



**COUNTY GOVERNMENT OF NANDI**

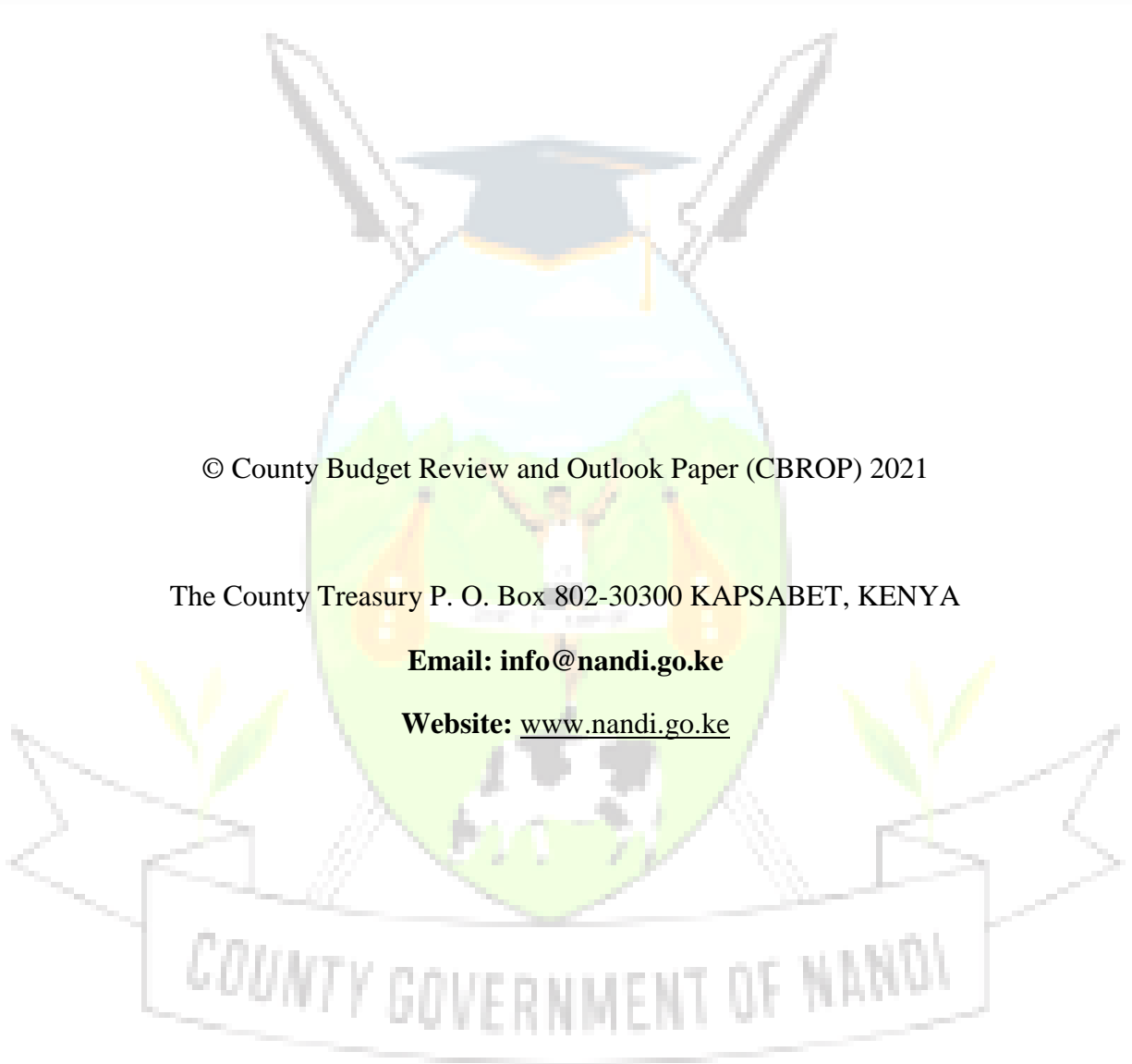
**COUNTY TREASURY**

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**COUNTY BUDGET REVIEW AND OUTLOOK PAPER  
(CBROP)**

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**OCTOBER 2021**



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COUNTY GOVERNMENT OF NANDI

## FOREWORD

The Nandi County Budget Review and Outlook Paper (CBROP) 2021 reviews budget implementation for FY 2020/21 as well as projecting the broad outlook for County's development agenda for FY 2022/23. The CBROP provides a reflection of fiscal framework for charting a strong basis for fiscal discipline and public funds accountability. The CBROP reminds us the need for maintaining an ideal balance between government receipts and expenditures.


The significance of C-BROP ensures the County Government reviews its previous year's budget performance, the county and national economic-financial environment and how it's likely to impact on the level of future revenues and to set preliminary sector ceilings in the light of the review of revenues.

The 2021 Nandi County Budget Review and Outlook Paper (CBROP), has been prepared in accordance with section 118 of the Public Financial Management Act, 2012 presents the actual fiscal performance of the FY 2020/2021 as it makes comparisons to the budget appropriations for the same year as well as the updated economic and financial outlook to set out the broad fiscal parameters for preparation of the next budget.

The 2021 Budget review and outlook paper is set against the backdrop of a tough global and national economy occasioned by the outbreak and rapid spread of the Covid-19 pandemic. The pandemic has adversely impacted on global economy due to imposition of containment measures and disruption of businesses leading to loss of livelihoods for millions of people.

The County is committed to enhancing participatory planning and budgeting. This increases communities' participation in development and programme/project ownership. The County will also improve on communicating budget allocation and performance to communities.

I call upon all to adhere to the schedule of activities and timelines as outlined in the Budget circular to enable finalization and appropriation of the FY 2022/23 budget.

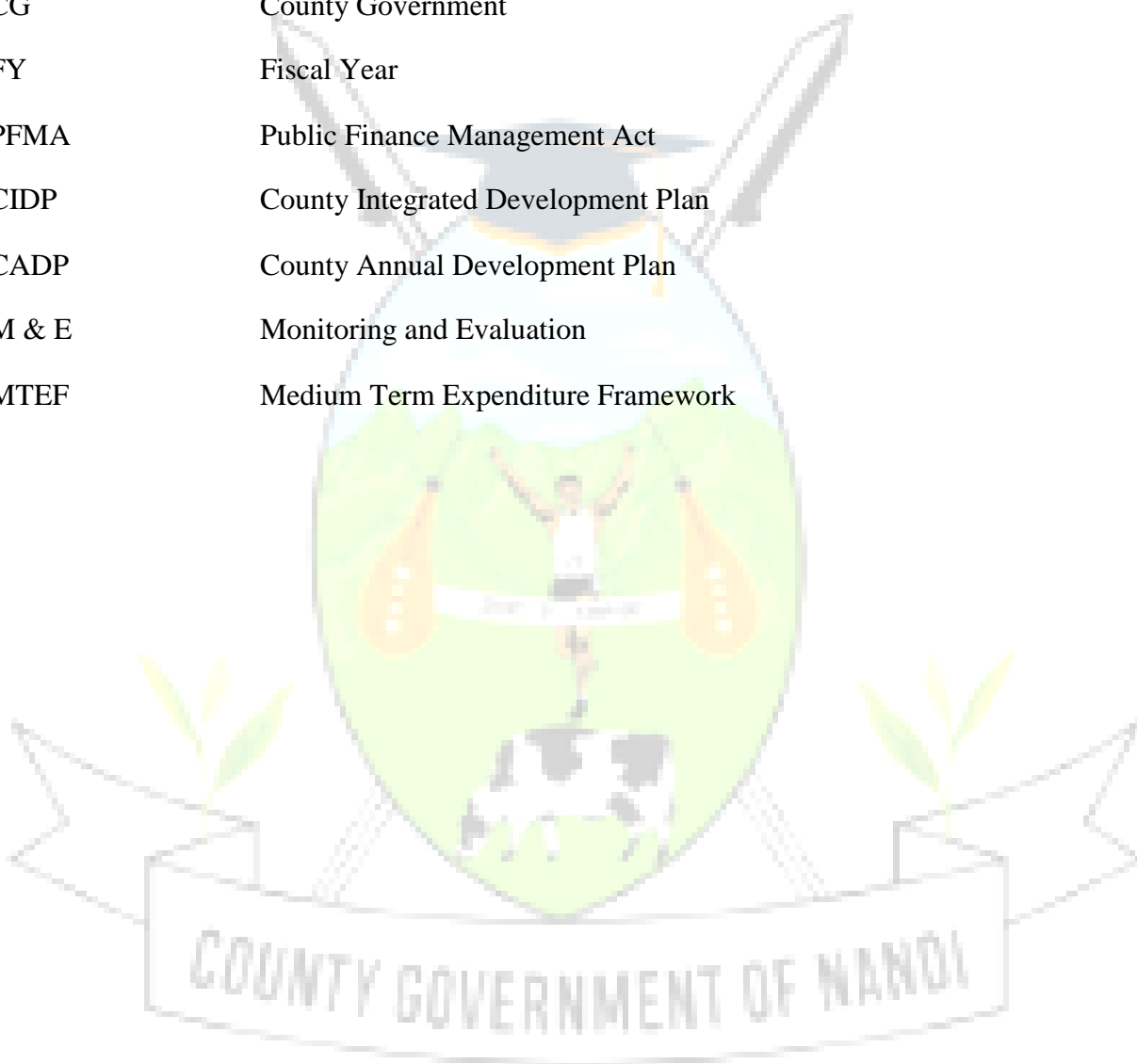


**CPA ALFRED K. LAGAT**

**CECM, FINANCE AND ECONOMIC PLANNING**

## ABBREVIATIONS AND ACRONYMS

CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CG	County Government
FY	Fiscal Year
PFMA	Public Finance Management Act
CIDP	County Integrated Development Plan
CADP	County Annual Development Plan
M & E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework

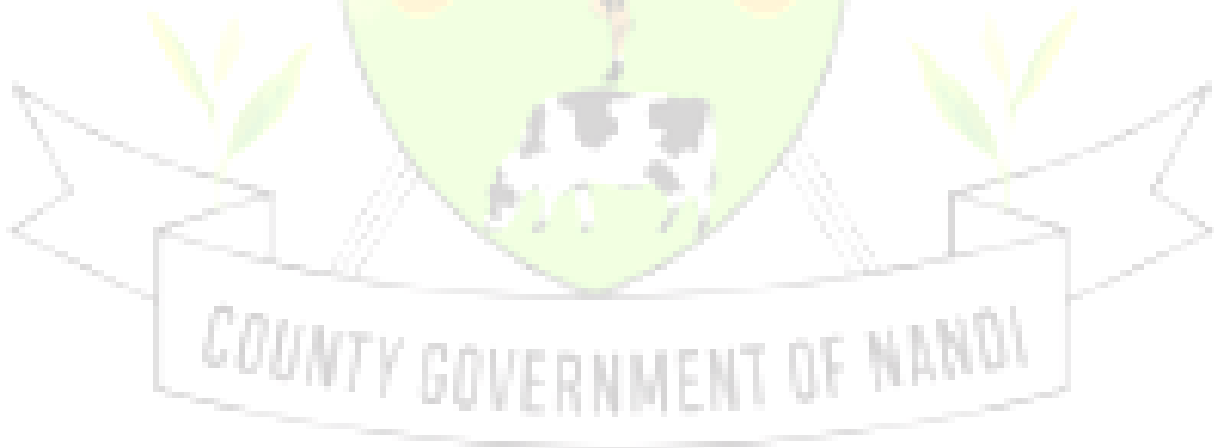


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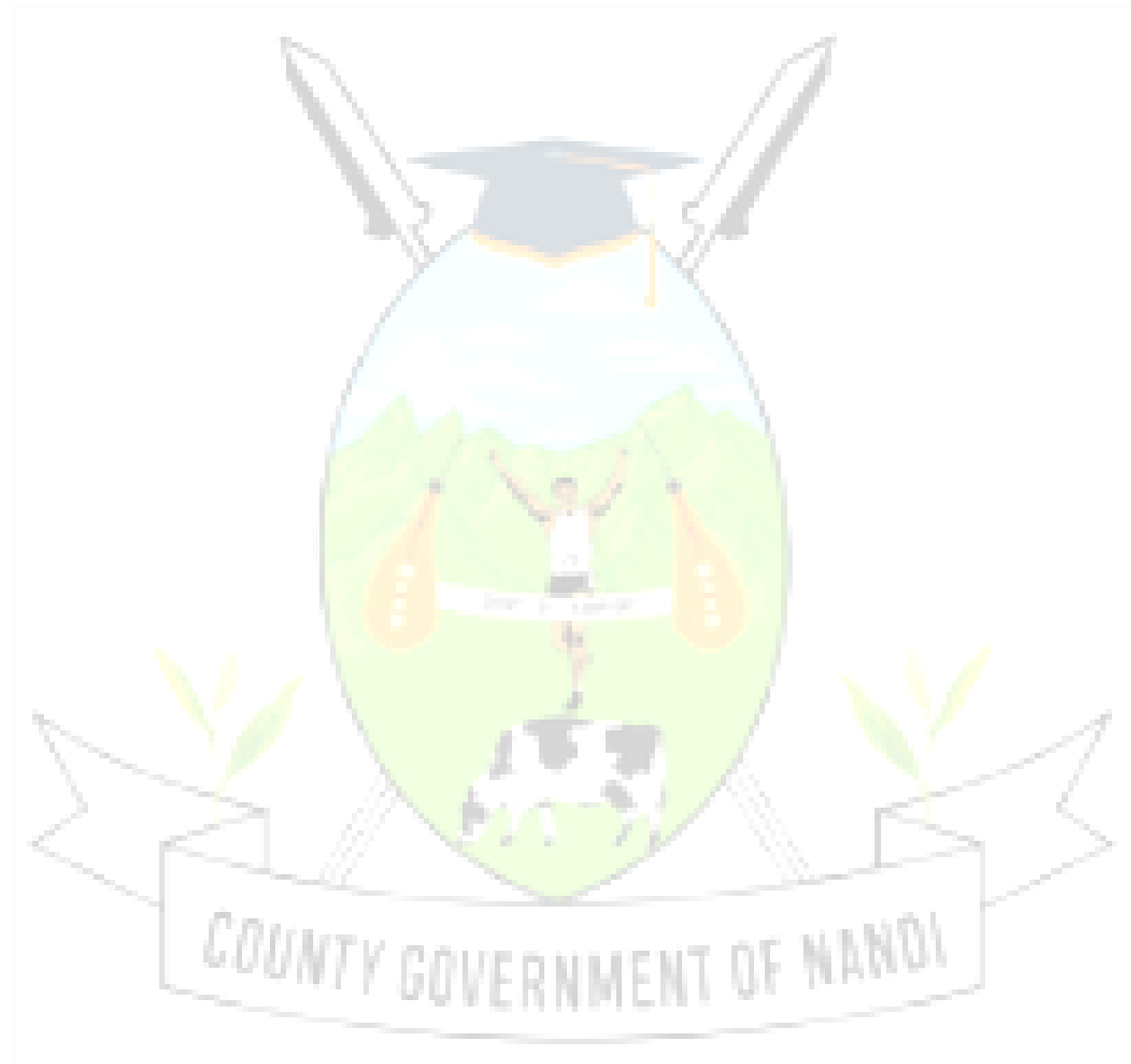
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## LEGAL FRAMEWORK

The County Budget Review and Outlook Paper is one of the key stages in the County Annual budget cycle. It is entrenched in;

The Constitution of Kenya 2010 and further in the County Governments Act 2012 which compels County Governments to prepare the plans and that no public funds shall be appropriated outside the approved planning frameworks.

Public Finance Management Act (PFMA), 2012 section 118 (1) which indicates that a County Treasury shall:

(1) (a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) The CBROP should specify:

(a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) Information on:

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so. After preparation of the Paper by the County Treasury, the County Executive Committee considers the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, and arranges for the same to be laid before the County Assembly, publishes and publicizes the Paper.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

(a) arrange for the Paper to be laid before the County Assembly; and

(b) as soon as practicable after having done so, publish and publicize the Paper.



## COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Finance Management (PFM) Act 2012 (section 107) sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources;

- i. The County Government's recurrent expenditure shall not exceed the County Government's Total Revenue.
- ii. Over the Medium Term, a minimum of thirty percent of the county government's budget shall be allocated to the Development expenditure.
- iii. The County Governments' 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 Executive Committee Member for Finance in regulations and approved by County Assembly.
- iv. the limit set under paragraph (iii) above, shall not exceed thirty-five (35) percent of the county government's total revenue as set out in PFMA regulation 2015;
- v. Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and **not** for recurrent expenditure
- vi. The county debt shall be maintained at sustainable level as approved by County Assembly
- vii. The fiscal risks shall be maintained prudently; and
- viii. 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.

### OBJECTIVES FOR CBROP

Pursuant to the provisions of sec 118 (2) of the Public Financial Management Act 2012, the County Treasury through the County Budget Review and Outlook Paper shall seek to specify;

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Any changes in the forecasts compared with the CFSP;
- How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and

- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

In summary, this CBROP is expected to present a review of the fiscal performance for the previous financial year in terms of revenues and expenditures.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance. The available key Macro-economic indicators are not currently county specific or sufficiently addressing county specific needs. However, the department of Finance and Economic Planning has already established a County Statistics unit to bridge the gap in future.

### **Analysis by Broad Sectors of the Economy**

#### **Agriculture and Co-operative Development**

Agriculture is one of the devolved functions of the County government and is a key sector under the Kenya Vision 2030's Economic pillar expected to contribute to achievement of 10% economic growth. The sector has also been identified as a key implementer of the National Government's Big Four Agenda which has been identified and ranked for the attainment of 100% food security so as to alleviate food poverty and hunger.

The sector is county's economic mainstay due to its key contribution to the economy growth. The County Government has continuously revived cooperative societies by providing technical advice and capacity building on cooperative management. In collaboration with the National Government and other stakeholders, the government has supported dairy co-operative societies through the ongoing construction of 30 cooling structures to be equipped with coolers with a target of daily milk capacity of 127,000 litres. Further to that, the development and installation of the Milk Processing plant equipment is currently ongoing, upon completion, this will ensure steady market to dairy farmers through value addition thus enhancing household income and productivity.

To reduce pests, diseases and consequently promote production, the county has renovated 48 cattle dips and is constructing 6 new ones across the County. Furthermore, to improve on the dairy breeds, the county government has administered over 10,156 inseminations in the last Financial year and 38,156 since the inception of the programme. This has led to improved livestock productivity through improved breeds.

***Agricultural Extension Services:*** The priority for the department is to achieve universal extension coverage for farmers in the County using extension staff deployed to village level. The Department

in partnership with NARIGP and KCEP has procured and distributed 32 motorcycles to the various wards across the county. This will go a long way in enhancing the universal extension coverage as envisioned in the CIDP 2018-2022. Under NARIGP programme, Micro-projects disbursed (under implementation) are 429, Micro-projects completed are 126, No of the target CIG/VMG members for the entire project already covered for each county are 22,416, Inclusion and Membership recruitment grants(1-1.5M) are 13, Enterprise Development grant(10M) are 4, Value Chain Upgrading Grants(20M) are 3.

Due to these initiatives, there has been a significant increase in modern farming techniques by farmers resulting in increased productivity, food security, improved nutrition and consequently improved livelihoods of the residents.

### **Industry and Construction Activities**

The sector aims at creating an enabling environment for business mobilization of resources for investments. The County government prioritizes strengthening enterprises, construction and expansion of market structures and promotion of industrialization through harnessing innovation. The sector is performing comparatively well with higher prospects due to the ongoing construction of the County Flagship Projects; the Milk processing plant at Kabiyet, Textile unit(NACOTEX) at Mosoriot, Eliud Kipchoge Modern Athletics Training Camp and County Referral Hospital both at Kapsabet as well construction of link roads within the municipality as a result of conferment of Kapsabet into a Municipality status. Additionally, there are massive constructions across the county due to county's investment in development programs of health facilities, ECDE centres & VTCs, milk coolers, Fresh produce markets etc.

To promote and facilitate trade and investment in the county, the Government has continued to invest in promotion and development of micro, Small and medium Enterprises(MSMEs); markets infrastructure development, favorable policy and legal framework, enhanced stakeholder's engagement and participation; capacity building and information sharing. The County therefore has several diverse investment opportunities worth pursuing especially in industrialization and manufacturing, water supply, waste collection and recycling and value addition on agricultural produce.

### **Health and Social welfare:**

This health sector focuses on improved scope of health service delivery at all levels, essential medical supplies and healthcare infrastructure, increased health insurance coverage (Universal health Coverage UHC is also prioritized. The health and sanitation sector is also mandated to

provide essential and comprehensive quality health services. This is achieved through provision of promotive, preventive, curative and rehabilitative services to the residents of the county. The county is still facing challenges of low number of health workers, inadequate health infrastructure, high burden of communicable diseases and low immunization coverage. In its efforts to address these, the county government has implemented various programs including curative, preventive and promotive programmes and administrative services in a systems approach to promote good health status to the county residents.

### **Transport and Infrastructure**

Transport and infrastructure sector core mandate is to promote access and connectivity through efficient infrastructural development and maintenance of road network. It aims at improving and maintaining all earth roads by gravelling, opening up new roads, grading, installation of culverts and designing and managing construction of bridges and footbridges.

In the year under review, the department improved rural access, infrastructure and mobility in the county by gravelling 224.9 Kms and grading 433.3 Kms through the Road Maintenance Levy Fund (RMLF) and the county machinery. In addition, 1500M of Culverts were installing across the County. Departmental annual targets of graveling 300KM, grading 600KM and opening up of 50KM had not been fully realized. However, works were ongoing under the Road Maintenance Levy Fund (RMLF) programme and County machinery for Emgwen and Nandi Hills Sub counties.

In a bid to improve efficiency and effectiveness in project management the department designed and supervised 83 County projects in the year. However, the annual targets were not realized since works were ongoing as at the end of the year.

### **COUNTY FISCAL PERFORMANCE FOR F/Y 2020-2021**

This section presents the County's fiscal performance focusing on the actual and deviation between actual and budgeted expenditure and revenue in the FY 2020/2021 combined with an analysis of the ways in which this performance affected the financial objectives set in the County Fiscal Strategy Paper (CFSP), 2020.

It also provides an analysis of policy shifts in the 2020 CFSP and the implication in the county and information on any changes in forecasts compared with CFSP 2021 as well as review of fiscal and sectoral performance for the FY 2020/21.

### **OVERVIEW**

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out fiscal responsibility principles to ensure prudence and transparency in the management of public resources.

The fiscal performance in 2020/2021 was generally satisfactory, despite the challenges occasioned by the Covid-19 pandemic, shortfall in revenue, the transition financial demands and increased expenditure pressures.

It's worth noting that the administration under the leadership of His Excellency Stephen Sang has made tremendous efforts towards ensuring inclusion of public in planning and execution of programmes within the County. The County Government was able to run through the county annual development plans in preparation of the financial estimates for the 2020-2021 financial year hence entrenching in its work plans the aspirations and the overall will of its citizens.

Prioritization of resource allocation in the 2021 CFSP is based on the County Integrated Development Plan 2018-2022, which entails broad development policies of the County Government both short term as well as the medium-term priorities identified during the County wide public consultative forums held across the county. These priority programs are executed annually through annual development plans which inform the resource allocation to priority programs through the annual budgets and the status of program implementation tracked through periodic monitoring and evaluation exercises.

In this paper, provisional indicative sector ceilings for the 2022/2023 budget have been set informed by the forecasted revenues.

### **Overview of Fiscal Performance 2020/2021**

#### **The County's sources of revenue include:**

The total estimated revenue for period under review amounts to **KShs 7,611,517,867.50** comprising **Kshs.5,380,500,000** as equitable share, **KShs. 405,408,260** as Own Source Revenue (OSR), **Kshs. 311,695,149.50** as conditional grants from DANIDA funds, Transforming Healthcare systems fund, Kenya Urban Support Programme and Kenya Devolution Support Programme fund and **KShs. 1,013,914,458** as balances brought forward from 2019/2020 Budget.

The fiscal performance was generally satisfactory despite shortfall in local revenue collection and the continuous late disbursement of the exchequer releases throughout the financial year which badly manifested in the last Quarter of the year making it difficult for the government to meet its obligations.

#### **Recurrent Expenditure**

Cumulative recurrent expenditure for financial year 2021/2022 is estimated at **KShs 5,868,074,823** (65.45 per cent) of the 2021/2022 cumulative budget comprising **KShs 3,836,726,879** (42.79 per cent) and **KShs. 2,031,347,944** (22.66 per cent) for compensation to employees and O&M respectively.

## Development Expenditure

Cumulative development expenditure is estimated at **KShs 3,097,474,986** (34.55 percent) of 2021/2022 cumulative budget.

## Revenue Performance

### Own Source Revenues

Total actual own source revenue realized amounted to Ksh. 274,361,101 against a target of Ksh. 405,408,260. The shortfall in internal revenue in F/Y 2020/2021 was Ksh. **131,047,159** representing a 32% deviation from the original target.

The shortfall was due to the effects of the outbreak of COVID -19 in the country that hit the economy in March 2020. The directive by the Ministry of Health (MoH) to close shops and open air markets as part of containment measures led to granted waivers on Public Service Vehicles operating stickers and liquor license fees hence a significant shortfall in the revenue targets. In addition, the following revenue sources recorded marginal depressed performance: Miscellaneous, house and stall rent, Agriculture, Parking fees and Market fees.

## FISCAL PERFORMANCE

### LOCAL REVENUE TREND

#### NANDI COUNTY REVENUE REPORT FOR THE FY 2020-2021

**Table 1: Revenue Comparison: Revenue Performance by Revenue Source for FY 2019/2020 to FY 2020/2021**

	2019 - 2020	2020 - 2021
	<b>KShs</b>	<b>KShs</b>
Business Permits	34,701,074	47,173,887
liquor licensing	5,452,300	11,780,110
Plot rents	1,836,141	1,489,527
Land Rates	20,276,625	23,228,006
House and Stalls Rent	7,609,364	8,792,673
Parking Fees	25,043,106	26,832,798
Market Fees	11,360,326	10,051,900
Cess	10,307,903	19,944,822
Health and Sanitation	130,213,569	99,453,070
Kiborgok Tea Proceeds	15,352,946	10,550,386
Slaughter Fees	1,010,450	844,614
Sewerage and water	1,113,137	665,925
Agriculture	3,023,727	5,128,297
Cattle Dips/Veterinary	6,954,115	2,369,601
Miscellaneous	7,796,369	6,055,485
<b>TOTAL</b>	<b>282,051,152</b>	<b>274,361,101</b>

**Table 2: QUARTERLY RESULT COMPARISON**

	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>
Q1	20,106,058	41,322,950	57,892,195	33,595,420	40,043,472
Q2	37,518,123	41,961,284	73,321,248	75,562,210	
Q3	77,717,284	62,425,372	74,937,027	64,933,717	
Q4	62,545,418	140,525,407	77,036,884	100,269,754	
<b>TOTAL</b>	<b>197,886,883</b>	<b>286,235,013</b>	<b>283,187,354</b>	<b>274,361,101</b>	

**Table 3: PERFORMANCE OF OWN SOURCE REVENUE AGAINST THE BUDGET TARGETS**

<b>Financial Year</b>	<b>Own Source Revenue Target</b>	<b>Actual Own Source Revenue Realized</b>	<b>Shortfall</b>
2018/2019	459,293,246	286,235,013	173,058,233
2019/2020	629,900,204	283,187,354	346,712,850
2020/2021	405,408,260	274,361,101	131,047,159
<b>Total Revenue Shortfall over the Medium Term</b>			<b>650,818,242</b>

**External Revenue**

For the period under review, the county was allocated equitable share amounting to Kshs. **5,808,851,100** from the national government as shareable revenue (Equitable share), however the whole amount was not realized.

**Table 4: EXCHEQUER RELEASES**

	<b>2019 - 2020</b>	<b>2020 - 2021</b>
	<b>KShs</b>	<b>KShs</b>
Total Exchequer Releases for quarter 1	930,699,900	465,000,500
Total Exchequer Releases for quarter 2	1,027,050,697	1,960,884,202
Total Exchequer Releases for quarter 3	2,100,942,945	1,446,138,100
Total Exchequer Releases for quarter 4	1,430,585,446	2,578,248,426
<b>Total</b>	<b>5,489,278,988</b>	<b>6,450,271,228</b>

The above comprises transfers from the Exchequer from CARA, comprising of equitable share, Level 5 and donor funds released through the exchequer. Exchequer releases are as follows: (The totals of A, B and C below should equal the total exchequer releases).

**Table 5: Equitable share**

<b>Description</b>	<b>2019 - 2020</b>	<b>2020 - 2021</b>
	<b>KShs</b>	<b>KShs</b>
Total Equitable Share for quarter 1	930,699,900	460,001,100
Total Equitable Share for quarter 2	962,793,000	1,765,120,500
Total Equitable Share for quarter 3	1,952,330,250	1,337,212,500
Total Equitable Share for quarter 4	1,043,025,750	2,246,517,000
<b>Total</b>	<b>4,888,848,900</b>	<b>5,808,851,100</b>

**Table 6: TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description	2019 - 2020	2020 - 2021
	KShs	KShs
<b>Transfers from Central government entities</b>		
RMLF	151,830,656	160,365,516
Emergency Fund	118,326,000	-
Youth Polytechnic support grant	32,793,298	27,919,894
Compensation for user fees foregone	18,086,363	18,086,363
<b>TOTAL</b>	<b>321,036,317</b>	<b>206,371,773</b>

**Table 7: Donor Funds released through Exchequer Releases as per CARA**

Description	2019 - 2020	2020 - 2021
	KShs	KShs
DANIDA - Universal Healthcare in Devolved Units Programme	22,016,250	15,210,000
World Bank – THS-CP	44,928,998	101,887,700
National Agricultural & Rural Inclusive Growth Project (NARIGP)	242,399,538	282,155,442
Kenya Devolution Support Programme	30,000,000	127,682,844
Kenya Urban Support Programme	135,562,988	97,145,818
Agriculture Sector Development Support Project (SIDA)	16,172,654	12,338,925
N.I(Nutrition international) program		4,999,400
<b>Total</b>	<b>600,430,088</b>	<b>641,420,129</b>

**Table 8: CASH FLOWS**

		2019-2020	2020-2021
	Notes	KShs	KShs
<b>RECEIPTS</b>			
Exchequer releases	1	5,489,278,988	6,450,271,229
Proceeds from Domestic and Foreign Grants	2	-	-
Transfers from Other Government Entities	3	270,156,656	206,371,773
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Proceeds from Sale of Assets	6	-	-
Reimbursements and Refunds	7	-	-
Returns of Equity Holdings	8	-	-
County Own Generated Receipts	9	282,051,152	274,361,101
Returned CRF issues	10	630,218,098	437,100,486
<b>TOTAL RECEIPTS</b>		<b>6,671,704,894</b>	<b>7,368,104,589</b>
<b>PAYMENTS</b>			
Compensation of Employees	11	3,191,219,469	3,357,517,255
Use of goods and services	12	846,152,271	1,152,585,983
Subsidies	13	-	6,400,000



Transfers to Other Government Units	<b>14</b>	753,825,357	775,723,985
Other grants and transfers	<b>15</b>	619,565,832	530,630,785
Social Security Benefits	<b>16</b>	-	-
Acquisition of Assets	<b>17</b>	823,841,480	1,178,933,060
Finance Costs, including Loan Interest	<b>18</b>	-	-
Repayment of principal on Domestic and Foreign borrowing	<b>19</b>	-	-
Other Payments	<b>20</b>	-	-
<b>TOTAL PAYMENTS</b>		<b>6,234,604,409</b>	<b>7,001,791,069</b>
<b>SURPLUS/DEFICIT</b>		<b>437,100,485</b>	<b>366,313,521</b>

**Portfolio Allocation 2020-2021 as per Printed Estimates**

**Table 9: Macroeconomic outlook and policies**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	6,005,464,761	-	6,005,464,761	5,808,851,100	196,613,661	97%
Proceeds from Domestic and Foreign Grants	557,172,587	-	557,172,587	641,420,129	(84,247,542)	115%
Transfers from Other Government Entities	46,006,257	-	46,006,257	46,006,257	-	100%
Road Maintenance Fuel Levy	160,365,516	-	160,365,516	160,365,516	-	100%
County Own Generated Receipts	405,408,260	-	405,408,260	274,361,101	131,047,159	68%
Returned CRF issues	437,100,487	-	437,100,487	437,100,487	0	100%
<b>TOTAL</b>	<b>7,611,517,868</b>	<b>-</b>	<b>7,611,517,868</b>	<b>7,368,104,590</b>	<b>243,413,278</b>	<b>97%</b>
<b>PAYMENTS</b>						
Compensation of Employees	3,360,962,677	-	3,360,962,677	3,357,517,255	3,445,422	100%
Use of goods and services	1,151,801,479	-	1,151,801,479	1,152,585,983	(784,504)	100%
Other grants and transfers	711,892,589	-	711,892,589	530,630,785	181,261,804	75%
Acquisition of Assets	1,601,448,225	-	1,601,448,225	1,178,933,060	422,515,164	74%
Transfers to Other Government Entities	785,412,899	-	785,412,899	782,123,985	3,288,913	100%
<b>TOTAL</b>	<b>7,611,517,868</b>	<b>-</b>	<b>7,611,517,868</b>	<b>7,001,791,069</b>	<b>609,726,799</b>	<b>92%</b>
	0	-	0	366,313,521	(366,313,521)	0

## **TOTAL REVENUE**

Out of the projected revenue, the County was able to realize **Kshs 7,368,104,590** in actual revenues, representing 97% performance. This performance increased by 21% compared to previous financial year

## **Expenditure Performance**

The total expenditure for the period under review amounted to **Ksh 7,001,791,069** against approved budget of Kshs **7,611,517,868**

## **Recurrent Expenditure**

Total Recurrent Expenditure amounted to Kshs 4,953,702,220 against an approved budget of Kshs 5,194,118,631 reflecting an absorption rate of 95%.

## **Development Expenditure**

Total cumulative development expenditure for the period under review amounts to Kshs 2,048,088,849 against an approved budget Kshs 2,417,399,238. This reflects an absorption rate of 84.7%.

## **Implications of 2020/2021 Fiscal Performance**

Revenue and expenditure projections will be based on the macroeconomic assumptions contained in this CBROP and this will be firmed up in the County Fiscal Strategy Paper (CFSP), 2022. The County will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the CFSP, 2020 to reflect the changed circumstances.

The financial year 2020/2021 fiscal outturn has necessitated revision of the financial objectives to be set out in the next CFSP and the Budget for fiscal year 2022/2023 in the following ways:

- Low absorption of development funds has created a huge backlog of incomplete/unimplemented projects which have been re-budgeted in the fiscal year 2021/2022 hence need for review of the development expenditure projections in the medium term. This huge surplus at the end of financial year is impacting negatively on our development index.
- The resultant surplus also implies low absorption capacities by the departments thus a need to adjust on timeliness of preparation of Bill of Quantities and procurement process.
- Under-performance in County own revenues and grants has shrunk the resource base thus necessitating adjustments in the fiscal aggregates for the current budget and in the MTEF

period. Thus County own source revenue collection projections for the FY 2021/2022 needs to be reviewed and realigned with the updated macro-economic environment.

- Enhancing local revenues collection capacity, expanding the local revenue base, stakeholder engagement, total automation of revenue collection & management and sealing of any revenue loopholes by going cashless is inevitable in the effort to close on the revenue targets so as to bridge on budget deficits.
- Continuous Capacity building and civic education on the need to pay taxes and minimize evasion by the public.
- Covid-19 pandemic continues to affect major sectors of the county economy negatively hence adequate resources need to be allocated towards mitigation measures and especially support to enterprise development and growth.
- Recurrent expenditure pressures and especially compensation to employees continues to be the biggest spending item hence needs to be relooked upon through rationalization to ensure more resources are freed to support development expenditure.

### **Fiscal Responsibility Principles**

The fiscal responsibility principle on wages and remuneration as per the PFM Act of 2012 provides for utmost 35 percent of the total County budget. The proportion of actual salaries and remuneration expenditure on the overall expenditure was 48 percent. The actual performance on this fiscal principle was slightly higher than the stipulated percentage of 35 percent of the overall county budget by 13 percent. This has over time been occasioned by the personnel service needs against the minimal resources pegged on the newly established human resource structure being prepared by the County Government which has to be placed on operational mode as well as collective bargaining agreements entered into even before devolution and are still in force exerts pressure on the wage bill.

## **RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

### **Global and Regional Economic and Fiscal Developments**

World real GDP contracted by 4.2 per cent in 2020 compared to a growth of 2.7 per cent in 2019, a performance that was worse than the 2008/2009 global financial crisis period. The contraction was mainly attributed to slowdown in economic activities due to emergence of the Coronavirus Disease (COVID-19). There was a significant decline in oil prices, and uncertainty in financial markets after the outbreak of the COVID-19 pandemic. The pandemic caused unprecedented health and economic crisis during the review period, as activities were severely affected by containment measures instituted to mitigate the disease .

In advanced economies, an accelerated collapse in economic activity in April 2020 was largely driven by sharp declines in demand and supply of services. However, a lull in COVID-19 outbreaks during the second half of the year under review enabled little recovery as retail sale activities picked up shortly before resurgence of the pandemic towards the end of the year. The pandemic disproportionately affected vulnerable economies in the Emerging Market and Developing Economies (EMDEs), particularly, economies with heavy reliance on tourism such as Maldives, Seychelles, Caribbean, those that had large domestic outbreaks such as India, Mexico, Argentina and Peru, and those that faced sharp declines in industrial commodity exports due to weak external demand.

Economic activity in Africa was constrained in 2020 by an unprecedented global pandemic caused by COVID-19. The onset of the pandemic somehow delayed in Sub-Saharan Africa (SSA) and even after the first case was reported in SA, its impact was less severe compared to other regions of the world. The impact of the pandemic was projected to be worse than it actually was, as most countries showed some signs of recovery as the year progressed. The recovery was attributable to swift response by countries that implemented accommodative monetary and fiscal policies and stimulus programmes thereby cushioning the economies against steeper contraction.

East African Community (EAC) real GDP contracted by 0.2 per cent in 2020 from a growth of 6.2 per cent recorded in 2019. COVID-19 affected the East Africa Community members in many ways such as having negative effects on tourism earnings, falling commodity prices and waning financial flows, consequently worsening the region's fiscal and current account balances. In addition, disruptions in supply chains affected food production and trade distribution in the region. Inflation rose from 4.0 per cent in 2019 to 4.5 per cent in 2020; partly due to currency depreciation and increase in prices of imported food products. Current account deficit widened to 5.7 per cent in 2020 from 5.2 per cent recorded in 2019, partly attributed to low demand for exports and decline in remittances.

### **National Economic and Fiscal Developments**

Kenya's economy was adversely affected by the Coronavirus Disease (COVID-19) and the consequent containment measures both domestically and internationally. These significantly slowed down economic activities in 2020. During the review period, the government's priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same time cushioning the economy from the effects of COVID-19 pandemic. Consequently, the health crisis required the introduction of temporal restrictive measures to curb the spread of the virus

resulting to serious negative impacts on some key sectors of the economy. The temporal measures included ban of local and international travel, cessation of movement in and out of some counties and zones, closure of educational facilities, leisure and eating places.

The restriction in movement and the need for social distancing led to disruption in labour supply while a reduction in household disposable incomes led to reduced demand for goods and services.

Real Kenyan GDP was estimated to have contracted by 0.3 per cent in 2020 compared to a revised growth of 5.0 per cent in 2019.

As a result, economic performance of accommodation and food serving activities, education, professional and administrative service activities was dismal in 2020. The economy was somewhat supported by accelerated growths in agricultural production, construction activities, and health services. The agriculture sector benefitted from favourable weather conditions that prevailed for the better part of the year though the sector's growth was constrained by a contraction in forestry activities. The construction sector's growth was largely buoyed by the continued investment in public infrastructure during the review period as evidenced in a sharp increase in demand for construction materials.

The health sector was mainly driven by the national and county governments' spending on the COVID-19 mitigation measures. In addition, the economy was shielded from a steeper slump by strong performances in financial and insurance, public administration, information and communication activities.

During the period under review, monetary policy was premised on the need to cushion the economy from the adverse effects of the COVID-19 pandemic containment measures, supporting liquidity and credit access. The Central Bank Rate (CBR) was reviewed downwards from 8.50 per cent in November 2019 to 8.25 per cent in January 2020 and later to 7.25 per cent and 7.00 per cent in March and April 2020, respectively. Inflation rate however rose from 5.3 per cent in 2019 to 5.4 per cent in 2020 mainly attributed to moderate increase in food prices. The current account deficit narrowed from KSh 536.8 billion in 2019 to KSh 512.5 billion in 2020. This was because of decline in imports due to a weakened demand.

Fiscal policy responses to boost the economy included a reduction in personal income taxes from 30 per cent to 25 per cent and Value Added Tax (VAT) from 16 per cent to 14 per cent to support consumption while a cut in the corporation tax from 30 per cent to 25 per cent was instituted to support investment. Other fiscal measures included increased spending on

targeted projects in key sectors and in the health sector.

International crude oil prices fell significantly from an average of USD 64.92 in 2019 to USD 41.45 in 2020. This was mainly as a result of decreased global demand of oil coupled with limited storage capacity.

### **Employment**

Kenyan employment is categorized into two sectors namely: formal (modern) and informal. The Coronavirus (COVID-19) pandemic has put the world population at great health risk and adversely affected business operations in 2020. In Kenya, confirmation of the existence of the disease, necessitated taking drastic measures by the Government, to curb the spread of the virus and to minimize the risk of infections at workplaces. Consequently, cessation of movement in and out of some regions, closure of some businesses with high-exposure and reduction of business operating hours due to introduction of curfew, adversely affected employment in several sectors. Total employment outside small-scale agriculture and pastoralist activities contracted by 4.1 per cent to 17.4 million in 2020.

Overall, the nominal wage bill declined from KSh 2,277.1 billion in 2019 to KSh 2,241.5 billion in 2020, a decrease of 1.6 per cent. Nominal average earnings grew by 7.8 per cent to KSh 838.1 thousand in 2020. Real average earnings per employee decreased by 1.5 per cent to 740,493.9 in 2020. Inflation rate as measured by the Consumer Price Index (CPI) increased from 5.3 per cent in 2019 to 5.4 per cent in 2020.

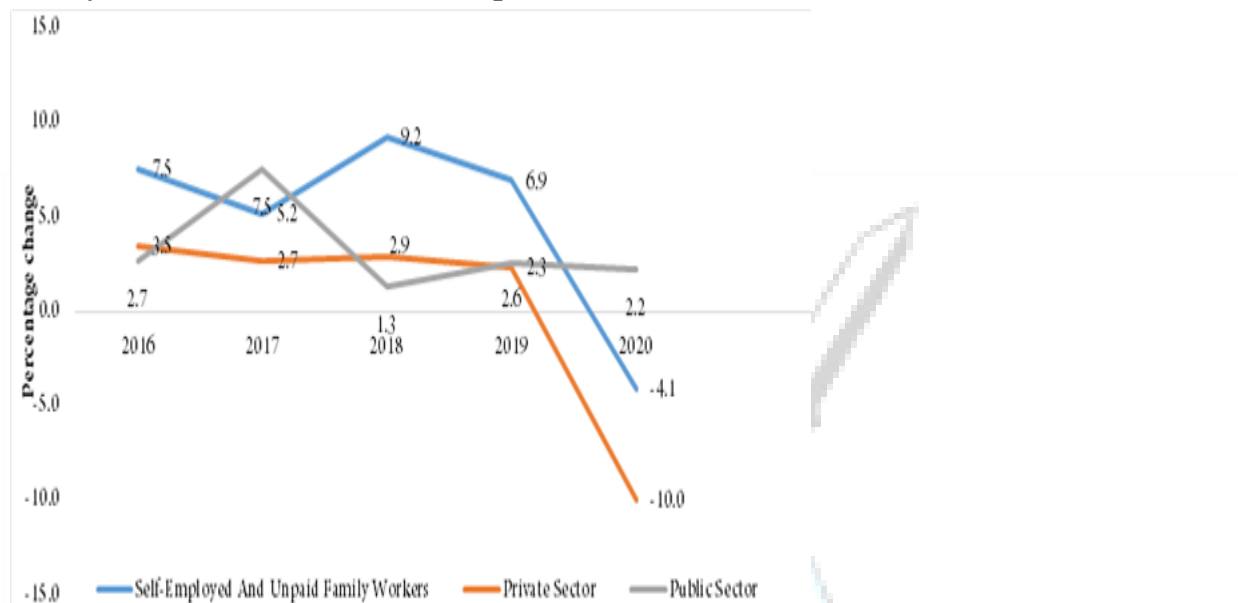
Total employment outside small-scale agriculture and pastoral activities stood at 17.4 million in 2020 down from 18.1 million recorded in 2019 as shown in Table 3.1.

Wage employment in the modern sector went down by 6.4 per cent to 2,741.1 thousand persons in 2020. The informal sector employment is estimated to have contracted to 14.5 million jobs and accounted for 83.4 per cent of the total employment outside of small-scale agriculture. Further, the total number of self-employed and unpaid family workers within the modern sector declined from 162.7 thousand in 2019 to 156.1 thousand in 2020.

Figure 1: Percentage Changes in Wage Employment in Public, Private and Self-employed, 2016-2020

Source: KNBS, economic survey, 2021

### County Economic and Fiscal Developments



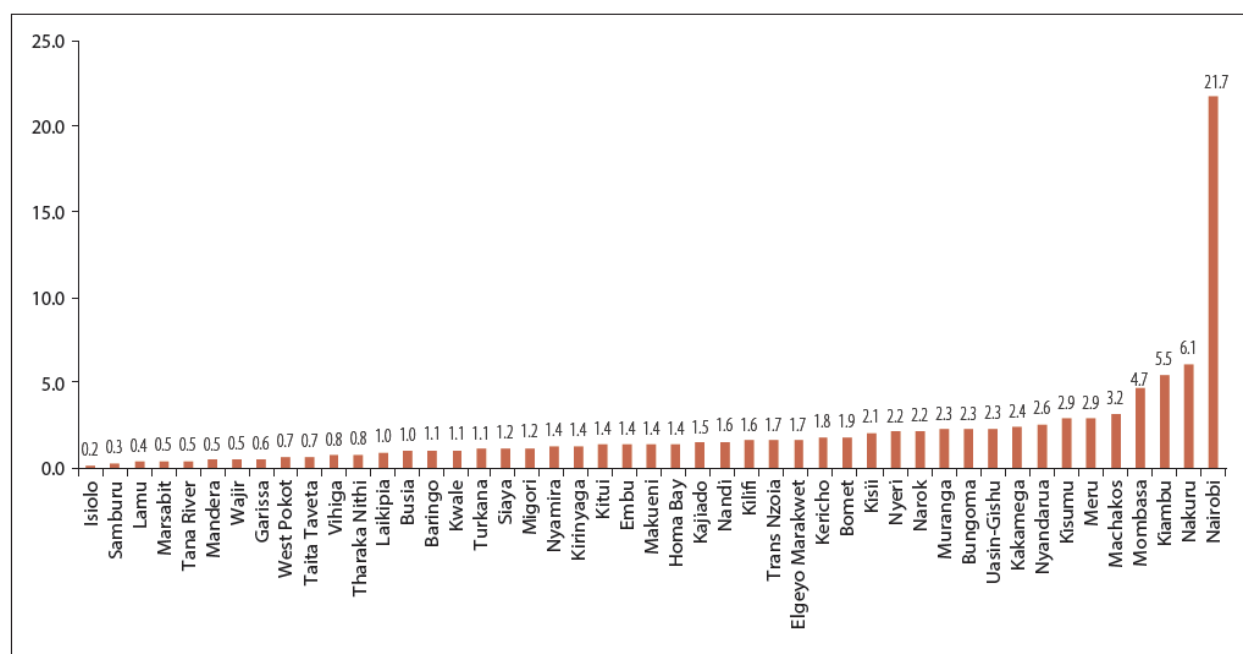
### County Economic Developments

The County relies on the National Government economic data with an assumption that the data generated has the same effect across the counties. Going forward the County in collaboration with the Kenya National Bureau of Statistics (KNBS) is developing county based data on macro and micro economic indicators.

### Gross County Product (GCP)

There are significant differences in the size of economy across counties. The average contribution per county to GVA over the period 2013-2017 is approximately 2.1 percent with a standard deviation of 3.2. As may be expected, this indicates large disparities in the size of GCP across the counties. On the average contribution for each of the 47 counties to GDP over the period 2013-2017, Nairobi takes the lead, contributing approximately 21.7 percent of GDP over the period, followed by Nakuru (6.1%), Kiambu (5.5%) and Mombasa (4.7%). Many counties with a small share to GDP are growing at a faster rate, exhibiting potential for catch-up but also due to the base effect. Over the period 2014-2017, at least 17 Counties recorded a faster growth in their real GCP relative to the average growth in all counties.

**Figure 2: Share of Counties in GDP (2013-2017)**



Source: *KNBS, Gross county product, 2019.*

The county ranking in the expansion in economic activity is not necessarily associated with the ranking in growth of per capita GCP. Counties face unique distributional challenges in real GCP per capita. This trend is attributed to various dynamics in real economic activities as well as evolution of population size, caused by internal migration, which in the long run affects public service delivery, including a rise in expenditure to deliver essential services.

### County Economic Development

The County government discharges its mandate and functions as prescribed under schedule four of the Constitution of Kenya through the County Executive, County Assembly and the County Public Service Board. The major milestones realized by the County Departments include;

**Table 10: Health and Sanitation**

S / N O	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1.	Curative And Rehabilitative Services	a) Installation of 35KVA backup generators at KCRH and Nandi hills hospitals b) Operationalized 13	a) Installation of the oxygen plant in KCRH b) MCH complex phase I c) Nandi hills Trauma centre d) Kabiyet Trauma centre (to be operationalized)	a) MCH complex phase II (ongoing) b) continuous supply of drugs and commodities c) Complete functional 10 ICU beds	a) Operationalized 5 health facilities b) Established Nandi Hills rehabilitation centre c) Meteitei theatre was renovated, completed and operationalized



		<p>new dispensaries</p> <p>c) Continuous supply of drugs and commodities</p>	<p>e) Continuous supply of drugs and commodities</p> <p>f) Tendered for construction of new and renovation of health facilities in all the 30 wards</p>	<p>d) Renovated and functional 2 ICU units in the county.</p> <p>e) Various health facilities on completion stage across the county</p>	<p>d) Nandi Hills and KCRH with 10 functional ICU beds</p> <p>e) Constructed 5 basic labs to completion</p> <p>f) Specialized laboratory was established in KCRH after receiving certification</p> <p>g) continuous supply of drugs and commodities.</p>
2.	Preventive and Promotive Health Service	<p>a) Improved immunization rate</p> <p>b) Improved skilled delivery services due to increased fully equipped maternities in the county</p>	<p>a) Improved immunization rate</p> <p>b) Improved skilled delivery services due to increased fully equipped maternities in the county</p> <p>c) Increased uptake of the FP commodities</p>	<p>a) Improved immunization rate</p> <p>b) Improved skilled delivery services due to increased fully equipped maternities in the county</p> <p>c) Increased uptake of the FP commodities</p>	<p>a) Improved skilled delivery services due to increased fully equipped maternities in the county</p> <p>b) Improved immunization rate</p> <p>c) Two maternity units constructed and equipped</p> <p>d) Established a cancer Centre at KCRH</p> <p>e) Established a mental unit at KCRH</p> <p>f) Established a ENT unit at KCRH</p>
3.	General Administration, Planning, Management Support And Coordination		<p>a) Employed health personnel(100 Nurses, 60 Clinical officers and 2 doctors)</p> <p>b) Supplied 10 ICU standard fully functional ambulance</p> <p>c) Installed HMIS at KCRH</p>	<p>a) In collaboration health personnel from National government under UHC program hired</p> <p>b) Promoted health work force of various cadres hence boost morale at work.</p>	<p>a) More health workers were employed under UHC program</p> <p>b) 2 health facilities operationalized in the year under review: Ndubusat dispensary and Kapsagawat dispensary. However kapsagawat dispensary was renovated under THS-world bank</p>

**Table 11: Transport and Infrastructure**

S/NO	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1.	Footbridges & Bridges constructed	8	9		-
2.	Roads maintained graveled(km)	1020	422.11	115.5	224.9
3.	Roads maintained graded (km)	1020	1364.55	399.5	433.3
4.	Metres (M) of Culverts installed		2306	1008	1500
5.	Newly surveyed and opened up roads (km)	190	197.2	96.1	-

**Table 12: Agriculture and Cooperative Development**

S/NO	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1.	Veterinary Services	58 Dips were renovated and operationalized	1. 33 dips were renovated and operationalized 2. 6 new cattle dips were constructed (phase 1) Soiyet, Chemalal, Tebesonik, Kapkoimur, Kapng'etuny, Kapkoros	completion of second phase of the 6 new constructed cattle dips; Soiyet, Chemalal, Tebesonik, Kapkoimur, Kapng'etuny, Kapkoros	a) Completed phase II of the newly constructed dips.
		380,000 dozes of assorted vaccines were purchased and the various vaccinations were carried out within the county to improve livestock health and productivity.	1. 17,187 inseminations were done	26,768 inseminations were done to improve livestock productivity and livestock production, breed this was due to increased success rates therefore surpassing the target.	a) 20,115 inseminations were done in order to improve dairy breeds and enhance production. b)
2.	Livestock Development		1. Construction of milk processing plant at Kabiyet and phase 1 is at 90% completion with some equipments on	1. Phase II of milk processing plant	Phase II of milk processing plant- installation of fermented milk line and extended shelve life

			<p>site (5 storage tanks, PHE, CIP line, milk reception unit)</p> <p>2. 21 milk cooling structures have been constructed and completed though more funds required to operationalize</p>		
3	Cooperative development		<p>1. 200kgs of coffee seeds were purchased and distributed to coffee cooperatives which led to 400,000 Seedlings that were distributed to 47 beneficiary cooperative societies</p> <p>2. 8 coffee pulping machines were purchased and distributed to 8 coffee societies</p> <p>3. 48 cooperative societies were revived and promoted through exchange program and training</p>	Capacity building programs on cooperative management, More seedlings distributed to cooperatives	

**Table 13: Education and Vocational Training**

S/N O	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1	General Education (Education Funds/bursaries)	5,872 students were bursary beneficiaries	6,182 beneficiaries	3,330 beneficiaries	1,387 beneficiaries
2	Early childhood development	7 Complete ECDE ie Masaba, Olangata, Kolong, Kapchuria, Birei SDA, Kamwega, Lolduga	22 Complete ECDE ie Kapkorio, Kiropket, Keteng, Kiptilalon, Kipshiorori, Tebeson, Kugeronik, Jean Marie, Soin, Keburo, Tebesonik, Kabongwa, Cheptoiyo, Iboe, Chebui, Lelgoi, Nandi primary, Kiptangus, Kunurter, Tekeltich, Chumeek & Ibanja	2 ECDE complete ie Kapkembur & Kapnyemis	a) Operationalized 31 ECDE centres across the County b) Confirmation of 1200 caregivers on permanent and pensionable terms
3	Vocational training	-	Completion of 9 classrooms in the following VTCs: Cheptarit, Kaplamai, Mugen, Kapsabet School for the Deaf, Chemundu,, Kurgung, Tangaratwet, Chepsire & Jean Marie VTC	Completion of 2 projects: Kimondi & Kipsebwo ablution blocks	a) Recruitment of instructors on permanent and pensionable terms

**Table 14: Lands, Environment and Natural Resources**

S/N O	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1	<b>Water Service Provision</b>	57 completed water projects	50 completed water projects 2 Drilling rigs procured and operationalized	More water projects done tendered in the 2018/19 F/Y	a) Completed 60 water projects with an additional b) Connected a total of 3000 households in the County c) Drilled boreholes at Kakiptui, Stephen Kositany school and

					Koitalel Samoei university
2	<b>Environmental Conservation and Protection</b>	<p>Establishment of Environment Directorate.</p> <p>- Employment of key staff in the Sub-counties.</p> <p>-Trees planted in a number of schools &amp; Wetlands</p>	<p>-County Environment Committee Gazetted and trained.</p> <p>-6 Offices at Sub-county HQs secured.</p> <p>-Eucalyptus along 50% of Riparian land removed</p>	<p>- Environment Inspectors Trained by NEMA.</p> <p>-Eucalyptus trees removed from 10% of Riparian land.</p> <p>-2 Policies drafted &amp; forwarded to Cabinet.</p>	<p>a) Planting of 200,000 tree seedlings on both public and private land in the County.</p> <p>b) Overseeing the clearance of 5% of riparian land with eucalyptus trees in the County</p> <p>c) Mapping of King'wal and Kiborgok wetlands which were due for gazettement as water towers.</p> <p>c) In partnership with FAO, developed King'wal and Kibirong Wetland Management Plans 2021-2025</p> <p>d) Trained farmers on Bamboo propagation</p> <p>e) In collaboration with FAO, Ministry of Interior and the community restored Kipkongorwa Wetland in Chesumei as the first fruit in the plan to restore all wetlands in the County.</p>
3	<b>Physical planning</b>		<p>-Planning of Kipkarren and Kiboswa trading centres</p> <p>-Preparation of advisory plan for Orkokit farm</p> <p>-Initiation the preparation of the Nandi County Spatial Plan</p> <p>-Planning for Swahili village in Kapsabet Town</p> <p>-Planning for Kiptegat farm</p> <p>-Planning for Romorio and</p>	<p>- Spearheading preparation of the Nandi County Spatial Plan up to 60% completion level</p> <p>- Provision of Technical Support to the Kenya Urban Support</p>	<p>-Preparation of the County Spatial plan at 60% level of completion with a complete situation analysis;</p> <p>-Digitization of land records</p> <p>-80% of land was surveyed with land numbers issued.</p> <p>-Planning and surveying of Kiptegat, Romorio, Swahili village, Kiboswa, Kipkaren Salient,Mchanganyiko.</p>

			Muchanganyiko farms	Programme (KUSP) -Processing subdivision scheme plans for titling (600No.)	
4	<b>Land survey and registration</b>	No program	Survey of Kipte farm	Surveys of kiboswa, mchanganyiko, kipkarren salient, Kapsabet Swahili village and kiptenden 'B' farm	-Survey works of Kiboswa, Mchanganyiko, Kipkarren Salient, Kapsabet Swahili village and Kiptenden 'B' farm

**Table 15: Sports, Youth Affairs and Arts**

S/NO	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1	Youth affairs and Art development		Issued 92 welding machines to 92 youth groups		-Established the Nandi County Youth Service (NCYS) as an empowerment programme for the youth. Up to 630 youths were recruited into the programme
	Sports	Phase I of Eliud Kipchoge Sports complex	Phase II of Eliud Kipchoge Sports complex	Completion of the sports complex	-Completed the improvement of Ndurio, Kaptumo and Kipchoge Annex sports grounds. - Constructed to 95% level of completion the first phase of Eliud Kipchoge modern athletic training camp while the second phase of the project was constructed to 80% level of completion. -Achieved 50% of works in the fourth phase of Nandi Hills Stadium

**Table 16: Tourism, Culture and Social Welfare**

S/NO	Programme	2017/2018	2018/2019	2019/2020	2020/2021
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	Tourism development	1.Phase I development of Chepkiit tourist site (Ablution block)	1.Phase II development of Chepkiit tourist site (Walkways, shades, installation of a water tank and dustbins)	-	-Developed Agro and Sports tourism niche products and documentaries- Ongoing development of Chepkiit tourist site with planned development of Nandi Rock
	Culture and Heritage Preservation	1. Annual celebration and honoring of the Nandi's heroes and heroines.	1. Construction of Jean Marie Seroney Mausoleum. 2. Documentation of Cultural heritage with CTV and KTN. 3. Annual celebration and honoring of the Nandi heroes and heroines.	1. Annual celebration and honoring of the Nandi's heroes and heroines together with the minority groups	-The annual Koitalel Samoei cultural festival was held on 19 <sup>th</sup> October 2020 whereby 21 heroes and heroines were honoured including 20 cabinet members (maotik) and Koitalel Samoei, the precolonial spiritual and political leader of the Nandi Community. -Conducted six cultural exhibitions -Registered 20 and trained 60 cultural practitioners in the County.
	Socio-Economic empowerment of Vulnerable groups.	1. Acquisition and distribution of 96 sewing machines to women and PWD groups. 2. Acquisition and distribution of 150 assistive devices.	1. Acquisition and distribution of 162 sewing machines to women and PWD groups. 2. Acquisition and distribution of 85 saloon kits to vulnerable groups across. 3. In partnership with Bethany Kids and	-Distribution of more assistive devices to the vulnerable groups	-Distribution of 309 assistive devices to PWDs across the County -Distribution of 71 special wheelchairs, 26 transport wheelchairs, 105 walkers, 13 white canes and 7 crutches to PWDs across the County. -In partnership with Church of Jesus Christ for the Latter day Saints distributed 51kg of assorted food

			Partners For Care, 150 wheelchairs and 200 mobility carts were distributed to PWDs across the county.		package to 1500 vulnerable families and another 26kg kitchen packs containing a 2kg maize seeds, 2kg bean seeds, 10kg DAP, 10kg CAN and indigenous vegetable seed to 800 vulnerable families across the County.
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**Table 17: Administration, Public Service and e-Government**

S/N	Programme	2017/2018	2018/2019	2019/2020	2020/2021
1.	P. 1 General Administration and Support Services	12 Boda Boda shades	Five waste receptacles distributed in major urban areas	More waste receptacles	-Waste receptacles both budget and rolled over were supplied to major urban centers in the county
2.	P.2 County Administrative Services		Internship programme for 500 youths Staff appraisals' Signing of performance contracts -57		-
3.	P.3 Kapsabet Municipal services and Infrastructure		Final stages in completion of non-motorized transport facility, high mast, street lighting, market stalls, and the sewer line	Ongoing construction of KUSP projects	-Completed and operationalized KUSP programs under the Kapsabet municipality. Among the notable projects were the non-motorized transport facility, high mast, street lighting, market stalls, and the sewer line.
4.	P.4 ICT and Infrastructure		Fleet Management System Assets and Inventory Management System	Operationalization of HMIS, Call centre and Data Centre	-Operationalized HMIS and e- memo software.



			HMIS (Hardware & Networking) E-Memo & Workflow Management System Data Centre Call centre		
5.	P5. KUSP	Attainment of the Municipality Charter	Final stage in implementation of non-motorized transport facility, high mast, street lighting, market stalls, and the sewer line	Completion of KUSP projects	Completed and operationalized KUSP programs under the Kapsabet municipality. Among the notable projects were the non-motorized transport facility, high mast, street lighting, market stalls, and the sewer line.

**Table 18: Trade, Investment and Industrialization**

S/ NO	Program me	2017/2018	2018/2019	2019/2020	2020/2021
1	Trade development	5 modern markets completed -14 boda boda shades completed and operationalized -3 ablution blocks completed	-3 typical rural market stalls completed in kilibwoni, chemursoi and kabiemit	Completion of market stalls	Operationalized Kobujoi fresh produce open air market. Operationalized market stall at Lessos -Completed Chemursoi, Kilibwoni, Kabiemit and Kaptel market stalls. Constructed ablution blocks at Kaptumo and kaiboi Markets
2	Industry development	Textile and apparel unit phase 1 completed	-Textile and apparel unit phase 2 -ongoing -kurgung jua kali shades completed	Textile and apparel unit phase 3	Establishment of Textile and apparel unit
3	Fair trade practices	Weight and measures officer was trained		Weight and measures standards supplied	-Weight and measures officer was trained

## **IMPLEMENTATION OF 2021/2022 BUDGET**

The County's Economic Performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery. The county's performance will also depend highly on the country's economic performance hence, the county operates well under a stable macroeconomic environment.

The FY 2021/2022 Budget was consolidated with ongoing programmes and projects from FY 2020/2021. This was necessitated by the need to ensure there is continuity in delivering services to the citizenry. As such all departments are required to ensure full implementation of the programmes and projects carried forward from FY 2020/2021.

Efforts to increase own source revenue collection and management remains a top priority. The County Revenue unit is currently working on finding the best strategies to ensure the current actual revenue collection is doubled to match the County revenue potential and enhance achievement of the revenue targets. Some of the strategies to be adopted include the full automation of revenue collection and legislation of relevant laws as well as enhance the tax base. This will be done along with the necessary rules and regulations to operationalize the laws once passed by the county assembly.

### **Growth prospects (Revenue outlook)**

**Table 19: Table on Revenue Streams Projection for FY 2022/2023**

CODE	REVENUE ITEMS	Medium Term Projections				
		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
<b>1</b>	<b>Total Anticipated Revenue</b>	<b>8,046,964,890</b>	<b>8,133,676,476</b>	<b>7,611,517,867</b>	<b>8,965,549,809</b>	<b>8,535,958,734.45</b>
1.1	<b>Local Revenue</b>	<b>459,293,246</b>	<b>376,829,833</b>	<b>405,408,260</b>	<b>387,106,430</b>	<b>406,461,751.50</b>
1520100	Land Rates	46,682,200	23,807,922	24,284,080	42,184,423	44,293,644.15
1520500	Plot Rent/House rent	5,100,662	1,560,802	1,592,018	1,257,694	1,320,578.70
1420328	Single Business Permits	36,430,791	29,727,525	30,322,076	43,954,440	46,152,162.00
1420328	Liquor Licensing	12,120,000	5,439,456	5,548,245	14,383,114	15,102,269.70
1420405	Market Fees	15,595,046	10,657,655	10,870,808	15,587,938	16,367,334.90
1330405	Agriculture	9,090,000	6,119,388	6,241,776	6,931,003	7,277,553.15
1420345	Cess	156,456,200	156,456,200	159,585,324	22,529,356	23,655,823.80
1420507	Kiborgok Tea Proceeds	18,913,963	18,134,708	18,497,402	19,612,948	20,593,595.40
1580401	Slaughter Fees	638,320	820,369	836,776	661,053	694,105.65
1550105	Kiosks & stalls	3,535,000	7,247,457	7,392,406	5,840,001	6,132,001.05
1550000	Trade Fair	2,020,000	2,060,400	2,101,608	1,660,270	1,743,283.50
1420404	Parking Fees	46,018,822	32,388,047	33,035,808	46,098,288	48,403,202.40
1450100	Veterinary	6,565,000	4,754,373	4,849,460	3,831,073	4,022,626.65
1580100	Health and Sanitation	83,042,200	64,374,313	65,661,799	151,872,821	159,466,462.05
1420403	Sewerage and Water	686,800	665,509	678,819	536,267	563,080.35
1530000	Advertising	4,242,000	2,812,446	2,868,695	2,266,269	2,379,582.45
1530000	Physical Planning	2,020,000	1,339,260	1,366,045	1,079,176	1,133,134.80
1530000	Weights % Measures	3,030,000	2,008,890	2,049,068	1,618,764	1,699,702.20

1530000	Tourism and Co-op Development	1,414,000	1,442,280	1,471,126	1,162,190	1,220,299.50
1530000	Hire of Exhauster	2,222,000	1,473,186	1,502,650	1,187,094	1,246,448.70
1530000	OTHER FEES	3,470,242	3,539,647	3,610,440	2,852,248	2,994,860.40
<b>1.2</b>	<b>GOVERNMENT FUNDING</b>	<b>6,802,400,000</b>	<b>6,843,294,705</b>	<b>6,394,414,458</b>	<b>7,899,732,213</b>	<b>7,340,412,493.05</b>
1.2.1	CRF Fund Balances	1,433,000,000	1,604,294,705	1,013,914,458	989,363,172	
1.2.2	CRA EQUITABLE SHARES	5,369,400,000	5,239,000,000	5,380,500,000	6,990,869,041	7,340,412,493.05
<b>1.3</b>	<b>Conditional allocations from NG</b>	<b>196,712,989</b>	<b>202,710,317</b>	<b>212,845,833</b>		
1.3.1	CHFS -County Health Facility Supplies	0	-	-		
1.3.2	COMPENSATION OF USER FEE	18,086,363	18,086,363	18,990,681		
1.3.3	RMLF	141,371,626	151,830,656	159,422,189		
1.3.4	Development of Youth Polytechnics	37,255,000	32,793,298	34,432,963		
<b>1.4</b>	<b>Conditional Allocations from Development partners</b>	<b>588,558,655</b>	<b>710,841,621</b>	<b>596,628,512</b>	<b>598,211,166</b>	<b>789,084,489.90</b>
1.4.1	DANIDA -HSPS3	17,111,250	16,031,250	16,832,813	11,851,125	12,443,681.25
1.4.2	KDSP - World Bank	44,551,044	30,000,000	31,500,000	82,682,844	86,816,986.20
1.4.3	W.B - Transforming of Health Systems	97,229,498	46,342,186	48,659,295	118,895,815	124,840,605.75
1.4.4	W B. -National Agricultural and rural growth project	140,435,163	343,929,300	361,125,765	297,105,136	311,960,392.80
1.4.5	Other Loans and grants	-	-	-	14,000,000	14,700,000.00
1.4.6	Kenya Urban Support project (KUSP)	177,231,700	177,231,700			
1.4.7	European Union Water Tower Programme	72,000,000	72,000,000			
1.4.8	Food and Agriculture Organization	40,000,000				
1.4.9	KISIP-Kenya Informal Settlement Improvement Fund		8,800,000		50,000,000	52,500,000.00
1.5.0	ASDSP		16,507,185		23,676,246	24,860,058.30
1.51	LEASING OF MEDICAL EQUIPMENT	200,000,000	131,914,894	138,510,639	153,297,872	160,962,765.60

## **Medium Term Fiscal Framework**

### **Revenue projections**

The FY 2022/2023 budget anticipates total revenue of Kshs 8,535,958,734.45. This is a 5 per cent increase from the FY 2021/2022 revenue targets holding all other factors constant. The Equitable share from the National Government accounts for 85% of the total projected revenues for FY 2022/2023. The Equitable share has been increasing on a decreasing trend from FY 2013/14 to date. This trend calls for more innovative programs to enhance the county resource mobilization. The County Own Source Revenue Mobilization has been on a rising trend from FY 2013/14. To enhance resource mobilization, the county will;

- i. Carrying out Revenue administration reforms, which includes reviewing and implementing revenue policies and laws, assessment, data collection and management, monitoring, reporting and accountability, and enforcement;
- ii. Increased efficiency in revenue collection
- iii. Enhancing overall institutional and human resources capacity to handle all facets of revenue collections and management within the county;
- iv. Creating awareness among the revenue stakeholders on the importance of making revenue payments and its connection with service delivery; and
- v. Managing revenue waivers and variations in line with the Constitution and the Law.

### **Risks to the outlook**

Despite slow economic growth in Nandi County, the economy of Nandi is prone to both macro-economic and micro-economic risks.

#### **a) Macro-economic risks include;**

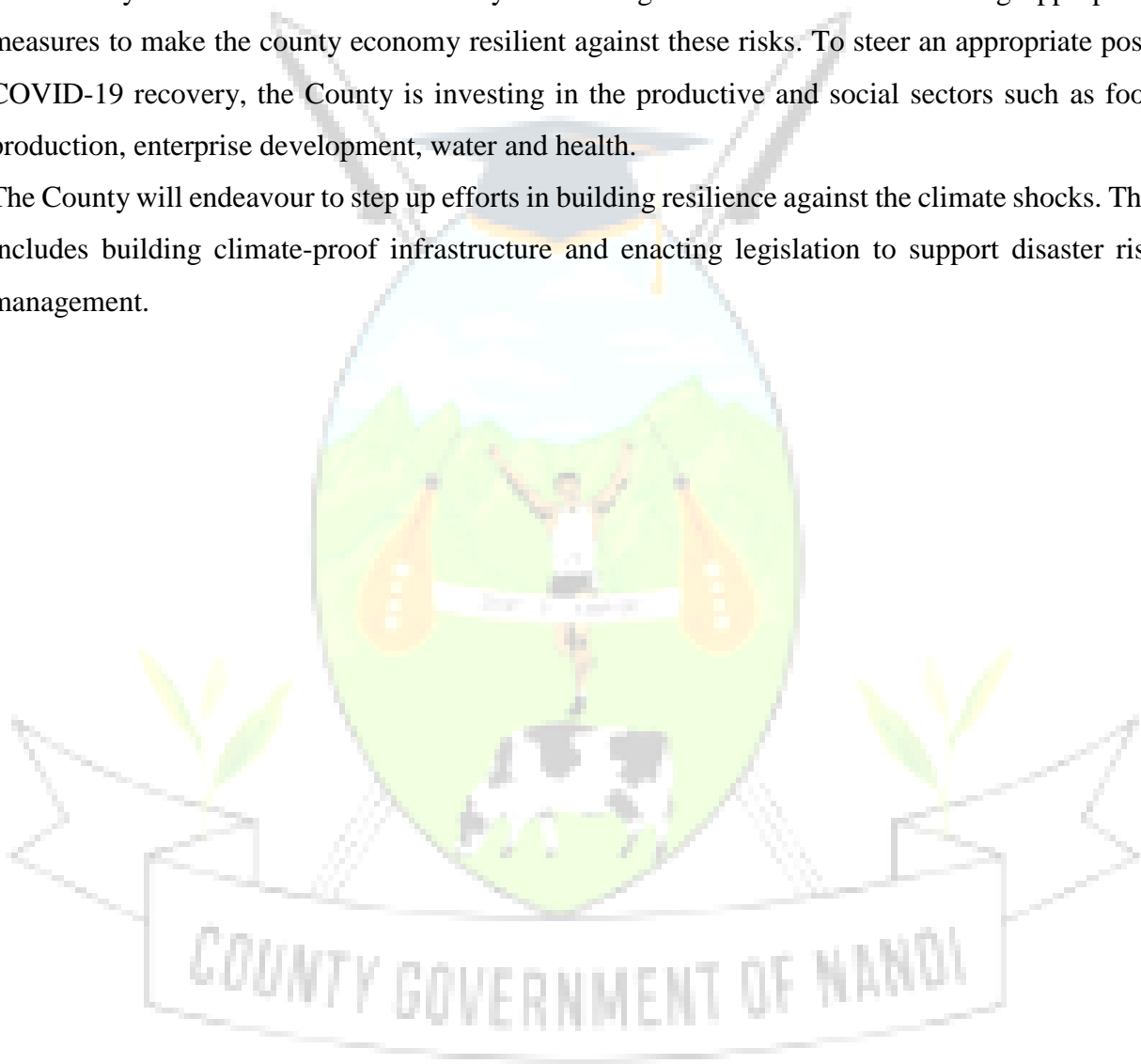
- i. Contracting global economy occasioned by the outbreak and rapid spread of the COVID-19 pandemic that weigh on Kenya's export activities and the tourism sector. Nationally, the pandemic has increased unemployment, disrupted business and consumption of goods and services, thereby affecting national government revenues and public expenditure. Such an impact will have a ripple effect on the County's economy since 99% of the County's revenue comes from the National Government.
- ii. Depreciation of the Kenya shilling against the US dollar had a negative effect on the Consumer price index inflation leading to increased inflation.
- iii. The effects of the public debt and of pending bills are likely to contribute to the sluggish growth of the economy and have a negative trend on revenue collections to fund government expenditures.

#### **b) Micro-economic risks include;**

Agriculture being the main economic activity in the County and one that provides employment and contributes to food security. Accessibility to some key areas of the county has been a challenge due to dilapidated road network occasioned by prolonged rainy season as a result of climate change. The poor roads cause delays in deliveries and increase in transport costs that are in turn transferred to the consumer, with prices varying upward on some products as compared to recommended retail prices in other areas.

The County administration is continually monitoring these risks and undertaking appropriate measures to make the county economy resilient against these risks. To steer an appropriate post-COVID-19 recovery, the County is investing in the productive and social sectors such as food production, enterprise development, water and health.

The County will endeavour to step up efforts in building resilience against the climate shocks. This includes building climate-proof infrastructure and enacting legislation to support disaster risk management.



## RESOURCE ALLOCATION FRAMEWORK

Table on summary on compensation to Employees, other recurrent Expenditures and Development projection for F/Y 2022/2023

VOTE TITLE	PE Est	Rec Est	Other OP Est	Dev Est	Total Est	%
COUNTY EXECUTIVE	375,626,460.00	418,923,880.00	6,965,717.00	68,000,000	869,516,057.00	10.2
FINANCE AND ECONOMIC PLANNING	206,797,336.00	496,663,564.00	5,990,517.00	21,000,000	730,451,417.00	8.6
ADMINISTRATION, PUBLIC SERVICE AND e-GOVERNMENT	24,075,905.00	44,395,158.00	25,633,840.00	104,000,000	198,104,903.00	2.3
HEALTH AND SANITATION	2,001,972,331.00	971,170,333.00	34,132,016.00	270,500,000	3,277,774,680.00	38.4
AGRICULTURE AND COOPERATIVE DEVELOPMENT	233,823,874.00	51,127,166.00	14,349,378.00	237,500,000	536,800,418.00	6.3
TOURISM, CULTURE AND SOCIAL WELFARE	39,193,850.00	15,283,869.00	1,602,950.00	36,050,000	92,130,669.00	1.1
SPORTS, YOUTH AFFAIRS AND ARTS	100,283,247.00	19,936,337.00	1,811,086.00	71,000,000	193,030,670.00	2.3
EDUCATION AND VOCATIONAL TRAINING	271,987,023.00	107,371,071.00	5,266,082.00	202,500,000	587,124,176.00	6.9
LANDS, ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE	74,349,652.00	30,741,827.00	10,448,576.00	179,349,794	294,889,849.00	3.5
ROADS TRANSPORT AND INFRASTRUCTURE	74,579,613.00	28,472,259.00	166,117,598.00	430,000,000	699,169,470.00	8.2
TRADE, INVESTMENT AND INDUSRIAL DEVELOPMENT	40,540,471.00	18,122,962.00	1,741,429.00	63,000,000	123,404,862.00	1.4
PUBLIC SERVICE AND LABOUR	31,261,494.00	14,352,008.00	1,811,086.00		47,424,588.00	0.6
COUNTY ASSEMBLY	361,928,343.00	394,914,980.00	14,293,652.00	115,000,000	886,136,975.00	10.4
<b>TOTALS</b>	<b>3,836,419,599.00</b>	<b>2,611,475,414.00</b>	<b>290,163,927.00</b>	<b>1,797,899,794.00</b>	<b>8,535,958,734.00</b>	
Percentage Allocation	44.9	30.6	3.4	21.0		

In FY 2022/2023, overall expenditures are projected to be **Kshs 8,535,958,734.00** which is an increase from Kshs **7,976,186,637** in FY 2021/2022. The Recurrent expenditure is estimated at Kshs **6,738,058,940.00** an increase of 13 per cent from **Kshs 5,868,074,823** in FY 2021/2022, which is explained, by the increase in operation and maintainance while capital Expenditure is estimated at **Kshs 1,797,899,794.00**.

The Government aims at maintaining a balanced budget in FY 2022/2023. Moreover, the county will pursue auxiliary mechanisms of raising revenues through loans and grants which will be guided by the County Debt Management Strategy Paper. The External Resource Mobilization unit that is yet to be established will also target to raise resources from development partners and enhance financing through Public-Private Partnerships (PPPs).

The MTEF resources take into account the transfers to County Agencies and Authorities including Kapsabet Nandi Water and Sanitation Company and Kapsabet Municipality. The various entities will be required to maximize revenues, which will subsequently reduce the over-reliance on the county exchequer.

### **Medium-Term Expenditure Framework Policy**

The county will continue to entrench development principles adopted through the County Annual Development Plan which is a continuation of the multi-sectoral approach adopted during concept preparation. The MTEF budgeting framework will therefore be improved to ensure attainment of the key priorities set out in the FY 2022/2023 ADP which include;

1. **Equity in development.** The county has implemented its development agenda while ensuring high levels of equity across the county. It has however been noted some wards have not been adequately covered and development in such areas will be prioritized to ensure all county residents benefit from government development programmes.
2. **Community-Led Development** - Inclusive participation of communities in development. To accelerate local community development, the ward has been adopted as the planning unit for community economic empowerment.
3. **County development post-COVID-19 pandemic.** Funding for development programmes and projects acknowledges the emerging threat of COVID19 pandemic. Budgetary ceilings and provisions will therefore give priority to strategies and initiatives that will protect the communities from and infection, safeguard their livelihoods and provide the best care to infected persons. It will also make provisions to ensure that there is an accelerated return to normalcy of the county economy.
4. **Inclusiveness in development;** The Government will ensure all Nandi citizenry take part in development. Special consideration will be given to key interest groups; youth, PWD, PLHIV and children to focus on the interventions that are geared towards addressing specific challenges

affecting them. These interest groups will be mainstreamed in all development initiatives to ensure they take part in economic development.

### **Expenditure Justifications**

Resource allocation and utilization in the medium term has been and will always be guided by the strategic and emerging priorities, county development plans and the principles of PFM Act to ensure effective utilization of public finances. The sector allocations are also informed by the county goals and people's aspirations as captured in the County Integrated Development Plan (CIDP) 2018-2022, which is aligned to the goals and the objectives of the country and the Pillars anchored in Vision 2030 blueprint.

The County Government of Nandi is committed to implementing priority programmes under the MTP III to achieve the aspirations of its inhabitants as outlined in the County Integrated Development Plan (CIDP 2018-2022) while taking into account the need to optimally allocate the scarce resources to high impact programs during the period. The county has since devolution set up a solid foundation for quality service delivery based on strong linkage between policy, planning, resources allocation and feedback mechanisms for delivering planned outcomes.

In this regard, spending will be directed towards the most critical needs at the backdrop of easing COVID 19 pandemic with its containment measures hence resources shall be redirected bring to use through operationalization of the ongoing transformative and flagship projects from the COVID-19 response and containment measures with the view of bringing services closer to people. It is worth noting that despite much investment on COVID-19 related supplies which mostly are consumables, the county was able to develop 2 fully equipped ICU facilities in Kapsabet and Nandi hills which are essential even as KCRH is destined to be level 5 hospital. Further, the County Treasury will ensure that the sectors requests for resources are realistic and take into account the resource constraints due to declining economic performance nationally due to the effect of Covid -19 pandemic. In light of this, the Government priority programmes and projects will entail:

- *Completion and operationalization of on-going projects:* emphasis is given to completion, operationalization and equipping on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation, these include: Hospital Complex with Mother and Baby Unit at KCRH, Nandi Cooperative Creameries (NCC) at Kabiyet, Nandi Textile (NATEX), Eliud Kipchoge Modern



Athletics training camp.

- *Equipping with requisite equipment the complete yet not operational projects*; these relate majorly to health facilities, ECDE centres and cooling structures among other
- *Post-Covid-19 Recovery*; Consideration is further given to interventions supporting Post-Covid-19 recovery as indicated in the socio-economic recovery and re-engineering document including disaster and emergency preparedness.
- *Settling of pending bills*; the county government anticipates to settle the pending bills accrued and bring them to minimum levels
- *Strategic policy interventions*; further priority is given to policy interventions covering the entire county on social equity, socio-economic wellbeing especially on special groups interests and environmental conservation.

### **Medium-Term Expenditure Framework (MTEF)**

Nandi County MTEF approach consists of a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources in the context of the annual budget process. The MTEF budgeting will thus entail adjusting non-priority expenditures to cater for the priority ones.

The economic sectors such as agriculture will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity and poor market returns for agricultural produce ;the social sectors like health,education,youth affairs and social welfare.With the County Government’s commitment to improving infrastructure across the county, the share of resources going to priority physical infrastructure sector, such as roads and water, will rise over the medium term. This will spur the county’s economic growth because no meaningful economic activity can be carried out without reliable physical infrastructure. Further, implementation by the spending units will be monitored closely especially with regard to the development expenditures and uptake of resources. This requires a highly efficient and effective monitoring and evaluation by the county government.

All the other sectors will continue to receive adequate resources in line with our county’s commitment to a balanced sector development so as to ensure socio-economic welfare and enhanced quality of life for the residents of Nandi County.

## CONCLUSION

County Budget Review and Outlook Paper (CBROP) is anchored to the Principles of Fiscal Responsibility described in the 2012 PFM Act. It also complies with the County Strategic Objectives being pursued as a basis for public resource allocation. Strategic Objectives are set out in the policy documents developed by the County with the goal of successfully implementing the Second Generation County Integrated Development Plan (CIDP) aligned with the National Development Blue Print and Vision 2030.

The strategy in this CBROP focuses on enhancing revenue collection, reallocating resources to productive sectors of the economy and exploiting all available platforms in meeting the set targets under the various sector priorities. The National Government transfers continue to be the County's primary source of revenue, but the Executive will endeavour to strengthen local revenue collection. Automated systems are being enhanced to fully automate all County Revenue Streams. Strict enforcement will be carried out to guarantee that the County receives optimum benefits. The approach further aims to preserve fiscal discipline for maximum return from government funds in all County Government Departments and agencies in line with the Fiscal Responsibility Principles described in the 2012 PFM Act.

The key stakeholders will also need to be involved in the budget process, which is essential to improving the general execution of the budget and ensuring that the public contributes to the 2022/2023FY Final Budget Allocations. The policies set out herein reflects the changed circumstances and is widely consistent with the Fiscal Responsibility Principle described in the PFM Act, 2012. This guarantees continuity in the distribution of resources on the basis of priority programs allocated by the County Government to provide vital services, accelerate development, generate jobs and decrease poverty