate the unnecessary steps and costs, establishment of county service centres at ward levels, and automation of service delivery (e-government). The Government will harness collaboration with the Huduma centres, and implement e-government and collaboration with the office of ombudsman to enhance service delivery and resolution of complaints.

In upcoming Finance Bills, the government will present a simplified and comprehensive schedule of fees and rates items. Further, the Cooperation for Peace and Development (CPD) is operational following the signing of the MoU by three counties, namely, Laikipia, Baringo and Isiolo. CPD is attracting significant goodwill from National Government agencies, donors and civil society organizations to become a go-to platform for prevention and management of resource-based conflicts. The Government is deploying the Climate smart agriculture grant to match the funding by pledged by KCB Foundation early 2018 in order to begin implementing the priorities agreed under CPD. The CPD's MoU provides for the establishment of the County Assemblies Summit to consider and support of the programs proposed by the Governing Council, and to be the forum for dialogue among leaders to defuse tension, arbitrate disputes and advance common goals. We target to convene the inaugural Governing Council and County Assembly Summit within quarter 4 of FY 2019/20.

3.4.9 Supporting small business development & manufacturing

Small businesses are the engine of growth. The Kenya National Bureau of Statistics (KNBS) survey of 2016 estimated that Laikipia had 68,000 informal and formal micro & small businesses. The Laikipia County Revenue Board database has 28,700 licensed businesses, and we expect the automation of single business permits to continue yielding updated data. A number of initiatives have been undertaken to understand better the structure and needs of the micro and small businesses. These initiatives include launching of the innovation program and directorate of industrialization, digitizing the records of pre-qualified suppliers, and appointment of the Enterprise Fund and Cooperative Revolving Fund Boards. Moving forward, the following actions are underway to strengthen the support to small businesses;

- Additional staff will be deployed to the Department of Trade, Tourism and Cooperatives to support innovation programme;

- The next phase is launch of business development services in collaboration with institutions such as Laikipia University to deploy their business students;
- Expansion of intermediaries for the Enterprise Fund and the Cooperative Revolving Fund to fast-track appraisal, disbursement and recovery of funds. The Government targets to partner with the Laikipia Cooperatives and Sacco Societies Forum (LACOSSOF) to co-fund automation of their member's operations in order to offer full visibility to Enterprise Fund and Cooperative Revolving Funds Boards, and the department of cooperatives for effective supervision.
- To accelerate the growth of manufacturing, LCDA will develop a risk capital fund in partnership with fund managers to co-invest in innovative SMEs. The fund will also include pre-investment and post-investment advisory services.
- To transform polytechnics as centres of manufacturing, the Government will designate industrial/business zones within the polytechnics for establishing maker spaces for design & prototyping services to industry, and to act as 'residence parks' for early stage businesses for a maximum period of three years prior to re-location to commercial premises.
- In line with the on-going supplier development program, the Government will offer preferential procurement to businesses initiated and or co-located with the polytechnics and designated industrial/business parks.

3.4.10 Making farming a profitable business

Increasing agricultural productivity will raise the people's income and have a ripple effect on growth of revenues as more businesses are established, demand for goods rises due to higher incomes, more families pay for NHIF and exit subsidy – and these resources will then have deployed to development. Analysis by the African Development Bank in the World Economic Forum's Africa Competitiveness Report 2015 titled, 'Transforming Africa's Agriculture to Improve Competitiveness' identifies eight factors that will boost farm productivity. These factors are developing high-yield crops; boosting irrigation; increase the use of fertilizers; Improving market access, regulations, and governance; making better use of information technology; adoption of genetically modified (GM) crops; reforming land ownership with productivity and inclusiveness in mind; and stepping up integration into Agricultural Value Chains (AVCs).

In 2018, the government rolled out contract farming and feedlots establishment as the platforms for raising crops and livestock productivity respectively with mixed results. While citizens are enthusiastic to participate in these programs, the execution has not been successful due to among other factors failure of the inputs markets and ineffective route-to-market coordination. A case in point is the low utilization of the two milk cooling units at Matanya and Wiyumiririe in spite of reasonable milk production in their catchment areas. To execute the contract farming and feedlots program effectively, the Government, in partnership with private sector and development partners will undertake the following:

- Launch a business development service to enable development and finance of aggregators such as agrovets, farmer's groups and cooperatives, who can then contract with off-takers (traders and processors). The aggregators will then manage inputs finance and supply as well as the post-harvest logistics (transport, grading, storage, sale etc.). We target to support establish 50 aggregators and 50 small-medium feedlots by June 30th, 2020.

- Promote climate-smart agriculture practices and technologies for production, post-harvest management and processing as part of the Laikipia innovation program.
- Identify the farmers that merit subsidy for the NHIF programme, and expand its functionalities for use by BDS providers and extension services.
- Appoint aggregators as Government agents for supply of inputs for households identified to be meriting subsidy.
- Offer land to investors for establishing agro-industrial parks, and promote preferential purchase of products made in Laikipia by public institutions, merchants and households. These parks will be established in production areas such as dams or river basins, former outspans and commercial centres/towns.
- LCDA will assist the Matanya and Wiyumiririe Dairy Cooperatives, and the two maize storage projects underway at Kinamba and Mutanga to develop viable business models.
- Both levels of Government to continue investing in construction of water pans and dams for irrigation.

3.4.11 Smart, competitive towns and commercial centres

Kenya is urbanizing rapidly but is under-urbanized, meaning that it still can leverage the benefits of urbanization and attain its goal of becoming an upper middle-income country by 2030, with 50 per cent of the population expected to be living in cities by 2050. A World Bank (2016) analysis entitled, 'Republic of Kenya Urbanization Review' states that Kenya still has an opportunity to leverage urbanization to drive economic through a "system of-cities" approach, where devolution empowers counties to develop strong urban centers. According to this report, evidence worldwide indicates that there is a strong positive relationship between urbanization and economic growth.

Likewise, Laikipia is urbanizing, where commercial enterprises and housing are located in land that's not yet zoned as commercial. Smart towns initiative is Laikipia's model for the 'system of cities' approach, that will have multiple impacts on the economy, including freeing agricultural land for production. The Government targets to implement the smart towns program in 15 rural centres and towns. Key components are infrastructure development, street addressing system, lighting and improved sanitation. The objective is to increase the level of business activity by incentivizing plot owners to develop these plots and thereby raise revenues from land transactions, development approvals and additional businesses. Adhoc evidence indicates that land values have risen in the three pilot sites of Naibor, Wiyumiririe and Oljabet. In the major towns, roads, pavings and lighting are being improved to enhance mobility and security, thereby enabling businesses to operate for longer hours. The Department of Infrastructure, Lands, Housing and Urban Development will undertake the following actions to generate additional revenue through the smart cities program:

- Streamline approval of construction works to reduce approvals to Rwanda standard;
- Collaborate with LCDA to develop affordable housing schemes on receipt of the feasibility study sponsored by World Bank;
- Collaborate with Kenya National Highways Authority (KENHA) is streamlining licensing of billboards and signboards, and beautification of the roads crossing Nanyuki and Nyahururu towns with pavements and cyclist's paths;

- Create physical plans for all commercial centres with at least 1000 people;
- Update the physical plans and Zoning of Nanyuki and Nyahururu towns to include the new growth corridors;
- Provide additional resources in FY 2020-21 to complete another 10-12 smart towns across the County, with the lessons drawn from the three pilot sites of Wiyumiririe, Oljabet and Naibor;
- Develop the County Spatial Plan in line with the County Government Act, 2012.
- Roll out performance-based contracts for maintenance of infrastructure, lighting etc., being the current practice adopted by the road agencies.

3.5 Budget Allocations and Revenue Enhancement

The 2020 Draft Budget Policy Statement provides a total national allocation to counties of KShs 371.96 billion in 2020/21 comprising of KShs 317.8 billion as equitable share and KShs 54.16 billion as conditional grants in terms of compensation for user fees foregone (0.9B), rehabilitation of village polytechnics (2B), road maintenance levy fund (9.433B), leasing of medical equipment (7B), loans and grants (30.204B), level 5 Hospitals (4.326B) and County headquarters (0.3B). This shows an increment of KShs 1.838 billion from KShs. 370.124 billion in the previous financial year 2019/20.

In the medium term, the allocations are expected to grow steadily based on revenue growth adjustments. In addition, focus on conditional grants is anticipated to remain steady in the health services, polytechnics and roads infrastructure sectors. The counties' equitable allocations continue to be based on the formula passed by a resolution of the National Assembly on 21st June 2016, pursuant to article 217 of the constitution until which uses the six parameters weighted as follows: population size (45 percent); equal share (26 percent); poverty index (18 percent); land area (8 percent); fiscal responsibility (2 percent) and development factor (1 percent). However, the Commission for Revenue Allocation has submitted to the Senate, recommendations concerning the third basis for revenue sharing among county governments for the Period FY 2019/20 – 2023/24. The proposed formula uses the following parameters : Health index (17%), Agriculture Index (10 %), county population (18%), Basic Equal Share (20%), Rural Access Index (4%), Urban Households (5%), land area (8%), Poverty (14%), Fiscal Effort Index (2%) and Fiscal Responsibility (2%) The proposed formulae aims at aligning funding to the Counties and the devolved functions. Its specific objectives are to: i) enhance service delivery; ii) promote balanced development; iii) incentivize the Counties to adhere to fiscal responsibility principles; and, iv) Incentivize the Counties to optimize collection of own-source revenue.

The County Government will focus on enhancing the revenue base and efficiency in tax administration. This will ensure that targets on all local revenue streams are fully realized. In the year 2020/21, total local revenue collections are expected at KShs. 1.006 billion as was estimated in 2019/20. In addition, the County Government will continue to initiate resource mobilization strategies from external sources under the auspices of the Laikipia County Development Authority (LCDA) to complement the county government revenues.

3.6 Public-Private Partnership

Taking into account limited public resources, the County Government will fast track the participation of the private sector in infrastructure development in the medium term. The Public

Private Partnerships Amendment Act of 2017, provides for the participation of the private sector in the financing, construction, development, operation, or maintenance of infrastructure or development projects of both the National and County governments through concession and other contractual arrangements.

It also provides for establishment of Public Private Partnerships Committees and County PPPs nodes to coordinate with the National PPP Unit. Laikipia Government has designated LCDA as the County PPP Node.

The participation of the private sector is critical in bridging the county's economic resource requirements while developing the appropriate market environment to promote efficiency. All this is premised on a macroeconomic stability, deeper structural reforms, cordial intergovernmental relations, robust policy framework and enactment of enabling legislations/regulations. In addition, the implementation of the Companies Act, 2015 is expected to provide further incentives in trade and investment at the national level impacting positively at the county.

3.7 Risks to the Outlook

A number of risks associated to the outlook may pose uncertainties thus influencing key decisions on increase or decrease of the fiscal forecasts. The risks to the economic outlook for 2020/21 and the medium-term include:

a) National Macro Economic Stability

Uncertainties in the global financial markets particularly with regard to the U.S. economic and trade policies, normalization of monetary policy in the advanced economies and the prolonged uncertain Brexit outcome are likely to weigh down global growth with negative impact on trade and financial flows. This may contribute towards negative variances on the performance of the economic growth and hence lead to lower local revenue collections and increased expenditure. However, the national government in collaboration with county governments will monitor the above risks and take appropriate measures to safeguard macroeconomic stability.

b) Seasonal Weather Patterns

Improved weather patterns are expected in 2020 as well as in the medium term. Laikipia County is dominantly rural with a significant population in the agriculture sector and associated linkages. Instability of the weather patterns poses adverse effects on livelihoods dependent on the agricultural related occupations. The March-April-May long rain season 2020 are expected to be above normal over most of the places hence improved agricultural production. This is expected to be followed by a cool dry spell running from July to September before the onset of the October-November-December short rains. Periodic weather monitoring will be undertaken to ensure contingency plans are activated to minimize the effects of the shocks if bad weather will strike. In addition, the influx of locust into the county could pose a potential threat to agricultural production.

c) Geopolitics and Security

The National Government initiative to enhance domestic tourism has continued to have positive bearings on the county. Laikipia County being part of the northern circuit receives a large number of tourists due to its attraction sites such as scenic view of Mt. Kenya peaks, Thompson Falls in Nyahururu, proximity to Mt Kenya Game Park, expansive savannah landscape, game lodges and restaurants, conservancies and a rich Maasai culture. In addition, the county government has put measures in place towards promotion of tourism activities and marketing of Laikipia as a leading wildlife tourism destination in addition to collaborating with the national government to promote security.

The large numbers of tourists and positive performance of this sector will be predicated on regional and global stability with no security concerns and issuance of travel advisories by major tourists' source countries.

d) Budget Allocations and Revenue Enhancement

A stable economic performance will translate to increased revenues for the county as the law requires the division of revenues between the Counties and the National Government to be at least 15 per cent of the audited financial position of the country. However, public expenditure pressures, especially recurrent expenditures, continue to pose fiscal risk to the County Governments. Looking ahead, the county government will continue mitigating internal risks. These risks include delays in passage of the finance related bills, labour unrest by the unionized members, court cases on revenue collections, weak implementation of large development projects and competing political environment which would adversely affect the outcomes of development expenditures. On the recurrent expenditures, consistent cost management and increased efficiency will be nurtured to facilitate service delivery. Expenditure management will be strengthened with enhanced use of the Integrated Financial Management Information System (IFMIS), automated revenue collection systems and e-procurement across the county.

CHAPTER FOUR
FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2020/21 AND THE MEDIUM-TERM

4.1 Introduction

Projections for county revenue, recurrent expenditure and development expenditure are highlighted in this section. The overall deficit and financing, structural measures, the underlying risks, and strategic interventions are also indicated in order to give a clear understanding of the same.

4.2 County Revenues

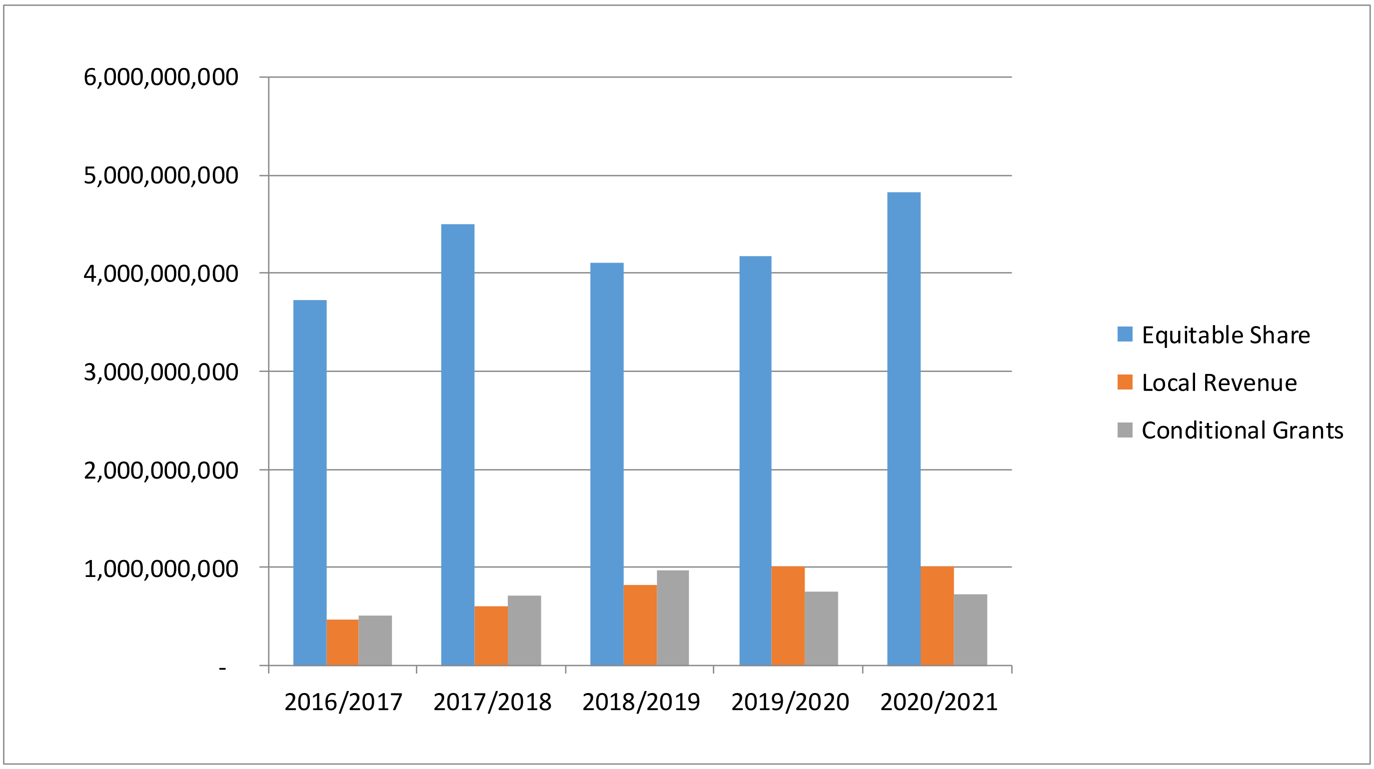
In 2019/20 financial year, the county revenue was estimated at KShs.5, 959,463,731. This comprised of KShs.4, 177,800,000 from equitable share of the national revenue, KShs1, 006,875,000 from local revenue collections and conditional grants of KShs.759, 018,574. The 2020 Draft Budget Policy Statement which was prepared according to Section 190 of the PFM Act clearly sets out the division of county governments' share of revenue among the counties for the FY 2020/21. Laikipia County will get an equitable share of KShs.4, 830,560,000 from these allocations. In addition, the County government will get a conditional allocation of; KShs 9,968,208 for compensation of user fees foregone; KShs. 148,936,170 for lease of medical equipment; KShs. 143,385,638 for Road Maintenance Levy Fund; KShs. 18,741,170 for rehabilitation of village polytechnics; and other loans and grants amounting to KShs. 412,138,832. The total conditional grants amounts to KShs. 733,170,018 and this makes the revenues expected from the national government for the FY 2020/21 amount to KShs. 5,563,730,018. Revenue from local sources is projected at KShs. 1,006,875,000 and therefore, total expected revenue for F/Y 2020/21 is KShs. 6,570,605,018.

Table 1: Summary of County Revenues in 2016/17-2020/21

Revenue Source	2016/17 (KShs)	2017/18 (KShs)	2018/19 (KShs)	2019/20 (KShs)	2020/21 (KShs)
Equitable share	3,722,107,267	4,499,800,000	4,113,400,000	4,177,800,000	4,830,560,000
Own Source Revenue	468,756,513	608,463,784	815,770,157	1,006,875,000*	1,006,875,000*
Conditional Grants	507,618,416	706,695,720	970,789,487	759,018,574	733,170,018
Total Revenues	**4,698,482,196**	**5,814,959,504**	**5,899,959,644**	**5,943,693,574**	**6,570,605,018**

* indicates projections

Figure 3: Summary of County Revenues in 2016/17-2020/21



4.3 County Expenditure

Despite the limited resources available to the County Government, there is need for departmental funding requirements to be in line with the county and national goals and objectives as outlined in the County Fiscal Strategy Paper (CFSP) 2020 and the County Integrated Development Plan (2018-2022). As a result, departments will have to rationalize and prioritize their expenditure programs in the FY 2020/21 and medium term to focus mainly on the strategic interventions and projects that are captured in these planning frameworks. Eventually, the county expenditure has to be geared towards enhanced service delivery that supports social development, economic growth and transformation within the County.

In 2020/21, County overall expenditures are projected at KShs. 5,837,435,000 which is exclusive of all conditional grants compared to the budget allocations in 2019/2020 of KShs. 5,184,675,000 also exclusive of conditional grants. This represents a growth of 12.6% in County total expenditure.

In 2020/21, Laikipia County is expected to receive conditional grants of KShs. 733,170,018 from the national government and developing partners. This will make total shareable revenue of KShs. 5,563,730,018. Meanwhile, in 2019/20 it is expected that the county will receive conditional grants of KShs. 759,018,574 from both the national government and development partners

4.4 Development Expenditure

The development expenditures from shareable revenue across departments for 2020/2021 FY are projected at KShs. 1,436,909,864. This represents 25% of the estimated shareable revenue excluding the conditional grants. The Development spending in 2020/21 will focus on Road Infrastructure, water infrastructure, Trade & Tourism and Education. The major spending departments will include: Infrastructure, Water and Trade. Overall development expenditure in 2019/20 of KShs. 1,370,688,577 was mainly on Road network improvement, Water projects, market infrastructure, health facilities upgrading and streetlight installation.

4.5 Recurrent Expenditure

From the sharable revenue of KShs.5, 837,435,000 in 2020/21 the estimated amount for recurrent expenditure is projected at KShs. 4,370,525,135. Both salaries and wage bill in 2020/21 have been estimated at KShs. 2,990,667,855 compared to the budget level of KShs. 2,400,000,000 in 2019/20. In regard to the budget, the vote for the recurrent expenditure will be 75% of the total estimated County revenues. It is expected that this spending item to stabilize over the medium term following staff rationalization at the County level through the matching of skills and functions. The major spending departments include; Health services, County Administration, County Assembly, Finance and Planning and Education.

4.6 County Fiscal Policy Statement

There is need for strategies and long term plans for sustainable economic activities which are critical in order to provide budgetary room for expenditures which are deemed a priority. It is expected that the wage adjustments for government departments be met within the departmental ceilings. The expenditure ceilings for sectors/departments are hereby determined by the funding allocation for the goods and services in the previous year budget as the starting point. Later, the ceilings are reduced in order to take into account the one-off expenditures in 2020/21. After this, an adjustment factor is applied to take into account the recorded growth in revenues.

The PFM Act prescribes a global standard where wages and benefits of public officers should not exceed 35% of the County's total Revenue. However, the projected expenditure for 2020/21 stands at 51%.

In line with the objective of adequate resource allocation towards development expenses and the need to ensure realization of critical frameworks (health, water, roads, trade, education and agriculture), the uptake of development and recurrent expenditures is to be maintained at 100%. These expenditures are expected to support critical frameworks that will motivate private sector investments as well as to remove limitations for increased growth. The absorption capacity of project funds is expected to increase due to continuous improvement in procurement planning thus resulting in a higher investment level in infrastructure activities.

The Emergency Fund provision will be provided for in the 2020/2021 budget in line with the Emergency Fund requirements of up to 2% of total government revenue as per Section 113 of the PFM Act. This Fund is established as a result of challenges of climate change and other unforeseen shocks. In an attempt to boost revenue, the county will concentrate on the implementation of various revenue enhancement initiatives through the already established County Revenue Board. The implementation will therefore supplement the other sources of revenues that the county has minor or no authority over.

4.7 Overall Deficit and Financing

In an attempt to ensure budgetary discipline, the 2020 BPS highly encourages the County governments not to include deficits in their budgets in 2020/21 and in the medium term without having an understandable and pragmatic plan of how the financial shortfall will be funded. The

County Government has therefore allocated resources for disbursement that are equivalent to the revenues expected in both the 2020/21 and the medium term.

The county budget in the 2020/21 fiscal year, shall be financed through remittance from the national government, financial aid from partners and income collected from local sources such as land rates, cess, business permits, parking fees, among others as permitted by the governing Acts. In this retrospect, the 2020/21 fiscal framework is therefore deemed to be fully financed.

CHAPTER FIVE
RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

5.1 Introduction

This chapter gives details on the resource envelop, budgetary requirements and deficit financing. This is informed by the national objectives and goals as outlined in the 2020 Budget Policy Statement and the set out resource sharing guidelines.

According to Articles 201, 202 and 203 of the Constitution, revenue raised nationally is shared equitably among the two levels of governments and among county governments to enable them provides services and performs the functions assigned to them under the Fourth Schedule of the Constitution. The equitable division of revenue between the two levels of government takes into account the criteria specified in Article 203 of the Constitution. It is a requirement that, not less than 15% of all revenue collected by the national government be allocated to the county governments as sharable revenue. The County Governments' equitable revenue share allocation for FY 2020/21 is based on the current formula which uses six parameters. Each additional conditional allocation is distributed based on its objectives, criteria for selecting beneficiary Counties and distribution formula.

Laikipia County will receive KShs 4,830,560,000 translating to 1.52% of the County Governments' equitable share allocation. In addition, the County will receive conditional grants totaling KShs 733,170,018.00 in support of key areas including; leasing of medical equipment, road maintenance, vocational training centres infrastructure and compensation for user fees forgone.

The following criteria will serve as a guide for allocating resources (i) the need to ensure continuous current service levels are maintained (ii) Linkage of the programmes with the objectives of Annual Development Plan; (iii) The need to promote job creation and addresses poverty reduction; (iv) degree to which the programme is addressing the core mandate of the sector (v) Expected outputs and outcomes from a programme; (vi) Cost effectiveness and sustainability of the programme; (vii) financing of 2019/2020 on-going projects (viii) Payment of all payable outstanding pending.

5.2 Sector Priorities and Ceilings

This section provides the sector ceilings for the MTEF period ensuring continuity in resource allocation from the last financial year consistent with the MTEF budgeting approach. The ceilings include the strategic interventions, details of sector ceilings that will continue to be informed by programs defined in the CIDP 2018-2022 and expected outputs.

5.2.1 Public Service and County Administration

Provide overall leadership, policy direction, management and accountability across all administrative units. Administrative operations will be strengthened up to the ward levels and the staff motivated towards effective delivery of devolved functions. Initiatives in improving governance will be prioritized including: support to operations of Town Committees, government e-services, community leaders' meetings and citizen forums. Towards ensuring a peaceful county, prioritized initiatives include; street lighting, community policing.

Disaster risk reduction strategies will also be promoted towards increased resilience of the local communities. The County Public Service Board will also ensure that staff rationalisation is undertaken; employees maintain high standards of skills, knowledge, competence and attitudes in serving the citizenry. The Department will closely work with National Government agencies in enhancing service delivery. Inter and intra-county government relations will also be supported across departments. The department also shoulders the insurance and other regulatory requirements for the county. Further, the legal department and the office of the governor are also housed in this department.

In order to realize the prioritized programmes in the sector a total of KShs. 3,303,356,533 is allocated in 2020/21 with KShs. 3,247,256,988 being recurrent expenditure which includes KShs 8,000,000 for Operations of Rumuruti municipality; KShs. 56,099,545 as development expenditure. The wages allocation to be administered by this department for the entire County executive is KShs. 2,779,507,605.

Laikipia County Public Service Board (LCPSB) continues to operate as an entity with its recurrent and development votes being managed by the entities secretary as the accounting officer. LCPSB will therefore be allocated a total of KShs 19,781,629 which constitutes a recurrent expenditure of KShs 14,500,000 and development expenditure of KShs 5,281,629.

5.2.2 Finance and Economic Planning

The CIDP 2018-2022 Programmes will continue to guide public financial management in supporting strategic interventions. Continued strengthening of IFMIS in procurement, payrolls, budgeting and financial management in the Treasury operations will receive significant support. Support to integrated planning, budgeting, audit, sectoral planning, and monitoring and evaluation is also key in the department's expenditure. To promote economic growth in the county, the government will continue funding strategic flagship projects through Laikipia County Development Authority. This Authority will continue to operate as an independent entity. The department focus is to have clean books of accounts hence the department will continue to support its internal audit department through capacity enhancement and compliance assessment. Regular audits will be undertaken in all the departments and the county entities. Asset management activities will also be enhanced including maintaining and updating the asset register. The department will continue conducting the supplier development to enhance procurement processes and procedures.

This sector is allocated a total of KShs. 207,706,462 in 2020/21 with KShs117, 628,122 being recurrent expenditure and KShs. 90, 078,340 as development expenditure.

5.2.3 Laikipia County Development Authority

The authority was formed through Laikipia County Development Authority Act (2014), establishing an institutional framework for coordination and promotion of county development and for connected purposes. The LCDA/B has been tasked to creating an attractive investment environment and has further developed five pillars to anchor its operations as below,

a) Brand Laikipia
b) Competitive Business Environment
c) Flagship investment projects
d) Flagship social investment projects
e) Organizational effectiveness

To this end, the government will support the entity in its agenda by initially supporting its development and operations budget.

The county government has allocated a total of KShs 13,663,022 of which KShs 10,500,000 is recurrent expenditure while KShs 3,163,022 is development expenditure to help the entity build on its balance sheet for sustainability.

5.2.4 Laikipia County Revenue Board

The County government formed an independent revenue collecting body as stipulated in the Laikipia County Revenue Board Act, 2014. This was intended to streamline the operations of the Board in order to ensure effectiveness and efficiency in revenue administration.
Section 4(2) states that the Board shall be a body corporate with perpetual succession and a common seal and shall in its corporate name be capable of;

a) Taking, purchasing or otherwise acquiring, holding, charging of disposing of movable and property
b) Borrowing money or making investments
c) Entering into contracts and
d) Doing or performing all other acts or things for the proper performance of its functions under the Act.

In order to maximize on revenue collection, support will be accorded in enhancing own sources of revenue through enhanced revenue mapping, integration of ICT in revenue collection, staff facilitation and training and other use of goods and services. Further, the entity will continue improve on its ICT infrastructure.

In 2020/21 this sector is allocated a total of KShs. 64,759,542 in 2020/21 with KShs. 39,000,000 being recurrent expenditure and KShs. 25,759,542as development expenditure.

5.2.5 Medical Services and Public Health

The health sector aims at attaining the highest possible health standards in a manner responsive to the population needs by supporting provision of equitable, affordable and quality health and related services at the highest attainable standards. Prioritized Programmes are geared towards improved scope of health service delivery at all levels, essential medical supplies and healthcare infrastructure. Priority is also factored for increased health insurance coverage (universal health coverage - UHC), introduction of tele-medicine, referral and ambulance services and expansion of KMTC services in guiding the allocation of resources in this sector. The sector will continue to prioritize equipping all levels of health facilities, consistent supply of required commodities, quality certifications of level 5 & level 4 hospitals, digitizing service procedures and services, culture change, capacity building of health workers up to community levels, and additional staffing.

Others include improving reproductive, maternal, neonatal, child and adolescent Health (RMNCAH) through increased immunization, improved nutrition, increased access to family planning services and improved quality of health services; ending AIDS, TB, Malaria and NCDs as a public health threat by 2030 through cost effective and transformative prevention interventions. Collaboration with the national government and development partners will also be enhanced on infrastructure for referral hospitals, specialized equipment and technical support.

To realize the prioritized programmes, the sector is allocated a total of KShs. 374,862,381 in 2020/21 with KShs. 306,789,159 being recurrent expenditure and KShs 68, 073,222 as development expenditure.

Out of the total allocation for the sector, Nanyuki Teaching and Referral Hospital is allocated KShs 113,695,465 of which KShs 101,757,133 will be used as recurrent expenditure while KShs 11,938,332 will fund development expenditure.

In addition, Nyahururu Teaching and Referral Hospital is allocated KShs 97,765174 of which KShs 85,699,071 will be used as recurrent expenditure while KShs 12,066,103 will fund development expenditure.

5.2.6 Agriculture, Livestock, Irrigation and Fisheries Development Sector

This is a major sector in supporting livelihoods and accelerating economic growth through enhancing food security; income generation; employment and wealth creation. The sector also contributes significantly to socioeconomic growth and development through forward and backward linkages with other priority sectors. The County Government prioritizes food security, market access and value addition initiatives through enhanced production mechanisms targeting: postharvest management & facilities (warehouses, coolers) cereals, disease control and surveillance, breed improvement, fodder production and storage, subsidized farm inputs, contract farming, vector control, farm water harvesting, expansion of irrigation dams, enhanced extension services, water and soil conservation and fisheries.

To realize the prioritized Programmes, the sector is allocated a total of KShs 85,947,258 in 2020/21 with KShs. 18,708,016 being recurrent expenditure and KShs 67,239,242 as development expenditure.

5.2.7 Lands, Housing and Urban Development

This sector aims at sustaining and expanding cost-effective public utility infrastructure facilities and services in the areas of road transport infrastructure, roads maintenance, spatial planning, survey and mapping, town planning, land governance management and urban development. Implementation of programs under this sector will greatly enhance the commercial and productive activities in the dominant rural areas of the county; to this end the leasing program has been envisaged to be the backbone of road infrastructure development. Collaboration with the national government and development partners will also be enhanced on road infrastructure improvement, urban development, land governance, energy distribution and housing development. The government further, recognizes the role infrastructure has in accessing social amenities like health centres, schools, and markets among others. For this reason, the government will deliberately invest heavily in infrastructure to bring services closer to people. This ultimately will play a great role in improving the Human Development Index – access to information, health and markets.

In order to realize the prioritized programs, the sector is allocated a total of KShs. 613,185,779 in 2020/21 with KShs. 18,036,268 being recurrent expenditure and KShs 595,149,511 as development expenditure out of which kshs 20,000,000 will go towards supporting Rumuruti municipality development program.

5.2.8 Education and Social Services

Education and training is instrumental for transformative development. Expansion of access to education and training is at the heart of the Government’s commitment to our children’s future. In this regard, increased resources will be geared towards priority programs on: school infrastructural development at ECDE Centres and vocational training centers. Capacities building of ECDE teachers and vocational trainers have been factored. In addition, provision of specialized equipment, training materials and increased water access has been factored. Scholarships and bursaries have been factored to ensure seamless transition of primary to secondary education and beyond. To ensure sustainable livelihood business incubation and innovation project will be initiated in vocational centers. In sports and talent promotion, training facilities have been factored to be developed, rehabilitated, renovated as well as creating partnership to enhance and promote talent amongst youths. To enhance social protection, the sector will embark on empowerment support services to persons living with disabilities and infrastructural support at children rehabilitation and rescue centres. Annual socio-cultural events, youth and women empowerment programs will be supported in collaboration with the national government agencies.

Towards realizing the prioritized Programmes, the sector is allocated a total of KShs. 181,279,986 in 2020/21 with KShs. 91,177,793 being recurrent expenditure and KShs. 90,102,193 as development expenditure.

5.2.9 Trade, Tourism, Enterprise Development and Co-operative Sector

This sector aims at creating employment opportunities and wealth creation for poverty reduction, through creating an enabling environment for business, mobilization of resources for investments, and promotion of sustainable tourism. The county government prioritizes strengthening Enterprise and Co-operative revolving funds, construction and expansion of market structures and business parks, boosting the business capacity of co-operative societies, expanding financial inclusion through SACCOs, marketing of Laikipia as a tourist destination and promoting investments in the County. Continued funding of priority projects will foster employment creation and support the productive sectors in the County. The department is expected to put more effort in promoting industrialization through harnessing innovation. This will drive the economy towards value addition into agro products and coming up with brand products Laikipia beef and leather among others.

The sector is allocated a total of KShs. 147,055,721 in 2020/21 with KShs. 23,215,450 being recurrent expenditure and KShs. 123,840,271 as development expenditure.

5.2.10 Water, Environment and Natural Resources Sector

A master plan for water enhancement will guide the short term, medium term and long term needs in the county spending. Dominant rural areas have been prioritized through rehabilitation of water supply sources (dams, boreholes, springs, storage tanks) as well as establishment of new water schemes in identified clusters. Wildlife-human conflict mitigation initiatives will be addressed through electric fences, community patrols and strengthening resource user associations. Solid waste and drainage management will also get increased funding to address the existing gaps towards ensuring a safe and a secure environment through acquisition of dumpsites, cemeteries and garbage collection trucks. Interventions on climate change adaptation and mitigation, disaster reduction, increasing community resilience and livelihoods will also be addressed in 2019/20 and medium term. Collaboration with the national government and development partners will also be enhanced on rangeland, wetland and forestry protection activities, establishing mega dams and irrigation schemes.

Towards realizing the prioritized programs, the sector is allocated a total of KShs. 259,642,931 in 2020/21 with KShs. 18,019,589 being recurrent expenditure and KShs. 241,623,342 development expenditure.

5.2.11 Legislative Services

The legislative services and oversight roles shall continue to be the main spending items as well as promotion of issue based transformative agenda. The County Assembly is allocated a total of KShs. 566,193,750 with KShs. 465,693,750 being recurrent expenditure out of which kshs 202,727,302 is for staff emoluments KShs. 100,500,000 as development expenditure.

5.3 Challenges/ Opportunities to be addressed

The following challenges and respective recommendations are highlighted:

Revenue

The total revenue collected locally of KShs 346,574,547 fell short of targeted amount of KShs 543,552,083 in the first 7 months of 2019/20 recording 64% of the period target. Enhancement of collection of own source revenue across main streams will be supported as well as strengthening of automation of revenue collection systems. External resource mobilization through partnerships and collaborations with MDAs, development partners and Public Private Partnerships will be embraced towards an increased county resource envelope.

Staff matters

Spending pressures have persisted mainly on staff recruitment, working space hence the government will focus on the providing the necessary tools to facilitate work performance.
Staff mobility should be enhanced for efficient service delivery through better fleet management practices.

Weather patterns

The economic outlook for 2020 may face unpredictable weather variations as a result of climate change, if not adequately mitigated this may result in the county recording poor economic performance. To mitigate adverse effects, information from Early Warning Systems, building resilience through climate smart technologies and practices, and timely emergency assistance.

Budget funding

Delays in exchequer releases, expenditure arrears, back logs of utility payments and pending bills have continued to greatly affect budget implementation. County departments through the Treasury shall ensure there are timely submissions of exchequer requests and allocation of funds to prioritized programs in short term and medium term.

Procurement

Procurement processes have been cited as delaying most of the projects, leading to upward revision of costs. Development of bills of quantities on time and adherence to Public Procurement and Disposal Act, 2015 will ensure timely implementation of programs. In addition, timely preparation and implementation of Annual Procurement Plans through e-procurement will ensure achievement of departmental priorities.

Citizen engagement

Adherence to the requirements on public participation in governance and development has received improved performance. Nevertheless, there is need to embrace and document best practices in broadening citizenry inputs in policies, budget making and implementation of programs /projects.

Table 2: Summary of revenue sources 2020/2021

RESOURCE ENVELOP	
Revenue Type	**Amount in (KShs)**
Equitable share	4,830,560,000
Local revenue	1,006,875,000
Sub-total	**5,837,435,000**
Condition grants	733,170,018
Grand Total	**6,570,605,018**

Table 3: Priority allocations

Program/project	Departments	Recurrent (KShs)	Development (KShs)	Totals (KShs)
Opening of new roads, maintaining existing roads and drainage networks using labour based contracts targeting approximately 80 kilometres	Lands, Infrastructure and urban development	0	40,000,000	40,000,000
Pilot road infrastructure improvement through the annuity program targeting road network around Nanyuki railway station and selected areas in Nyahururu town.		0	10,000,000	10,000,000
Funding to support leased machinery and equipment operations through purchase of fuel, leasing of murram pits and human capital costs.		0	90,000,000	90,000,000
Contractual payments for leasing of equipment and heavy machineries such as graders, trucks, rollers and excavators.		0	120,000,000	120,000,000
Procurement and supply of subsidized livestock vaccines	Agriculture, Livestock and Fisheries	5,000,000	0	5,000,000
Agriculture (Crop and livestock) input subsidies for purchase and distribution of certified seeds, fertilizer and other farm inputs.		**0**	30,360,000	30,360,000
Irrigation development services. Construction of household water pans, irrigation dams and provision of dam liners, and irrigating equipment.		**0**	33,800,000	33,800,000
Extension Services Promotion -Farmer trainings and advisory on livestock and crop management		10,000,000	0	10,000,000
Micro and Small Enterprise Financing and Partnerships for Recovery Program targeting 3,000 Business/ Enterprises (200 businesses per ward)	Trade, Tourism, Enterprise Development and Co-operatives	0	73,000,000	73,000,000
Cooperative and tourism sector financing support for recovery		0	47,500,000	47,500,000
Manufacturing and Investment Promotion support programs -Construction of common manufacturing facilities, product development, ICT business systems, investment profiling , linkages and partnerships , brand promotion and field operations support		10,500,000	30,500,000	41,000,000
Micro and Small Enterprise Support program -Capacity development and technical support to businesses		7,000,000	11,300,000	18,300,000
Tourism Promotion & Marketing-Data collection & Research, promotion activities ,infrastructure development and online marketing		12,000,000	5,592,275	17,592,275
Vocational training centers –Revenue refunds to facilitate VTCs operation and administrative costs	Education and Social Services	25,000,000	0	25,000,000
Education Empowerment/Bursary to support needy students		50,000,000	0	50,000,000
Contingent legal obligations	Administration	20,000,000	0	20,000,000

Research and Development: surveys and research programmes to inform future planning and budgeting.	Finance and Economic Planning	0	10,000,000	10,000,000
Supplier development – Capacity development of various categories of suppliers including youth , women and PLWDs	Finance and Economic Planning	6,000,000	0	6,000,000
Emergency Fund-Mitigation against unforeseen calamities		30,000,000	0	30,000,000
Support vulnerable families through Universal health coverage/NHIF subsidies	Health	30,000,000	**0**	30,000,000
Purchase of Medical drugs, essential supplies and non-pharmaceuticals.		150,000,000	**0**	150,000,000
Mining exploration and development –Support to exploration and exploitation of mining opportunities available to potential investors	Water, Environment and Natural Resources	**0**	10,000,000	10,000,000
Total		**355,500,000**	**512,052,275**	**867,552,275**

Table 4: Summary of Resource Allocations

DETAILS	**2019/20(**KShs**)**	**2020/21**(KShs)	**2021/2022**(KShs)	**2022/2023**(KShs)
Personal Emoluments Executive	2,206,275,000	2,779,507,605	2,640,532,225	2,508,505,614
Personal Emoluments Assembly	193,725,000	202,727,302	200,602,238	190,572,126
Operations and Maintenance Executive	1,155,323,780	1,125,323,780	1,213,089,970	1,273,744,467
Operations and Maintenance Assembly	258,663,054	262,966,448	267,260,175	280,623,184
Total Recurrent Expenditure	**3,813,986,834**	**4,370,525,135**	**4,321,484,608**	**4,253,445,390**
Development- Executive	1,278,688,577	1,366,409,869	1,532,750,853	1,686,025,937
Development- Assembly	92,000,000	100,500,000	47,850,000	52,635,000
Total Development Expenditure	**1,370,688,577**	**1,436,909,865**	**1,580,600,853**	**1,738,660,937**
Total Budget	**5,184,675,411**	**5,837,435,000**	**5,902,085,461**	**5,992,106,327**

NB: The figures exclusive of conditional grants

Table 5: Sector Allocations in 2019/20(KShs)

Sector	**2019/2020 Recurrent**	**2019/2020 Development**	**2019/2020 Total Allocations**
County Assembly	452,388,054	92,000,000	544,388,054
Public Service and County Administration	2,727,024,383	51,142,860	825,788,720
County Public Service Board	14,500,000	10,500,000	25,000,000
Finance and Economic Planning	117,628,122	108,746,090	391,053,823
Laikipia County Revenue Board	39,000,000	32,600,000	71,600,000
Laikipia County Development Authority	10,500,000	12,000,000	22,500,000
Health	119,332,955	8,175,046	1,387,539,122
Nanyuki Teaching and Referral Hospital	101,757,133	32,000,000	133,757,133
Nyahururu Teaching and Referral Hospital	85,699,071	31,000,000	116,699,071
Agriculture, Livestock and Fisheries	18,708,016	61,298,304	275,262,716
Land, Housing and Urban Development	18,036,268	515,215,602	696,182,131
Education and Social Services	71,177,793	100,374,090	239,026,314
Trade, Tourism ,Enterprise Development and Co-operatives	20,215,450	112,599,590	157,868,935
Water, Environment and Natural Resources	18,019,589	203,036,995	298,009,392
Total	**3,813,986,834**	**1,370,688,577**	**5,184,675,411**

NB: The figures exclusive of conditional grant

Table 6: Sector Allocations in 2020/2021(KShs)

Departments	Recurrent	Development	Total
County Assembly	465,693,750	100,500,000	566,193,750
County Administration	3,247,256,988	56,099,545	3,303,356,533
County Public Service Board	14,500,000	5,281,629	19,781,629
Finance and Economic Planning	117,628,122	90,078,340	207,706,462
Laikipia County Development Authority	10,500,000	3,163,022	13,663,022
Laikipia County Revenue Board	39,000,000	25,759,542	64,759,542
Health	119,332,955	44,068,787	163,401,742
Nanyuki Teaching and Referral Hospital	101,757,133	11,938,332	113,695,465
Nyahururu Teaching and Referral Hospital	85,699,071	12,066,103	97,765,174
Agriculture	18,708,016	67,239,242	85,947,258
Land, Urban Development	18,036,268	595,149,511	613,185,779
Education and Social Services	91,177,793	90,102,193	181,279,986
Trade, Tourism Enterprise Development and Co-op	23,215,450	123,840,271	147,055,721
Water, Environment and Natural Resources	18,019,589	241,623,342	259,642,931
TOTALS	**4,370,525,135**	**1,466,909,859**	**5,837,434,994**

NB: The figures exclusive of conditional grants

Table 7: Projected Sector Allocations in 2021/2022(KShs)

Sector	Recurrent	Development	Total
County Assembly	467,862,413	47,850,000	515,712,413
Public Service and County Administration	3,184,319,077	61,709,503	3,246,028,580
County Public Service Board	15,225,000	12,669,408	27,894,408
Finance and Economic Planning	123,509,528	121,086,174	244,595,702
Laikipia County Revenue Board	40,950,000	39,335,496	80,285,496
Laikipia County Development Authority	11,025,000	14,479,324	25,504,324
Health	125,299,603	59,475,666	184,775,269
Nanyuki Teaching and Referral Hospital	106,844,990	13,132,165	119,977,155
Nyahururu Teaching and Referral Hospital	89,984,025	13,272,713	103,256,738
Agriculture	19,643,417	73,963,166	93,606,583
Land, Housing and Urban Development	18,938,081	621,664,462	640,602,543
Education, ICT and Social Services	74,736,683	121,112,412	195,849,095
Trade, Tourism ,Enterprise Development and Co-operatives	24,226,223	135,863,827	160,090,050
Water, Environment and Natural Resources	18,920,568	244,986,533	263,907,101
Total	**4,321,484,607**	**1,580,600,849**	**5,902,085,456**

NB: The figures exclusive of conditional grants

Table 8: Projected Sector Allocations in 2022/2023(KShs)

Sector	Recurrent	Development	Total
County Assembly	471,195,310	52,635,000	523,830,310
Public Service and County Administration	3,079,631,809	67,880,453	3,147,512,262
County Public Service Board	15,986,250	13,936,349	29,922,599
Finance and Economic Planning	129,685,005	133,194,791	262,879,796
Laikipia County Revenue Board	42,997,500	43,269,046	86,266,546
Laikipia County Development Authority	11,576,250	15,927,257	27,503,507
Health	131,564,583	65,423,232	196,987,815
Nanyuki Teaching and Referral Hospital	112,187,239	14,445,382	126,632,621
Nyahururu Teaching and Referral Hospital	94,483,226	14,599,984	109,083,210
Agriculture	20,625,588	81,359,483	101,985,071
Land, Housing and Urban Development	19,884,985	683,830,908	703,715,893
Education, ICT and Social Services	78,473,517	133,223,654	211,697,171
Trade, Tourism ,Enterprise Development and Co-operatives	25,287,534	149,450,210	174,737,744
Water, Environment and Natural Resources	19,866,597	269,485,186	289,351,783
Total	**4,253,445,393**	**1,738,660,935**	**5,992,106,328**

NB: The figures are exclusive of conditional grants

Table 9: Comparative Sector Ceilings 2019/200- 2022/23(KShs)

Sector	**2019/2020 Total** Allocations	**2020/2021 Total Projections**	**2021/2022 Total Projections**	**2022/2023 Total Projections**
County Assembly	544,388,054	566,193,750	515,712,413	523,830,310
Public Service and County Administration	2,778,167,243	3,303,356,533	3,246,028,580	3,147,512,262
County Public Service Board	25,000,000	19,781,629	27,894,408	29,922,599
Finance and Economic Planning	226,374,212	207,706,462	244,595,702	262,879,796
Laikipia County Revenue Board	71,600,000	13,663,022	80,285,496	86,266,546
Laikipia County Development Authority	22,500,000	64,759,542	25,504,324	27,503,507
Health	127,508,001	163,401,742	184,775,269	196,987,815
Nanyuki Teaching and Referral Hospital	133,757,133	113,695,465	119,977,155	126,632,621
Nyahururu Teaching and Referral Hospital	116,699,071	97,765,174	103,256,738	109,083,210
Agriculture	80,006,320	85,947,258	93,606,583	101,985,071
Land, Housing and Urban Development	533,251,870	613,185,779	640,602,543	703,715,893
Education, ICT and Social Services	171,551,883	181,279,986	195,849,095	211,697,171
Trade, Tourism ,Enterprise Development and Co-operatives	132,815,040	147,055,721	160,090,050	174,737,744
Water, Environment and Natural Resources	221,056,584	259,642,931	263,907,101	289,351,783
Total	**5,184,675,411**	**5,837,435,000**	**5,902,085,456**	**5,992,106,328**

Table 10: Conditional Grants 19/20 and 20/21

	2019/2020(KShs)	2020/2021(KShs)
Conditional Grants from National Government		
User fee forgone	9,968,208	9,968,208
Lease of medical equipment's	131,914,894	148,936,170
Road Maintenance levy fund	118,589,625	143,385,638
Vocational Training Center	31,908,298	18,741,170
Sub total	**292,381,025**	**321,031,186**
Loans and grants from development partners		
Transforming Health Systems for Universal Care Project	35,000,000	90,610,649
Kenya Climate Smart Agriculture Project	131,027,150	236,105,200
Kenya Devolution Support Project level 1	30,000,000	45,000,000
Kenya Urban Support Project(Urban Devt Grant)	50,000,000	
DANIDA Grant	12,281,250	11,880,000
EU Ideas	21,345,341	15,626,168
Agricultural Sector Development Support Programme	16,625,223	12,916,815
Kenya Urban Support Project (Urban Institutional Grant)	8,800,000	
Other Loans and grants	0	
KDSP level 2 investment grant	161,558,585	
Sub total	**466,637,549**	**412.138,832**
Total Grants	**759,018,574**	**733,170,018**