



NYAMIRA COUNTY GOVERNMENT

COUNTY TREASURY

MEDIUM TERM

COUNTY FISCAL STRATEGY PAPER

FEBRUARY 2015

FOREWORD

The 2015 Nyamira County Government Fiscal Strategy Paper (CFSP 2015) is the second to be prepared since the inception of the County Government. It sets out the framework for the preparation of the 2015/16 budget as required under Section 117 of the Public Finance Management Act, 2012. It articulates economic policies and sector based expenditure programmes that the County intends to implement in line with the County Integrated Development Plan 2013-2017, departmental strategic plans and The Governor's manifesto. The paper also takes into account national policies and priorities as espoused by the national Budget Policy Statement (BPS 2015) as provided for by the legislation.

This paper provides the basis for trade-off between our priorities at sector level. Our continued fiscal discipline has enabled us to achieve the thirty percent threshold of the capital expenditure in the FY 2014/15. Going forward, we will continue to control spending on recurrent expenditure to achieve the 40 percent target for the county while at the same time improve efficiency in revenue collection.

The county priorities will endeavor to accelerate growth of the county's economy and the standard of living of its citizens in compliance with the mandate bestowed on the County Governments by the Constitution. As such, the County Government will focus more on agriculture which is the mainstay of our economy through agricultural transformation and value addition, infrastructure and the social sector especially in education and health services.

This CFSP, therefore, provides us with the opportunity to build on our successes of the past two years while at the same time addressing the challenges which continue to hold us back from achieving our full potential.

John M Omanwa

Executive Committee Member,

Finance and Economic Planning

ACKNOWLEDGEMENTS

This Fiscal Strategy Paper 2015 is informed by the Public Finance Management Act, 2012 Section 117 (1) which stipulates that the County Treasury should prepare the Fiscal Strategy Paper for the County Government. This Strategy Paper sets out broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the Financial Year 2015/16 and over the medium term expenditure framework. This has been achieved through the contribution of the county government officers, the general public and various stakeholders.

We are particularly grateful to H.E the Governor, Deputy Governor, the County Executive Committee Member for Finance and Economic Planning, the outgoing Chief Officer Finance and Planning for their role, direction and guidance in developing this document, County Executive Committee Members, Chairman of County Assembly budget committee, Chief Officers, County Treasury Staff and Technical Team for their input in providing much needed information to the team working on this second Nyamira County Fiscal Strategy Paper 2015.

We are also grateful for the input and contribution from the public sector hearings held on 10th to 13th February 2015 towards preparation of this paper, not forgetting the role played by budget and economic forum members, sector convenors and co-convenors and the budget secretariat.

Finally, it is our sincere hope that the Nyamira County Fiscal Strategy Paper 2015 would provide strategic guidance to the 2015/2016 annual budget.

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ABBREVIATIONS

ARUD	AGRICULTURE, RURAL AND URBAN DEVELOPMENT
BPS	BUDGET POLICY STATEMENT
CA	COUNTY ASSEMBLY
CDF	CONSTITUENCY DEVELOPMENT FUND
CFSP	COUNTY FISCAL STRATEGY PAPER
CGN	COUNTY GOVERNMENT OF NYAMIRA
CIDP	COUNTY INTEGRATED DEVELOPMENT PLAN
CPI	CONSUMER PRICE INDEX
ECD	EARLY CHILDHOOD EDUCATION
ICT	INFORMATION COMMUNICATION TECHNOLOGY
IFMIS	INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM
MTEF	MEDIUM TERM EXPENDITURE FRAMEWORK
MTFS	MEDIUM TERM FISCAL STRATEGIES
MTP	MEDIUM TERM PLAN
PFM	PUBLIC FINANCE MANAGEMENT

CHAPTER ONE

1.1 Introduction and Overview

One of the important aspects of the budget preparation is the requirement by Section 117 of the PFM Act that before 28th February of each financial year, each County Treasury shall submit a County Fiscal Strategy Paper (CFSP) to the County Assembly after approval by the County Executive Committee. The Paper is also expected to be aligned to the national policies and objectives outlined in the Budget Policy Statement. The purpose of this paper, therefore, is to guide the County Departments, stakeholders and the general public to understand the fiscal situation on the proposed budget strategies. This strategy paper contains the following:

- a) The principles that will guide the 2015/16 budgetary process;
- b) The broad fiscal parameters for 2015/16 budget and the key strategies and policies for management of revenues and expenditures;
- c) Discussion of risks to the budget parameters and budget strategies;
- d) The medium term outlook for the County Government revenues and expenditures;
- e) Discussion of how the budget strategies relate to the Medium Term Fiscal Strategies (MTFS) and County Integrated Development Plan (CIDP).
- f) Broad County Government priorities and strategic goals.
- g) A framework for preparation of departmental budget estimates and the development of detailed budget policies.

This document will be made available to the public as required by the Constitution 2010, Article 201 and Public Finance Management Act 2012 section 117.

1.2 Outline of the County Fiscal Strategy Paper (CFSP)

This County Fiscal Strategy Paper 2015 is presented in four Chapters. After the Introduction presented in Chapter One, which presents an overview and outline of the Paper, Chapter Two outlines the economic context within which the 2015/16 budget will be prepared. It also presents an overview of the recent economic developments and the macroeconomic outlook covering the global, national and domestic scenes. It concludes by discussing the fiscal performance of the first half of FY 2014/15.

In Chapter Three, the Paper presents the Fiscal Policy and Budget Framework that will support planned growth over the medium to long term, while continuing to provide sufficient resources to support social sector programmes, agriculture as well as in infrastructure spending.

Lastly Chapter Four presents Medium Term Fiscal Framework, Revenue Projections, Expenditures and Criteria for Resource Allocation. The resource envelope and spending priorities for the proposed 2015/16 budget and medium term as well as Sector achievements and priorities are reviewed. Overall, the County Government spending on development will be at least 30 percent over the budget period.

1.3 Legal basis for the publication of County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with section 117 of the Public Finance and Management Act, 2012. The law states that;

- 1) The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.*
- 2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.*
- 3) 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.*
- 4) 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.*
- 5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—*
 - a) The Commission on Revenue Allocation;*
 - b) The public;*
 - c) Any interested persons or groups; and*
 - d) Any other forum that is established by legislation.*
- 6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.*
- 7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.*
- 8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.*

1.4 Fiscal Responsibility Principles for the County Government

In line with the Constitution, the Public Finance and Management Act, 2012 sets out the fiscal responsibility principle to ensure prudent and transparent management of public resources. The PFM law (Section 107) states that:

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.*
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles—*
 - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;*
 - b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;*
 - c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;*
 - d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;*
 - e) The county debt shall be maintained at a sustainable level as approved by county assembly;*
 - f) The fiscal risks shall be managed prudently; and*
 - g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.*
- 3) For the purposes of subsection (2) (d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.*
- 4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.*
- 5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2)*

CHAPTER TWO

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 Growth and prospects of Global economy

According to the Budget Policy Statement (BPS) 2015, the global economy is recovering albeit sluggishly. World economic output is expected to strengthen gradually from 3.3 percent growth in 2014 to 3.8 percent in 2015, driven mainly by growth in advanced economies. Although the euro area has exited recession growth remains anemic, hampered by high unemployment, large debt stocks and tight private sector borrowing conditions. Despite deceleration in 2014, growth in emerging markets and developing economies is projected to increase modestly in 2015, supported by stronger domestic demand and some recovery in global demand.

Further, in Sub-Saharan Africa, growth is expected to remain strong at about 5.75 percent in 2015 driven by sustained infrastructure investment, buoyant services sectors, and strong agricultural production, even as oil-related activities provide less support for the oil producers. Economic activities in a few countries are facing challenges from the recent ebola outbreak (Guinea, Liberia and Sierra Leon), and more recently, macroeconomic imbalances in Ghana and Zambia.

2.2 Growth, Challenges and Prospects of National Economy

The Kenya National Bureau of Statistics (KNBS) initiated the process of rebasing and revising the National Accounts Statistics (NAS) in 2010 and completed the exercise in September 2014. Kenya's rebased GDP per capita for 2013 is estimated at USD 1,269 compared to a previous estimate of USD 994 for the same year, representing a 27.7 per cent increase. This implies that Kenya can now be categorized as a lower middle income country as its GDP per capita is above the World Bank's benchmark of USD 1,036. Kenya's economy is now ranked as the 9th largest in Africa and the 4th largest in Sub-Saharan Africa. Growth prospects remain strong, inflation has been contained at single digit, interest rates are trending downwards and exchange rate is broadly stable. Public debt remains sustainable and both fiscal and external buffers have been strengthened despite the downside risks associated with the sluggish global recovery. Due to sound macroeconomic management, the economy rebound from 0.2% in 2008 to 8.4% in 2010 before slowing down to 6.1% in 2011 and 4.5% in 2012. In 2013 the economy grew by 5.7% and 5.3% in 2014. The economy is expected to expand by 6.9% in 2015 and 7.0% over the medium term.

Today, Kenya is considered a "frontier" economy with bright prospects. As such the basic foundation for economic transformation is now in place. However a number of challenges still need to be addressed as part of the transformation to underpin shared prosperity. Our economy remains vulnerable to external and domestic shocks, in particular to drought and to other weather related shocks, the frequency of which has increased in the past given the prevalence of rain fed agriculture and high dependency on hydro-power generation. At the same time the growing integration to global markets while creating new financing opportunities exposes our economy to more vulnerability especially due to changes in global risk sentiments.

Inadequate investment and inappropriate incentives structure over the years have also led to a significant decline in productivity in the agricultural and manufacturing sectors resulting in

rising imports and falling exports. These challenges have been compounded by poor conditions of transport and logistics, inadequate and expensive power and non-conducive business climate including insecurity. In addition the emerging high and unsustainable recurrent expenditure, weak budget execution and fiscal related challenges surrounding devolution if not addressed will continue to constrain the economy from achieving its full potential and be a drag on our economic transformation agenda in the medium term. (BPS, 2015)

2.3 Prospects of Nyamira County Economy

The global economy has an impact on the County economy and this need to be taken into consideration when developing county's economic policies. The performance of the economies of Kenya's trading partners affects the county economy directly through demand for goods and services produced in the county and indirectly through increased investments in the national economy. The growth of major trading partners may also positively affect the county economy if that affords them to invest directly in the county.

Europe, USA, Middle East and Egypt are the major consumers of some of the products produced in the county, mainly tea and coffee. The price of tea in the global market has been falling despite increasing production which has affected the county economy. On the other hand, coffee production has declined greatly due to mismanagement of cooperatives. Improvement in the global economy will therefore increase demand for exports originating from the county.

Review of the global and national economic performance indicates good prospects for growth which bode well for the county as demand for its products is likely to rise. The global economy is expected to grow by 3.8 percent, 5.75 percent in Sub-Saharan Africa while the National economy is expected to grow by 6.9 percent in 2015. The County Government is in the process of developing its own statistical abstract. However, the county can only benefit from these prospects if its products are competitive.

Growth of the national economy is directly linked to the counties. An expanding national economy will lead to higher revenues and ultimately higher allocations to the county governments to finance development and provision of social services. Higher growth also raises household disposable incomes thus generally raising demand for goods and services.

The falling prices of crude oil will positively affect the county economy due to reduction of production costs in the tea and coffee industries thus making products more competitive in the international market. Further, the reduction in crude oil prices will lead to reduced transportation costs and through the multiplier effect, enhance the purchasing power of the county residents and their general well-being.

2.4 Performance of Financial Year 2014/2015 Budget

2.4.1 Performance of Revenue

The table below shows the revenue collected per source for the first half of the 2014/2015 financial year ended 31st December 2014 and the target for the same period.

Table 1: Revenue performance report

SOURCE	July-December 2014		
	TARGET	Actual Collections	Variance
	Kshs	Kshs	Kshs
National government			
Opening balance	823,285,658	613,001,826	(210,283,832)
Equitable share	1,807,193,532	1,336,665,826	(470,527,706)
Donor funding	10,770,000		(10,770,000)
Total	2,641,249,190	1,949,667,652	(691,581,538)
Market Dues	20,148,852	5,599,720	(14,549,132)
Matatu Park	16,991,483	6,174,330	(10,817,153)
private Parking	623,675	1,006,090	382,415
Agricultural Cess	9,353,460	453,507	(8,899,953)
Toll Cess	464,386	523,200	58,814
Motor bike stickers	3,086,992	1,375,600	(1,711,392)
livestock movement permit	543,410	594,685	51,275
livestock Fee	868,034	645,930	(222,104)
Slaughter Fee	220,609	65,440	(155,169)
Plot Rent	591,013	928,720	337,707
Shop Rent	1,556,970	198,200	(1,358,770)
market Stall Rent	729,857	260,150	(469,707)
Advertisement charges	525,020	368,463	(156,557)
Single business permit	21,623,253	10,789,380	(10,833,873)
Single businesses permit Application.	3,217,375	2,823,590	(393,785)
School Reg fees	888,220	30,000	(858,220)
Development Application	745,883	266,900	(478,983)
Building Plan Aproval	1,231,714	1,079,380	(152,334)
Tender Fee	364,810	73,000	(291,810)
Survey Fee	456,014		(456,014)
Storage. Charges	108,300	8,800	(99,500)
Kiosk Fee	94,763	193,010	98,247
Impounding charges	126,131	215,300	89,169
Land Application	137,484	3,916	(133,568)
Land Control Board	393,945		(393,945)
Change of User	29,118		(29,118)
Land Transfer Charges	41,230	22,900	(18,330)
Land Rates	1,763,961	8,260,744	6,496,783
Admin Charges	161,816	132,120	(29,696)
Physical planning charges	546,920	219,600	(327,320)
Veterinary	3,316,796	20,000	(3,296,796)

Trade – Weights & measures	147,602	220,700	73,098
Public Health	18,427,681	16,323,207	(2,104,474)
TOTAL	109,526,777	58,876,582	(50,650,195)
GRAND TOTAL	2,750,775,967	2,008,544,234	(742,231,733)

Source: County Treasury (Revenue Section)

2.4.2(a) Expenditure performance: Recurrent

The table below shows the recurrent expenditure for the first half of the 2014/2015 financial year ended 31st December 2014 and the target for the same period.

Table 2: Recurrent expenditure report

Vote Book Code	Name of Department	Budget Estimates (Kshs.)	Expenditure as at 31/12/2014 (Kshs.)	Balance as at 31/12/2014 (Kshs.)	Absorption Rate (%)
5261	County Assembly	250,085,650	189,173,663	60,911,987	75.6
5262	Executive & Public Administration	620,634,025	246,683,386	373,950,639	39.7
5263	Finance & Economic Planning	77,234,067	7,226,634	70,007,639	9.4
5264	Agriculture, Livestock & Fisheries	141,277,438	62,117,354	79,160,084	44.0
5265	Environment, Energy & Natural Resources	18,441,588	5,679,761	12,761,827	30.8
5266	Education & ICT	127,816,120	57,636,284	70,179,836	45.1
5267	Health Services	1,037,116,462	421,671,889	615,444,573	40.7
5268	Lands, Housing & Physical Planning	21,280,030	3,464,795	17,815,235	16.3
5269	Water, Sanitation & Irrigation	61,438,456	23,203,358	38,235,098	17.8
5270	Roads, Transport & Public Works	30,764,948	5,479,363	25,285,585	17.8
5271	Trade, Investment, Cooperatives & Industrialization	24,555,948	10,830,062	13,725,886	44.1
5272	Youths, Sports, Gender, Culture & Social Services	21,477,320	6,706,251	14,771,069	31.2
	Total	2,432,122,052	1,039,872,800	1,392,249,252	42.8

Source: County Treasury

2.4.2(b) Expenditure performance: Development

The table below shows the development expenditure for the first half of the 2014/2015 financial year ended 31st December 2014 and the target for the same period.

Table 3: Development Expenditure report

Vote Book Code	Name of Department	Budget Estimates (Kshs.)	Expenditure as at 31/12/2014 (Kshs.)	Balance as at 31/12/2014 (Kshs.)	Absorption Rate (%)
5261	County Assembly	107,224,000	8,316,306	98,907,694	7.8
5262	Executive & Public Administration	260,743,695	71,553,930	189,189,765	27.4
5263	Finance & Economic Planning	37,249,450	9,924,542	27,324,908	26.6
5264	Agriculture, Livestock & Fisheries	94,567,495	15,229,168	79,338,327	16.1
5265	Environment, Energy & Natural Resources	80,701,620	36,031,570	44,670,050	44.6
5266	Education & ICT	152,011,325	54,893,095	97,118,230	36.1
5267	Health Services	393,158,174	80,913,092	312,245,082	20.6
5268	Lands, Housing & Physical Planning	55,252,292	10,074,286	45,178,006	18.2
5269	Water, Sanitation & Irrigation	190,991,615	29,944,001	161,047,614	15.7
5270	Roads, Transport & Public Works	648,883,840	202,723,207	446,160,633	31.2
5271	Trade, Investment, Cooperatives & Industrialization	145,823,418	43,852,341	101,971,077	30.1
5272	Youths, Sports, Gender, Culture & Social Services	79,537,300	19,685,164	59,852,136	24.7
	Total	2,246,144,224	583,140,702	1,663,003,522	26.0

Source: County Treasury

CHAPTER THREE

FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

The 2015 Medium-Term Fiscal and Budget Framework will guide the development of the county Medium Term Expenditure Framework (MTEF) that is compliant with the Public Finance Management Act (PFM) of 2012 and other relevant legislation.

Specifically, the Fiscal policy underpinning the FY 2015/16 Budget and MTEF aims at supporting rapid socio-economic growth in line with the broad policies and strategies outlined in the 2014 National BPS, under a five pillar transformation program covering:

- ❖ Creating a conducive business environment
- ❖ Investing in agricultural transformation and food security
- ❖ Investing in first-class transport and logistics
- ❖ Investing in quality and accessible healthcare services and quality education as well as strengthening the social safety net to reduce the burden on the households
- ❖ Supporting devolution for better service delivery and enhanced economic development.

The county wishes to achieve this by allocating more resources in Agriculture, Infrastructure and social sectors in line with the Governor's manifesto. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth.

3.2 Continuing with prudent fiscal policy

Fiscal policy will continue to support economic activities while allowing implementation of the County Integrated Development Plan (CIDP), Departmental Strategic Plans and the Governor's manifesto within a context of sustainable public financing. Over the past two years, the County Government has oriented expenditure towards priority programmes in health, education, agriculture, water and roads. This process will be strengthened with a revamped legislative framework and review of CIDP to enable accommodation of critical programmes that will accelerate socio-economic development.

Going forward, the county treasury, through the enactment of Finance Act 2014 has established systems to attain sound economic policies. The county government has reformed the levies and charges to expand the revenue base without necessarily imposing undue burden on the residents. This will be achieved by automation of revenue collection to promote efficiency of revenue agency and to reduce leakage of revenues and also through continuous capacity building of revenue officers so as to cope with dynamics of time and technology.

Based on the budget outturn over the first six months of the financial year, disciplined expenditure management and implementation of savings measures on operations and maintenance is improving the County's fiscal position.

Our continued fiscal discipline enabled us to achieve the thirty percent threshold of the development expenditure in the FY 2013/14. Going forward, we will continue to manage our

recurrent expenditure to achieve the county target of 40 percent on development expenditure in the FY 2015/16 while at the same time improving revenue collection efficiency.

The county priorities will endeavor to accelerate growth of the county's economy and the standard of living of its citizens in compliance with the mandate bestowed on the County Governments by the Constitution. As such, the County Government will focus more on agriculture which is the mainstay of our economy through agricultural transformation and value addition, infrastructure and the social sectors especially health and education.

3.2.1 Fiscal outlook to end June 2015

The table below shows the total expenditure estimates for the 2014/2015 financial year ending 30th June 2015.

Table 4: Total Expenditure estimates

Vote Book Code	Name of Department	Development Expenditure (Kshs.)	Recurrent Expenditure (Kshs.)	Totals (Kshs.)
5261	County Assembly	107,224,000	250,085,650	357,309,650
5262	Executive & Public Administration	260,743,695	620,634,025	881,377,720
5263	Finance & Economic Planning	37,249,450	77,234,067	114,483,517
5264	Agriculture, Livestock & Fisheries	94,567,495	141,277,438	235,844,933
5265	Environment, Energy & Natural Resources	80,701,620	18,441,588	99,143,208
5266	Education & ICT	152,011,325	127,816,120	279,827,445
5267	Health Services	393,158,174	1,037,116,462	1,430,274,636
5268	Lands, Housing & Physical Planning	55,252,292	21,280,030	76,532,322
5269	Water, Sanitation & Irrigation	190,991,615	61,438,456	252,430,071
5270	Roads, Transport & Public Works	648,883,840	30,764,948	679,648,788
5271	Trade, Investment, Cooperatives & Industrialization	145,823,418	24,555,948	170,379,366
5272	Youths, Sports, Gender, Culture & Social Services	79,537,300	21,477,320	101,014,620
	Total	2,246,144,224	2,432,122,052	4,678,266,276

Source: county treasury

3.2.2 Observing Fiscal Responsibility Principles

The County Government acknowledges that the fiscal stance it takes today will have implications into the future. Therefore, and in line with the Constitution and the Public Finance Management (PFM) Act, 2012, the principle of sharing the burdens and benefits of the use of resources, fiscal responsibility has become even more important since the Constitution requires the Government to progressively provide for a minimum basic standard of economic and social rights to its citizens within available resources.

In order for spending to increase on a sustainable basis to meet these basic needs, there is need to match the increased expenditure demands with a corresponding increase in revenue yield through efficient collection and reasonable revenue rates. It is therefore imperative to reform and modernize the revenue regimes to ensure stability of revenue effort, while at the same time continuing to restructure expenditure systems to ensure efficiency and create fiscal space required to fund these basic needs expenditures on sustainable basis.

3.2.3 Fiscal Structural Reforms

Underpinning the fiscal programme are measures to raise local revenue to about 10 percent of the total budget by 2016/17 financial year. This will be achieved through measures to simplify revenue code in line with best practices, in order to improve revenue compliance, minimize delays, and increase efficiency in revenue collection.

On the other hand, the County Government will continue with expenditure management reforms to improve efficiency and reduce wastages in line with the Public Finance Management Act, 2012 and Public Procurement and Disposal Act, 2005. Expenditure management will be strengthened with implementation of Integrated Financial Management Information System (IFMIS) across departments and subsequently at the Sub-county level and health centres. The County treasury is operating a single treasury account to ensure efficient and prudent management of County Government resources for efficient and effective service delivery.

3.2.4 Deficit Financing Policy

The County Government will operate under a balanced budget fiscal regime. National and foreign borrowing will be limited to projects that guarantee revenue streams and support long-term growth.

CHAPTER FOUR

MEDIUM TERM EXPENDITURE FRAMEWORK

4.1 Resource Envelope

The Constitution of Kenya 2010 stipulates that county governments should have reliable, stable and predictable sources and allocation of revenue. The Nyamira County Government has two main sources of funding. Locally raised revenue sources which the County raises through various instruments. The rates and levies are enforced through the County Finance Act, 2014. The other category is the transfers from the National Government (equitable share) as provided under Article 201 of the Constitution. The resource envelope available for allocation among the spending units is based on the medium term fiscal framework outlined below. The third source of revenue is conditional grants especially in the health sector.

4.2 Spending Priorities

Prioritization of resource allocation will be based on the CIDP, departmental strategic plans and Governor's manifesto well as medium term priorities identified during the County public sector hearings in February 2015.

In addition, the Constitution and the PFM Act 2012 require county governments to promote budget transparency, accountability and effective financial management of resources. Hence, use of resources at the County will be based on clearly set priorities to ensure that budgets are directly linked to plans.

Spending proposals will in this regard undergo rigorous scrutiny to identify areas of inefficient and non-priority expenditure with focus being in the areas indicated in the table below. During scrutiny of 2015/16 budget proposals, more effective use of resources will be sought across spending units and any identified savings will be re-directed to deserving priority expenditures.

Targeted Expenditures for Scrutiny

Recurrent

Telephone, Telex, Facsimile and Mobile phone services

Courier and postal services

Domestic Travel and Subsistence, and other transportation Costs

Foreign Travel and Subsistence, and other transportation costs
--

Printing, Advertising and Information Supplies and Services

Training Expenses

Hospitality Supplies and Services

Office and General Supplies and Services
--

Contracted Professional Services

Contracted Technical Services

Minor Alterations to Buildings and Civil Works

Purchase of Office Furniture and General equipment

Refurbishment of Building

Purchase of Motor vehicles

Pre-feasibility, Feasibility and Appraisal Studies

Development

Contracted Professional Services

Contracted Technical Services

Minor Alterations to Buildings and Civil Works

Refurbishment of Buildings

Pre-feasibility, Feasibility and Appraisal studies

Due to limited resources, more resource allocation will focus on the following sectoral priorities:

- Infrastructure development: This will include interventions in roads, energy (street lighting) and ICT development.
- Agriculture, rural and urban development: Priority will be given to livestock, fisheries and agriculture, spatial planning and housing development.
- Water and environment: The priority will be given to spring protection, drilling of boreholes, wetlands conservation and promotion of bamboo tree planting.
- Health: Priorities in this sector will include funding healthcare infrastructure, communicable and non-communicable diseases and drugs.
- Social sector: priority areas will be Culture, sports, youth, security and opportunities for vulnerable members of our society.

4.3 Revenue Projections

The main source of revenue for the county is the equitable share from the national allocation which is Kshs 4.118 billion in 2015/16 and local revenue which is projected at Ksh. 240 Million as shown in the table below.

Table 5: Revenue projections

REVENUES	Baseline Budget	Estimates	Projections	
	2014/2015	2015/2016	2016/2017	2017/18
	Kshs.	Kshs.	Kshs.	
NATIONAL GOVERNMENT REVENUE				
Opening Balance	823,285,658			
Equitable Shareable Revenue	3,614,387,064	4,118,000,000	4,529,800,000	4,982,780,000
Donor Grants/ DANIDA	21,540,000	21,540,000	21,540,000	23,694,000
HSSF	0	44,929,900	44,929,900	0
Sub- Total	4,459,212,722	4,184,469,900	4,596,269,900	5,006,474,000
REVENUE FROM LOCAL SOURCES		-	-	
Market Dues	40,297,703	44,327,473	48,760,220	53,636,242
Matatu Parking Charges	33,982,965	37,381,261	41,119,388	45,231,327
Private Parking Charges	1,247,350	1,372,085	1,509,294	1,660,223
Agricultural Cess	18,706,920	20,577,612	22,635,373	24,898,910
Motor Bike Stickers	6,173,784	6,791,162	7,470,279	8,217,307
Cattle Movement Permit	1,086,819	1,195,501	1,315,051	1,446,556
Cattle Fee	1,736,068	1,909,675	2,100,642	2,310,706
Slaughter Fee	441,218	485,340	533,874	587,261
Isolated Plot Rent	803,700	884,070	972,477	1,069,725
Plot Rent	1,182,026	1,300,229	1,430,252	1,573,277
Shop Rent	3,113,940	3,425,334	3,767,867	4,144,654
Market Stall Rent	1,459,713	1,605,684	1,766,253	1,942,878
Advertisement Charges	1,050,039	1,155,043	1,270,547	1,397,602
Single Business Permit	43,246,506	47,571,157	52,328,272	57,561,099
Single Business Permit-Application Fees	6,434,750	7,078,225	7,786,048	8,564,653
School Registration Fees.	1,776,440	1,954,084	2,149,492	2,364,441
Development Application Fees	1,491,766	1,640,943	1,805,037	1,985,541

Building Plan Application Fees	2,463,428	2,709,771	2,980,748	3,278,823
Structural Approval Charges	912,027	1,003,229	1,103,552	1,213,907
Sale of Tender Documents	729,619	802,581	882,839	971,123
Storage Charges	216,600	238,260	262,086	288,295
Kiosk Fees	189,525	208,478	229,325	252,258
Impounding Charges	252,261	277,487	305,236	335,760
Land application Fees	274,968	302,465	332,711	365,982
Land Rates	3,527,922	3,880,714	4,268,786	4,695,665
ADM Charges	323,631	355,994	391,593	430,752
Survey Fees	125,286	137,815	151,596	166,756
Land Control Board Charges	787,890	866,679	953,347	1,048,682
Change of User Charges	58,235	64,059	70,464	77,510
Land Transfer Charges	82,460	90,706	99,777	109,755
Weights and Measures Charges	295,203	324,723	357,196	392,916
Physical Planning Charges	1,093,840	1,203,224	1,323,546	1,455,901
Public Health Fees	36,855,362	40,540,898	44,594,987	49,054,486
Veterinary Charges	6,633,592	7,296,951	8,026,646	8,829,311
Sub- Total	219,053,556	240,958,912	265,054,801	291,560,281
TOTAL BUDGTED REVENUE	4,678,266,278	4,425,428,812	4,861,324,701	5,298,034,281

Source: County Treasury 2015

4.4 Medium –Term Expenditure Estimates

The baseline estimates reflects the current spending priorities as contained in the CIDP, strategic plans and the Governor’s manifesto. In the recurrent expenditure category, non-discretionary expenditures take first charge and it includes payment of statutory obligations such as salaries, and staff pension that are financed by the County Government.

Table 6: Projected Baseline Ceiling for 2015/16 Budget Classified by entity

Expenditure per entity	Opening balance	Base line BUDGET	Proposed CFSP Ceiling	MTEF Projections	
		2014/2015	2015/2016	2016/17	2017/18
County Executive					
-Governor's Office	12,420,842	297,122,979	522,921,444	487,213,588	535,934,947
- Public Administration	0	584,254,751	0	0	0
County Assembly	0	357,309,650	500,341,611	550,375,772	605,413,349
Public Service, Administration and Coordination	0	0	344,029,025	158,431,928	174,275,120
Finance and Economic Planning	0	114,483,517	254,988,182	368,487,000	405,335,700
Agriculture, Livestock and Fisheries	21,257,265	235,844,933	312,525,632	332,778,193	368,210,012
Environment, Water, Energy, and Natural Resources	166,517,685	351,573,279	266,524,327	293,176,760	322,494,436
Education and ICT	80,468,575	279,827,445	235,168,681	225,685,549	248,254,104
Health Services	185,154,071	1,430,274,636	1,315,799,819	1,440,732,811	1,533,229,202
Lands, Housing and Urban Development	0	76,532,322	158,862,104	196,748,314	216,423,146
Roads, Transport and Public Works	308,961,852	679,448,788	328,415,701	647,257,271	711,982,998
Trade, Co-operative Development, Tourism and Investments	48,505,368	170,379,366	97,028,818	79,231,700	87,154,870
Youths, Gender, Sports, Culture and Social Services		101,014,620	88,823,468	81,205,815	89,326,397
Total	823,285,658	4,678,066,286	4,425,428,812	4,861,324,701	5,298,034,281

Source: Nyamira County Treasury

Note: The baseline budget for the year 2014/15 includes the opening balance (development projects) Ksh. 823 Million carried forward from the previous financial year (2013/14)

Brief explanation

The following were the factors considered in determining the ceiling is as follows:

<u>Expenditure per entity</u>	<u>Salary</u>	<u>Proposed activities</u>
County Executive -Governor's Office	Ksh. 142,115,330	-It include salaries for executive members, chief officers, public service board and PFM staff -regional bank
County Assembly	Ksh. 274,995,631	Oversight and legislation
Public Service, Administration and Coordination	Kshs. 31,022,823	-New offices for sub-county administrator -Administration office block
Finance and Economic Planning	Kshs. 160,115,333	-Transfer of salary of former local authorities staff under revenue. - enhancing audit and project monitoring and evaluation
Agriculture, Livestock and Fisheries	Kshs. 137,015,050	Working towards Kyoto declaration of 10% to agriculture
Environment, Water, Energy, and Natural Resources	Kshs. 45,750,090	Spring protection Street lighting Bamboo project
Education and ICT	Kshs. 143,463,580	Polytechnic tutors and curriculum Building of Ecde classes and extra teachers
Health Services	Kshs. 732,403,388	Equipping the facilities Hssf and danida grants
Lands, Housing and Urban Development	Kshs. 16,5000,000	Development of markets Urban development
Roads, Transport and Public Works	Ksh.16,430,689	Stadium construction Opening of roads
Trade, Co-operative Development, Tourism and Investments	Kshs. 17,654,522	Cottage industries Tourism and cooperatives
Youths, Gender, Sports, Culture and Social Services	Ksh. 25,183,804	Gender and social services

4.5 Priority Areas as per Sector Hearings

Development expenditures are shared out on the basis of the CIDP and Sector priorities as well as other strategic interventions. The following were the sector public hearing:

1) EDUCATION AND ICT

KEY ISSUES	PRIORITY	PROPOSED INTERVENTIONS	RECOMMENDATIONS
1. Under staffing in ECD schools.	E.C.D teachers	County Government to employ more ECD teachers.	-Employ enough qualified ECD teachers
2. Inadequate Infrastructure	-Classrooms -I.C.T. infrastructure -Sanitation	-Build classrooms and other infrastructure	allocate more funds to schools to cater for infrastructure
3. Lack of funds	Bursary fund	Create a bursary fund	Allocate funds to the bursary kitty
4. High rates of drop outs in polytechnics	Curriculum development	Develop relevant curriculum	Infrastructure development and equipping of the polytechnics Train entrepreneurship skills Extend bursaries

2) YOUTH, RECREATION, CULTURE AND SOCIAL PROTECTION

KEY ISSUES	PRIORITY	PROPOSED INTERVENTIONS	RECOMMENDATIONS AND CONCLUSIONS
1. Unemployment	Training	Skill training -Quality sporting activities Establish CBO to carry our various activities.	Establish cottage industries Establish youth empowerment centers Establishment of community learning resource centers
2. Socially challenged groups (orphans, widows, Aged, Physically challenged)		Establish homes for aged and orphans Provide opportunities to the vulnerable groups	Public Private partnership should be encouraged to provide support to the vulnerable
3. Female Genital mutilation (FGM) and gender violence		Civic education sensitization.	Involve stake holders
4. Drug abuse and alcoholism		Sensitization and awareness creation -Enforcement of the law	Establishment of recreational and sport centers

3) ENVIRONMENT PROTECTION, WATER, ENERGY AND NATURAL RESOURCES

KEY ISSUES	PRIORITY	PROPOSED INTERVENTIONS	RECOMMEDATIONS AND CONCLUSSIONS
1. Inadequate safe water for consumption.	Safe water	Conserve water sources	Create awareness on water protections -Identify map and protect the new and existing water resources -Encourage harvesting of rain waters and storage -Enforce water legislations
2. Environmental degradation	Environmental conservation	Re-afforestation Reduce blue gums in/near water sources -Regulate quarrying activities. -Conservation farming on water sheds on hilltops	Create awareness on need to preserve and conserve the environment
3. Poor waste management		Recycle of biodegradable waste -Develop sewerage waste system	Create awareness on environment. -identification of dumpsite enforce of existing laws
4. Inadequate harnessing of energy	Power supply	Improve connectivity	Solar street lighting

4) INFRASTRUCTURE SECTOR

KEY ISSUES	PRIORITY	PROPOSED INTERVENTIONS	RECOMMEDATIONS AND CONCLUSSIONS
1. Poor road network	Opening feeder roads	rehabilitation of existing tarmac road Tarmac strategic roads Improve existing gravel roads to all weather	Procure machinery for public works Active participation of all stake holders Increase budgetary allocation
2. Inadequate offices	County office block	Involvement of professionals (Consultants).	Increase budgetary allocation

5) PUBLIC ADMINISTRATION AND INTERNATIONAL RELATIONS SECTOR

KEY ISSUES	PRIORITY	PROPOSED INTERVENTIONS	RECOMMENDATIONS AND CONCLUSSIONS
1. Inadequate human resource	Staffing	Hiring more staff Capacity building	Increase funding
2. Weak M & E structures	Strengthen M&E structure	Establish M&E committees at the county and sub county level	Strengthen M & E structures through adequate funding
3. Lack of awareness on existing legal provisions	Public finance management	Sensitization on finance and procurement regulations	Budgetary allocation for sensitization
4. Lack of county statistical abstract	Formulate the county statistics	The county government should come up with the county statistical abstract	Allocate more funds for statistical formulation.

6) AGRICULTURE, RURAL AND URBAN DEVELOPMENT

ISSUES	PRIORITY	PROPOSED INTERVENTIONS	RECOMMEDATIONS
<ul style="list-style-type: none"> -Inadequate extension services -Pests and Diseases -Lack of capital credit facilities -Value addition to farm products -Marketing -research and Development -poor land use system -High prices of farm inputs -Poor quality of farm inputs -Low productivity and quality of farm produce 	<ol style="list-style-type: none"> 1. Inadequate extension services. 2. Lack of capital and credit. 3.Low productivity and quality of produce/products 	<ul style="list-style-type: none"> -capacity building -Modernization of Agricultural training centres (establishment) -on farm demonstrations -Increase funding of extensions -Avail affordable and accessible credit -Subsidies and grants. -Quality inputs -ensure quality Control standards. -good farming practices and technologies. 	<ul style="list-style-type: none"> -Recruit more extension staff -Facilitate/Increase funding of ext. services. -Improved agricultural technology (Green houses). -Lower lending rates (lending policy on agric. Credit) -Strengthen and enforcement of regulations. -Improve distribution channels -Establish fertilizer man/industry.

	4. poor marketing	-Revive and strengthen co-operatives -value addition	Establish Agro-Processing industries
	5. Pests and Diseases	-Capacity building -vaccination -Field surveillance	-Disease free zone -Establish early warning systems
	6. Inadequate housing.	-Improve/maintain the existing houses -plan and develop new components	enforce existing laws(building) -increase budget allocation for housing -Awareness creation to the general public -adopt new construction technologies.

7) HEALTH SERVICES

KEY ISSUES	PRIORITY	PROPOSED INTERVATION	RECOMMENDATION
1. Infrastructure for health	Physical Infrastructure (service blocks, staff houses etc) Medical equipment.	Resources mobilization.	Carry out a comprehensive inventory of the facilities and equipments to address the gap.
2. Inadequate human resource for health	Human resource for health.	Adequate staffing 1. Needs assessment to be done and the inventory. 2. Redeployment of the staffs. 3. Recruitment of health staffs.	-Support from NGOs in terms of funds for recruitment.
3. High disease burden.	Communicable and non-communicable	-Adapt health promotion approach in addressing disease burden.	-Increase coverage of community health services at level I.

8) GENERAL ECONOMIC AFFAIRS, LABOUR:

KEY Issues	PRIORITY	PROPOSED INTERVENTION	RECOMMENDATION
1. Identify viable cottage industries.	1. Identify viable agro based cottage industries for value addition.	-Identify the viable industries in Nyamira.	-Improve entrepreneurial skills.
2. Lack of linkage between producers & markets	Lack of information	-Strength/ develop marketing strategies for farm produce and other products. Strengthen existing co-operative societies	-Establish a department / institutions to link producers to markets

- On-going projects: emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation.
- Strategic policy interventions: priority is also given to policy interventions covering the entire county, social equity and environmental conservation.

4.6 Finalization of Spending Plans

The finalization of the preparation of the detailed budgets will entail through scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. As detailed, budgets are scrutinized and the resource envelope firmed up, any additional resources made available will be utilized to accommodate key county strategic priorities with sound business plans as detailed below.

Priority Areas of Consideration for Additional Resources

No.	Priority areas
1	Strategic intervention in the area of education, healthcare infrastructure for county roads, agriculture in value addition to enhance food security and increase revenue, water and irrigation, trade, cooperatives and investment, sports and cultural social services.
2	Specific consideration to job creation for the youth based on sound initiatives identified within and outside the normal budget preparation.

4.7 County Assembly

This is a key sector in the implementation of development programmes in the county as it has the oversight, legislative and representative role. It also plays the role of strengthening the democratic space and governance in the county.

END