

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF TRANS-NZOIA

THE COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER

November 2016

Foreword

This County Fiscal Strategy Paper (CFSP) for the FY 2017/18 reiterates the county government's development objectives of doubling youth employment, doubling land productivity, and reducing by half the population below the poverty line in the county. Strategies to enable the county attain the above stated objectives includes (i) creating a conducive business environment for job creation; (ii) investing in key interventions that will transform the agricultural sector in the county; (iii) investing in infrastructural development in areas such as county roads, fresh produce markets, health facilities and other social infrastructure, including street lighting and provision of water; (iv) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on the households and promote shared and equitable growth; and (v) and support the county public service for better service delivery.

The above key interventions have translated into increased maize harvest from about 4 million bags in 2013 to over 5 million bags annually by 2015, increased milk production to over 102 million litres annually, increased acreage of coffee, tea and horticultural crops under the crop diversification programme, construction of over 100 ECD classrooms therefore improving enrolment rate, improved quality and access to better health services, construction of a county teaching and referral hospital and improved transport and communication across the county through the construction/ grading and rehabilitation of county roads, bridges and culverts. Several water schemes have also been completed hence increasing access to clean portable water. The gains from the above interventions go a long way to address the county development objectives and also create a strong base for raising more revenues locally.

This strategy will ensure that sufficient resources have been directed to the key sectors of the county economy to ensure that the above gains are sustained and their impacts entrenched in the lives of the county resident. While the current focus is expected to hold, there are however risks to this outlook for 2017 and in the medium term. This includes among others the uncertainties in the political arena as the

country enters into electioneering period for 2017 national elections given the recurrent political uneasiness during the electioneering period over the years, inability of the county government to realize the estimated local revenues over the years, slow pace of implementation of the development projects, late disbursement of CRA allocation by the national treasury, and the issue of pending bills over the years among others.

Acknowledgement

This is the third (CFSP) to be developed as per the requirements of the Public Finance Management Act, 2012. It outlines the broad strategic macroeconomic issues and medium term fiscal framework, together with a summary of the county Government's spending plans, as a basis of the 2017/18 budget estimates. We expect the document to improve the, county assembly, public and other stakeholders' understanding of the governments' budget making process and guide public debate on economic and development matters.

In line with the PFM act 2012, the preparation of the 2016 CFSP has been a collaborative effort from all the County Ministries and Agencies whose inputs forms the basis upon which the paper is based on. We are also grateful for the comments from the cabinet, the County Assembly Budget Committee, the Budget and Economic Forum and public consultative foras. The county development plan 2017/18, the Budget Review and Outlook Paper, 2016, and MTEF sector reports for 2017/18-2019/20 as well as the draft national Budget Policy Statement 2016 (BSP) provided valuable inputs to this 2017 CFSP.

A task force with membership from across the entire county government supported by a secretariat of officers from the ministries of Finance and planning put in a lot of efforts to ensure that the document has attained its present quality.

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ABBREVIATIONS AND ACRONYMS

BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CDP	County Development Plan
CFSP	County Fiscal Strategy Paper
CIDP	County integrated Development Plan
CRA	Commission of Revenue Allocation
ECDE	Early Childhood Development Education
EPS	Expanded Polystyrene Technology
MTEF	Medium Term Expenditure Framework
O&M	Operations & Maintenance
PFM ACT	Public Financial Management

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LEGULATORY FRAMEWORK

A. legal Basis for County Fiscal Strategy Paper

The basis of developing and preparing the County Fiscal Strategy Paper is contained in Article 117 of the PFM Act 2012 which states that;

- i. 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.
- ii. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- iii. 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.
- iv. The County Treasury shall include in its County Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- v. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —
 - a. The Commission of Revenue Allocation;
 - b. The public;
 - c. Any interested persons or groups; and
 - d. Any other forum that is established by legislation

B. County Government Fiscal Responsibility Principles

- i. This County Fiscal Strategy Paper for the financial year 2017 has been developed and takes into account the principles of public finance together with the fiscal responsibility principles of county governments that includes;
- ii. Ensuring that the county government's recurrent expenditure shall not exceed the county government's total revenue;
- iii. Ensuring that over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- iv. Ensuring that 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;
- v. Ensuring that over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure in particular, 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;
- vi. Ensure that the county debt shall be maintained at a sustainable level as approved by county assembly;
- vii. Ensure that the fiscal risks shall be managed prudently; and
- viii. that 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.

EXECUTIVE SUMMARY

The 2017 County Fiscal Strategy Paper is the fourth to be prepared by the County Government of Trans-Nzoia since the inauguration of the county government in 2013. In consistent with PFM Act 2012, resource allocation has been aligned to the County development plan (CDP) 2017/18 and the County's medium term Plan -County integrated Development Plan 2013-2018 (CIDP).

The County Fiscal Strategy Paper (CFSP) for the year 2017 reiterates the county government's development objectives of doubling youth employment, doubling land productivity, and reducing by half the population below the poverty line in the county. It outlines the broad strategic macroeconomic issues and medium term fiscal framework, together with a summary of the county Government's spending plans, as a basis of the 2017/18 budget estimates.

This CFSP provides a review of economic and fiscal performance of the county government in the financial years 2015/16 and the first quarter of 2016/17 and also presents the county's economic and fiscal outlook that defines the medium term expenditure framework for the financial year 2017/18 – 2019/20. Nationally, the Kenyan economy has continued to grow; - 5.6 percent in 2015 compared to 5.3 percent growth in 2014, despite the decline being experienced elsewhere globally. This trend is expected to continue in 2017 and in the medium term and will have a great bearing on the county's economic and fiscal outlook.

The county has made major development strides under the previous medium term expenditure framework as outlined in CFSP 2016 which includes among others;-

The preparation of the county development plans, disbursement of Ksh. 1.5 million to Pamoja Sacco under Nawiri Fund, Holding a major investment forum, Trans Nzoia Investment Conference and Expo 2016, construction on five major markets and 12 wards' based fresh produce markets and commencement of works on Kitale modern market and bus park under economic planning, trade and industry sector.

Completion of survey of Endebess, Siyoi, Sibanga, Emoru, Saboti, Kapsara, Kapkarwa, Kipsoen and Nzoia market centres, processing of 88,000 titles, and acquisition of over 30 acres of land for the development of various county infrastructural facilities and market expansion in lands, Housing and Urban Development sector.

Procurement and installation of 10 milk coolers, distribution of subsidized high quality semen, distribution of 35,000 bags of planting & 30,000 bags of top dressing subsidized mavuno fertilizer, establishment and equipping of Tissue Culture Banana nursery, and distribution of over 60,000 TC Banana plantlets. Other sector successes

are - distribution of 300,000 subsidized coffee seedlings, procurement of assorted modern farm machinery, establishment of 25 Model farms, procurement and installation of 18 green houses and construction of 3 grain stores in Kiminini, Kwanza and Saboti sub counties under agriculture sector.

Distribution of over Ksh. 71 million under the Youth and women development fund benefiting 682 groups, leveling of 25 ward sports grounds of which 18 have been completed while seven are ongoing, and support to Sports teams, financially and provision of sports equipments under culture, gender, tourism and sports sector.

The installation of 25 culverts, purchase of fire engine, and construction of fire station, routine road maintenance, construction of modern business centre and Bus Park, and construction of 100 boda boda parking sheds. In addition, 26 high mast floodlights were installed while street lights were elected in selected major streets and markets centres across the county under the Public Works, Energy, and Transport & Infrastructure sector.

Under Environment, Water, and Natural Resources sector, several water projects including 54 piped water schemes, one water dam and 20 water points were implemented at a cost of Ksh 131,384,640. Other activities included drilling of boreholes, spring protection, and digging of boreholes. In addition, the County Government also acquired 2 drilling Rigs and a water boozer to ensure regular supply of water, increasing access and coverage by drilling boreholes at the community level.

Under the education and ICT sector, Ksh. 112 million was distributed under Elimu bursary fund, while 756 ECDC caregivers and 140 polytechnic instructors were employed. At the same time, 93 ECDC classrooms were constructed using the EPS technology, ECDC and VTC learning and instructional materials worthy Ksh. 12,000,000 was procured and distributed. In addition, VC training equipments worthy Ksh. 12,502,500 was procured and distributed.

In the Health sector the construction of the county referral hospital is ongoing, an oxygen plant was installed at the Kitale County Hospital, and a public toilet was constructed in Kiminini market. In addition, supply of medical equipment to the renal unit at the Kitale County Hospital and procurement of a lorry for the distribution drugs and other medical supplies were other accomplishments of the sector.

In budget implementation, the total cumulative revenue realized was Ksh. 6,068,114,736 compared to the targeted Ksh. 6,154,867. On the hand, expenditure for both recurrent and development budget for the year 2015/16 was Ksh.

5,378,421,169 against a target of Ksh. 6,154,867,114 comprising of Ksh. 3,117,109,820 under the recurrent vote and Ksh. 2,261,311,349 under the development vote

In the FY 2017/2018, the estimated Revenue from the local revenues and national grant is Ksh. 6,840,088,371 of which Ksh. 600,000,000 will be revenue raised from the local sources and Ksh. 6,240,088,371 is expected from the CRA allocations and grants. Of the estimated revenue, Ksh. 2,235,000,000 has been allocated towards personnel emoluments, Ksh. 1,932,000,000 for operations and maintenance while Ksh. 2,673,088,371 has been allocated for development expenditure.

In the financial year 2017/18 and the medium term, the development focus is in expanding County Road Network by opening up of new roads, grading and maintenance of existing county roads, election of culverts and bridges as well as expand the street lighting programme in the infrastructure and public works sector.

In the agricultural sector, the government objective is transforming the sector by ensuring that resources will be directed towards the ongoing fertilizer cost reduction programme, livestock production improvement programme, agricultural produce and value addition programme, farm mechanization, crop diversification and improving access to markets for agricultural products.

Improving Health care delivery system through the completion of the county teaching and referral hospital and making it operational, construction of new health facilities, rehabilitation and equipping of the existing county health facilities with modern equipments, recruitment of medics including specialized and improving the general working condition of the county health staff.

In education and ICT, the government objective is to improve accessibility and Learning Environment. Consequently, resources will be allocated towards the construction and improvement of infrastructure in all ECDE and VTC learning institutions across the county, increase provisions for bursaries and scholarships to meet the increased demands of education and training, equip the county learning institutions with relevant teaching equipments and instructional materials, establishing a school feeding programme for all public ECDE, and improve staffing levels in all county ECDE Centres and county vocational training colleges in line with the national teacher student ratios.

The 2017/18 county budget seeks to empower the youth, women, marginalized and the elderly. In this respect, the government will upscale the allocations to the county youth and women fund, initiate mentorship training and capacity building to ensure that they get their 30% share in county supply contracts. The sector will also upscale

the social welfare fare programme for the elderly, and marginalized, support community self help groups, nature youth talent through improvement of existing sports facilities, establishment of new sports facilities and talent centres as well as provide support to community sports teams.

The development target for the county Government in the medium term has been to create employment and reduce poverty levels by creating a conducive environment that can attract investment. To this end, several initiatives will be undertaken. This includes among others;-street lighting programme in all the market centres and slum areas hence security and extension of business hours, promotion of the MSE sector and support to local artisans through capacity building, credit and sponsorship in participating in national and international trade fairs, construction of fresh produce markets and market shed to provide shelter for our local traders. In addition the government will set aside resources to ensure that the construction of a modern business centre as well as the bus station is on course aimed at easing congestion in Kitale market.

The environment is a major resource factor that determines agricultural productivity, given that over 80% of the county population is dependent on agriculture for their livelihood, environmental conservation and accessibility to clean water is important. Consequently, this budget policy framework seeks to conserve and manage the natural resources, expand the existing sewerage system and water distribution infrastructure, enhancing access to portable water for all county residents, increasing forest cover and rehabilitation of depleted forests, catchment restoration and rehabilitation, establishment of a solid waste management plan and adoption of modern solid waste management systems.

The risk to the outlook for 2017 and medium term include the uncertainties in the political arena as the county enters into electioneering period for 2017 national elections, inability to realize the estimated local revenues, slow pace of implementation of the development budget and the late disbursement of CRA allocation by the national treasury among others.

1.0 INTRODUCTION

1.1 Background

The 2017 County Fiscal Strategy Paper is the third to be prepared by the County Government of Trans-Nzoia since the inauguration of the county government in 2013. The CFSP is a government policy document that sets out the broad strategic priorities and policy goals that will guide the county departments and agencies in preparing their budgets in the financial year 2017/18 and over the medium term. The overall objective of the CFSP is to link policy, planning and budgeting. In specific, the CFSP seeks to:

- Ensure a sound and sustainable balance between the county Government's spending, revenue and borrowing requirements that are in line with the law and economic sustainability;
- Set out strategies of enhancing local revenue collection to augment the SRC allocations;
- Outline policy initiative and spending that support growth in the key sectors of the economy including infrastructure, agriculture, social services, trade and industry whose contribution to employment creation is vital in the county economy.
- It will also be a means communicating and disseminating the county's budget proposal and therefore encourage transparency and partnership in the budget making process during the public hearings
- It provides an updated resource envelop and presents a fiscal framework for 2017/2018 budget and in the medium term.

This strategy is aligned to the country's growth objectives of reducing poverty 50% creating job opportunities and increasing productivity. In consistent with PFM Act 2012, resource allocation has been aligned to the County's development plan 2017/18 and the County's medium term Plan -County integrated Development Plan (CIDP) as well as the national development agenda as outlined in the MTP 1/11.

This policy has also been aligned to the draft National Budget policy statement (BPS) whose theme is "Consolidating ***Economic Gains In An Environment Of Subdued Global Demand***" through; - (i) Sustaining Conducive Business Environment for Investment Opportunities; (ii) Continued spending in Infrastructure to Unlock Constraints to Growth; (iii) Sustaining Sectoral Spending for Employment Creation; (iv) Enhancing Service Delivery through devolution and (v) Structural Reforms.

The 2017/18 county budget focus is in:-

- Transforming the agricultural sector and Sustaining the gains already achieved;
- Continuously building the capacity of the county staff through careful analysis of gaps and recruiting selectively to contain the wage bill, training, equipping them with the right tools and improving their office accommodation for effective service delivery;
- Ensuring compliance of the government on public participation and enshrining the culture of consultation in the county decision making processes;
- Aligning the budget with the county's medium term development road map and other development plans.
- Creating an enabling environment that attracts investors to ensure growth in business and investments;
- Rehabilitating, expanding and maintenance of county roads and other public works infrastructures to enhance transport and communication services across the county and beyond.
- Ensuring equitable and easy access to basic social services including water, sanitation, education and health care
- Ensuring active participation of youth and women in the county's development and decision making process.
- Promoting land ownership and ensuring security of the land tenure system.
- Improving budgeting and budget management as enshrined in the public finance management act and other relevant acts that guide budget execution.
- Promoting sustainable use of the existing natural local resources to ensure environment sustainability.

1.2 CFSP Process Overview

The preparation of the CFSP is the fourth stage in the budget preparation process and has been developed in accordance with the PFM Act 2012. This document precedes the preparation of three other important budget documents; - that is the County Development Plan (CDP) 2017/18, the County Budget Review and Outlook Paper (CBROP) 2016 and the MTEF sector Reports 2017/18-2019/20.

The preparation of the 2017 CFSP has been a collaborative effort from all the County Ministries and Agencies whose MTEF sector reports forms the basis upon which the paper is based on. The CDP presents the county development priorities which are then linked to the financial resources allocation process through the MTEF which is

preceded by the (CBROP) where the budget implementation is reviewed and the review report forms the basis of MTEF sector reports and indeed this CFSP.

A ministerial Budget task force with membership from across the entire county government supported by a secretariat of officers from the ministries of Finance and planning was constituted and a draft prepared. The draft prepared was enriched by views from the members of the public collected during the budget consultative meetings held in each sub county. The views of the County Economic and budget committee were also sought during its preparation. In addition, consultation was also carried out with the County Assembly budget committee. The draft was presented before the cabinet which approved and submitted the same to the County Assembly.

1.3 Outline of the CFSP

This strategy has been organized into six chapters; Chapter one provides the background to the county fiscal strategy paper and it includes the background, the CFSP preparation process and report outline. Chapter two provides an overview of economic and fiscal performance for the financial year 2015/16 and the 1st half of the financial year 2015/16 both nationally and at the county level. Chapter three provides the medium term economic and fiscal outlook at the national and county level. Chapter four provides the underpinning fiscal and budget framework in the financial year 2017/18. Chapter five, provides the medium term expenditure framework that sets the resource envelop and the overall county spending priorities for the period. Chapter six provides the conclusion.

2.0 RECENT ECONOMIC & FISCAL DEVELOPMENTS

2.1 National Economic and Fiscal Overview

Nationally, supported by significant investment in infrastructure, construction and mining sectors, strong recovery in tourism, lower energy prices, improved agricultural production and low and stable inflation, Kenya's macroeconomic performance remains broadly stable despite the global economic slowdown. The Kenya shilling supported by improved export earnings from tea and horticultural products, reduced import bill of petroleum products due to lower oil prices, resilient diaspora remittances and improved tourism performance led to a narrower current account deficit.

These growth momentum is expected to hold as the economy is projected to grow at above 6.5 percent in the medium term propelled by continued recovery of tourism and completion of key public projects in roads, rail and energy generation. In addition, strong consumer demand and private sector investment as well as stable macroeconomic environment will help reinforce this growth. However, these strong outlook has been tainted by the ravaging famine which has affected a large number of counties in the past three months.

2.1.1 Recent Economic Developments

At 6.2 percent in the first half of 2016, the Kenyan economy has experienced robust growth in the past decade supported by significant structural and economic reforms. The economy grew by 5.6 percent in 2015 compared to 5.3 percent growth in 2014. Supported by improved performance in agriculture, forestry and fishing, mining and quarrying, transport and storage, electricity and water supply, wholesale and retail trade accommodation and restaurant and information and communication financial and insurance and real estate, the economy remained robust.

Coupled with prudent monetary policies and relatively low food and oil prices have seen inflation being maintained below the single digit figure. The annual average inflation rate at 6.5 percent in the year to October 2016 was within the target range of 2.5 percent on either side of the 5.0 percent target mean.

The short term interest rates have remained low due to the improvement of liquidity conditions in the money market. The interbank rate declined to 4.1 percent in October 2016 from 4.9 percent in September 2016 and 21.3 percent in September 2015, while the 91-day Treasury bill rate declined to 7.8 percent from 8.1 percent and 14.0 percent over the same period. In addition, the implementation of the Banking (Amendment) Act, 2015 effective September 14, 2016 has reinforced the low interest rate in the economy.

2.1.2 National Fiscal Performance in FY 2016/17

The implementation of the budget for FY 2016/17 has progressed well. Revenue collection has improved in the first quarter while expenditures on the other hand has been below the target, however, this has improved as implementation of development programmes and the general activity of Government gains pace. By the end of September 2016, total cumulative revenue including A-I-A collected amounted to Ksh 313.6 billion against a target of Ksh 328.0, representing a shortfall of Ksh 14.4 billion. The shortfall was as a result of the below target collection of the ordinary revenue by Ksh 14.4 billion and the ministerial A-I-A by Ksh 10.6 billion. The shortfall in ordinary revenue was mainly on account of underperformance in import related revenues and VAT imports.

The total expenditure and net lending for the first quarter of FY 2016/17 amounted to Ksh 387.6 billion, against a target of Ksh 526.9 billion. The shortfall of Ksh 139.2 billion was attributed to lower absorption recorded in both recurrent and development expenditures by the National Government and County Governments. Recurrent expenditure for National Government amounted to Ksh 230.2 billion (excl. Ksh 7,486 billion for Parliament and Judiciary), against a target of Ksh 287.9 billion, with underperformance recorded in wages and salaries, and Operation and Maintenance which accounted for Ksh 15.1 billion, and Ksh 38.8 billion, respectively.

The combined effect of the revenue and expenditure performance in the first quarter of FY 2016/17 resulted to an overall fiscal deficit, on a commitment basis (including grants) of Ksh 72.5 billion (equivalent to 1.1 percent of GDP) against a targeted deficit of Ksh 182.3 billion. This deficit was financed through foreign borrowing amounting to Ksh 39.2 billion and net domestic financing amounting to Ksh 49.4 billion.

2.1.3 FY 2016/17 Revised Fiscal Estimates

In view of the constrained fiscal developments by the end of September 2016, the Government has slightly revised downwards its revenue projections for the financial year on account of weaker than expected performance to September 2016. Consequently, the revised fiscal framework reflects overall reduction in revenues by Ksh 5.2 billion from Ksh 1,500.5 billion to Ksh 1,495.3 billion; and a reduction in total expenditures and net lending by Ksh 202.0 billion, from Ksh 2,275.6 billion to Ksh 2,073.6 billion. The deficit, inclusive of grants, is, therefore, projected to decline from Ksh 702.3 billion to Ksh 546.5 billion (equivalent to 7.5 percent of GDP). Borrowing from the domestic market has been revised upwards to Ksh 254.9 billion from Ksh 236.1 billion in the budget. However, allocation to the county government

of Ksh. 284,785 million has been maintained, it's therefore anticipated that the county operations are not going to be affected by the national revised fiscal framework

2.2 County Economic and Fiscal Overview

2.2.1 Economic Overview.

The main focus since the inception of the County Government has been on improving the physical and socio infrastructural facilities in the county, promoting modern farming, increasing land productivity and enhancing farm incomes, improving access to social amenities to all, effective support to the marginalized, physically challenged and other vulnerable members of the community, investment in youth and women empowerment, promoting trade and improving the business and investment environment in the county, building the capacity of MSE and *Jua Kali* sector, and developing public service structures that deliver efficient services among other efforts in the spirit of the Constitution of Kenya 2010. Towards this end, various initiatives have been undertaken to address the county's development challenges, and their impacts on the residents are clearly visible.

Economic Planning Trade and Industry

The department has spearheaded the county planning processes and consequently, key policy documents including county development plans, and other social economic policies that guide resources allocation and the county development processes have been prepared. The milestones achieved include the preparation of the 2016/17 County Development Plan and preparation of annual work plan and budget for 2015/16. In addition, the annual progress report which tracks the implementation of CIDP annually for 2015/16 has been prepared.

In MSE sector, the NAWIRI Fund disbursed 1.5 Ksh.million worthy of credit to Pamoja Sacco, In addition, a feasibility study on the maize milling plant in Kitale is complete and an MOU between ICDC and the County Government to facilitate its funding and establishment has been signed.

In order to promote trade and create a conducive business environment, the county undertook an ambitious market infrastructure development in the major market centres and consequently, 5 major market centres and 16 market shed were constructed and many are awaiting commissioning. The construction of a modern business park and bus station is underway in Kitale. At the same time, the county organized a major investment forum, the Trans Nzoia Investment Conference and Expo 2016, in addition to producing a County Investment Profile.

Land, Housing and Urban Development.

The major achievements of the sector for the period included processing of 88,000 titles, undertaking an Environmental Impact Assessment for the degazettement of part of Suam Forest and verification of government assets. Other achievements in the sector included ; the procurement of over 30 acres of land for the development of various county infrastructural facilities and market expansion, completion of survey of Endebess, Siyoi, Sibanga, Emoru, Saboti, Kapsara, Kapkarwa, Kipsoen and Nzoia market centres; equipping of survey amendment centre, and establishment of a Geospatial Information System laboratory.

Agriculture, Livestock, Fisheries Sector

Employing over 80% of the county's rural population, agriculture is the backbone of the county's economy. The government has invested massively in the sector and many of the recent development initiatives are now bearing fruits, the application of non acidic Mavuno fertilizer has increased maize production in the county from 4.2 million 90 Kgs bags in 2013 to the current production level of about 5.2 million bags. In addition, the first batch of Tissue culture banana plants has now matured and is in the market.

The Key sector achievements for the sector in the financial year 2015/2016 included distribution of 29,959 bags of planting & 25,994 bags of top dressing Mavuno fertilizer, procurement, hardening and distribution of 60,000 plantlets of Tissue Culture Banana (TCB), procurement and distribution of 420,000 and 200,000 subsidized coffee and tea seedlings respectively. In addition 18 greenhouses were procured and installed and 25 model farms, 1 per ward had been established as centers of technology transfer. In addition, a variety of modern farm machinery/equipments had been procured and delivered which included 4 tractors, 1 hay baler, 1 grass cutter(disc mower), 1 rotavator and 2 hay rakes , 1 disc harrow , 1 5-tines sub-soiler, 1 2-row and 1 4-row conservation planters and a Boom sprayer.

In the livestock sub sector, the cost of AI services was reduced from Ksh. 1000 to Ksh. 700 under livestock breeding and genetic improvement project, over 100 communal dips were rehabilitated; acaricides and vaccines were procured under livestock disease management programme. To promote livestock product marketing, Kitale main slaughter house was rehabilitated and 10 milk coolers were procured and distributed among other initiatives.

Gender, Youth, Sports, Culture and Tourism

The key achievements under the sector included disbursement of Ksh. million 71.2 to 682 Youth and women groups and establishment of a child rescue center. In addition, 18 ward sports grounds were leveled as well 42 Sports teams supported to participate in regional and national games. At the same time, the sports subsector procured and distributed sports equipment worth Ksh. 4m to county sports teams during the period under review. In order to promote culture and foster unity among various ethnic communities in the county, cultural activities including Miss Tourism pageant, ward cultural festival were held and sponsorship given to various council of elders meetings.

Public Works, Transport and Infrastructure

The key sector achievement included installation of 25 culverts, purchase of fire engine, construction of fire station, routine road maintenance, construction of modern business centre and bus park, and construction of 100 boda boda parking sheds. In addition, 26 high mast floodlights have been installed in major market centres and selected insecure spots within the county as well as lighting up major streets in Kitale and Kiminin towns. .

Environment, Water, and Natural Resources

During the year under review, 54 piped schemes were completed; one water dam was rehabilitated and 20 boreholes were drilled all at a cost of Ksh 131,384,640. In addition, two Drilling Rigs and a water boozer have also been procured and are in use.

Governance, PSM and CPSB

The major achievements of the sector during the period under review included placement and attachment of student interns across the departments, facilitating the holding of 51 public participation forums, raising indents for recruitment of county staff for the departments of transport, education and health, procurement of vehicles for sub county offices, completion of stalled projects inherited from defunct local authorities, induction of new county staff, capacity building of county staff through training, office accommodation, welfare and office machinery and equipments.

Other key initiatives undertaken by the sector include development of; - the PSB charter and code of Conduct and Ethics for the County Public Service in addition, job evaluation of all county public service staff was conducted, as well the

development and approval of departmental organizational structures and optimal staffing levels.

Education and ICT

The programmes implemented in the financial year 2015/16 in the sector included construction of 94 ECDE classrooms using EPS technology, procurement of tools, equipment and learning materials worthy Ksh. 12 million, capacity building of teachers and instructors, disbursement of Ksh 112 million from the Elimu Fund, holding of a County polytechnic exhibition, employment and induction of 756 ECDE Caregivers, 140 VTC instructors and organizing and facilitating a county education workshop.

Health

The key achievements for the sector during the period under review included continuation of construction of the county referral hospital, installation of oxygen plant at the Kitale County Hospital, construction of a public toilet in Kiminini market, supply of medical equipment to the renal unit at the Kitale County Hospital and procurement of a lorry for the distribution of drugs and other medical supplies.

County Treasury

The key achievements of the sector included the entrenching of the culture and spirit of public participation in budget making, preparation 1016/17 budget and its statutory documents and relevant bills.

2.2.2 Fiscal Overview

The fiscal performance in the 2015/2016 financial year was fairly satisfactory. The total cumulative revenue realized was Ksh. 6,068,114,736 compared to the targeted Ksh. 6,154,867,114. This represents a revenue shortfall of Ksh. 86,752,378 of which ordinary local revenues under collection was Ksh 24,056,478 while transfers from the National Treasury underperformed by Ksh. 62,695,900. On the other hand expenditure amounted to Ksh. 5,333,330,140 of which Ksh. 3,543,533,047 was recurrent while Ksh. 1,789,797,093 was development expenditure. Thus, expenditure underperformed by Ksh. 734,784,596.

2.2.2.1 Revenue Performance;

The approved total revenue for the financial year 2015/16 was Ksh. **6,154,867,114** comprising of both local revenues and grants from the national Treasury. However, the actual realized revenue was Ksh. 6,068,114,736 reflecting a shortfall of Ksh. 86,752,378. The detailed revenue budget is as provided in the table.

Table 1: Approved and Actual Revenues Realized By Sources for FY 2015/16

SOURCE	APPROVED BUDGET	ACTUAL	VARIANCE
Tentative CRA Allocation	5,099,612,701	5,099,612,701	0
Local Sources	389,026,513	364,970,035	24,056,478
Grants; DANIDA	11,330,000	0	11,330,000
Grants; User Charges Forgone	19,085,197	19,085,197	0
Free Maternal Health care	119,768,400	68,402,500	51,365,900
Road Maintenance Fuel Levy	64,782,039	64,782,039	0
Unspent Balance for FY 2014-15	451,262,264	451,262,264	0
Total Income	6,154,867,114	6,068,114,736	86,752,378

Source: County Budget Office 2015

Local sources underperformed by Ksh. 24,056,478 while free maternal health care disbursement declined by Ksh. 51,365,900. On the other hand Danida grant was never disbursed at all. The tables below provide an analysis of estimated and Actual Revenues from local sources by sector realized during the Financial Year 2015/16.

Table 2: Revenue Report for FY 2015/16

Sector / Revenue Source	Approved Budget(Ksh)	Actual Collection (Kshs)	Variance
AGRICULTURE, LIVESTOCK AND FISHERIES			
Application fees	2,238,806	3,436,280	1,197,474
Cattle auction and slaughter fees	1,492,538	1,278,860	-213,678
Total	3,731,344	4,715,140	983,796
ECONOMIC PLANNING, COMMERCE AND INDUSTRY			
Open Air Market	29,850,746	19,802,528	-10,048,218

Market stalls, bandas and enclosed markets	22,388,060	4,830,510	-17,557,550
Total	52,238,806	24,633,038	-27,605,768
ENVIRONMENT, WATER AND NATURAL RESOURCES			
Refuse collection and conservancy	2,985,074	10,694,097	7,709,023
WORKS, TRANSPORT AND INFRASTRUCTURE			
Advertisement, Trade names, billboards and signboards	3,731,343	14,315,784	10,584,441
Building plans, clearances and completion certificates	3,731,344	8,314,523	4,583,179
Total	7,462,687	22,630,307	15,167,620
HEALTH			
Income from Health services	119,000,000	114,234,474	-4,765,526
PHYSICAL PLANNING, LANDS AND HOUSING			
Change of user, plot sub-division and transfers	2,985,074	2,646,725	-338,349
GENDER, YOUTH, SPORTS, CULTURE AND TOURISM			
Hire of facilities (social hall, stadium)	1,149,254	101,900	-1,047,354
Amusement fees	0	838,464	838,464
Total	1,149,254	940,364	-208,890
FINANCE			
Cess (maize, tea, sand, ballast etc)	33,582,090	20,747,161	-12,834,929
Land Rates and clearances (current year)	59,701,492	32,720,779	-26,980,713
Land Rates penalties	7,462,687	4,182,055	-3,280,632
Single Business permits	34,607,110	76,937,195	42,330,085
Single Business permits penalties	8,955,223	1,253,475	-7,701,748
Vehicle Parking fees	54,822,388	37,960,193	-16,862,195
Liquor Licences	-	8,498,750	8,498,750
Total	199,130,990	182,299,608	-16,831,382
Total of Local Revenue	389,026,513	364,970,035	-24,056,478

Source Draft Revenue Report FY 2015/2016

From the foregoing, the total cumulative local revenue realized was Ksh. 364,970,035 compared to the targeted Ksh. 389,026,513. This represents a revenue shortfall of Ksh. 24,056,478.

The underperformance in revenue collection was largely on account of challenges as listed below:-

- i. Non-payment of rates namely Kenya Railways, A.D.C., CILLOR, K.I.E. etc.
- ii. Late enactment of the County Finance Act 2015 hence delay revenue collection.
- iii. Low compliance and enforcement,
- iv. Undergoing construction works on the central matatu terminus and Kitale market hence reduced parking fee and open market traders fee.
- v. Revenue leakages

2.2.2.2 Expenditure Performance;

Expenditure for both recurrent and development budget for the financial year 2015/16 was Ksh. 5,378,421,169 against a target of Ksh. 6,154,867,114 comprising of Ksh. 3,117,109,820 under the recurrent vote and Ksh. 2,261,311,349 under the development vote as can be deduced from the table below.

Table 3: Summary of Budget and Actual Expenditure by Category for FY 2015/16

Particulars	Approved Budget (Ksh)	Actual Expenditure (Kshs)	Variance
Personnel	1,817,420,981	1,556,720,852	-260,700,129
Operations & Maintenance	1,429,556,451	1,560,388,968	130,832,507
Development	2,907,889,682	2,261,311,349	-646,578,323
Total	6,154,867,114	5,378,421,169	-776,445,945

Source- Draft Financial statements 2015/2016

The recurrent vote expenditure experienced mixed performance during the year. Operations and maintenance expenditure overshoot the budget by Ksh. 130,832,507 while personal emoluments component under spent by Ksh. 260,700,129 giving and overall under expenditure of Ksh. 129,867,622 in the recurrent vote. On the other hand, the development vote experienced an under expenditure amounting to Ksh. 646,578,323 leading to an overall under expenditure of Ksh. 776,445, 945. The departmental budget performance is provided in the table below.

Table 4: Sectoral Budget Performance Fy 2015/16

Sector	Detail	Approved Budget	Actual Expenditure	Variance
Agriculture	Recurrent	256,022,537	237,488,511	18,534,026
	Development	184,704,429	186,271,689	1,567,260
Economic Planning, Commerce & Industry	Recurrent	30,468,797	21,479,821	8,988,976
	Development			
Water, Environment & Natural Resources	Recurrent	151,826,847	128,162,673	23,664,174
	Development	46,231,161	37,937,339	8,293,822
Public Works, Infrastructure	Recurrent			
	Development	302,286,237	286,883,783	15,402,454
Health Services	Recurrent			
	Development	199,456,881	146,912,331	52,544,550
Lands, Housing & Urban Development	Recurrent			
	Development	1,061,551,457	749,345,746	312,205,711
Gender, Youth, Culture	Recurrent	1,221,381,659	1,058,898,987	162,482,672
	Development	477,504,823	424,496,167	53,008,656
Education, ICT	Recurrent	28,582,825	26,859,682	1,723,143
	Development			
Governance, PSM,CPSB	Recurrent	163,288,720	90,604,424	72,684,296
	Development			
Finance	Recurrent	52,765,476	47,875,404	4,890,072
	Development			
County Assembly	Recurrent	119,801,720	101,193,699	18,608,021
	Development	171,866,165	153,836,565	18,029,600
Total Expenditure	Recurrent	187,552,942	163,307,143	24,245,799
	Development	324,762,851	244,012,181	80,750,680

Source- Draft Financial statements 2015/2016

2.2.2.3 Fiscal Performance in FY 2016/17;

The projected revenue from the national government and local sources has been quiet low. Out of the projected Ksh. 500,000,000 from the local sources, only Ksh. 67,119,995 representing 13.42 % of the local revenue collected in the 1st quarter of the financial year 2016/17. This is way below what was projected.

Expenditure activities in the 1st quarter have been limited mainly to recurrent. As can be seen from the table below; personal emoluments (PE) take the lions' share at Ksh. 429,040,262 followed by development expenditure of Ksh. 361,177,945 and lastly operations and maintenance (O&M) at Ksh. 202,603,447.

Table 5: 1st Quarter Expenditure Performance for FY 2016/17

No.	Expenditure Category	Target Amount in Ksh.	Actual	Variance
1	Personal Emoluments	535,412,689	429,040,262	-106,372,427
2	Operations and Maintenance	376,830,562	202,603,447	-174,227,115
3	Development	805,509,241	361,177,945	-444,331,296
4	Total	1,717,752,492	992,821,654	-724,930,838

2.3 Economic and Fiscal Outlook

2.3.1 National Macroeconomic Prospects

In spite the global slower growth in demand, and the domestic environment including the general election to be held in August 2017 the outlook, points to a continued robust growth, lower fiscal deficits, contained inflation within the target range and a gradual improvement in the external current account balance. Real GDP is projected to expand by 6.0 percent in FY 2016/2017, 6.2 percent in FY 2017/2018, 6.5 percent in FY 2018/2019 and 6.6 percent by FY 2019/20. This high growth will be supported by ongoing investments in infrastructural development, resilient domestic demand, continued recovery in the tourism sector and growth of exports in the sub region. In addition, the growth will be supported by structural reforms aimed at improving competitiveness of the private sector and promoting overall productivity in the economy.

Inflation is currently within set target and is expected to remain so in the medium term underpinned by prudent monetary policy by the Central Bank of Kenya. Interest rates have declined under the new interest rate regime following assent to the Banking (Amendment) Act, 2015. The interest rates are expected to remain low over the projection period. At the same time, the Kenya Shilling exchange rate is expected to remain stable and competitive. Fiscal deficit, as a percent to GDP, is projected to decline to 6.9 percent in FY 2016/17 and 6.4 percent in FY 2017/18 which takes into account one off 2017 General election related expenditures. Thereafter the deficit is projected to decline to 4.1 percent of GDP in 2019/20.

2.3.2 Fiscal Policy and Outlook

The 2017 Medium-Term Fiscal Policy aims at supporting rapid and inclusive economic growth, ensuring sustainable debt position and at the same time supporting the devolved system of Government for effective delivery of services. Specifically, the Fiscal policy underpinning the FY 2017/18 Budget and MTEF aims at raising revenue from an estimated 20.2 percent of GDP in FY 2016/17 to 20.4 percent of GDP in FY 2017/18 and 21.7 percent of GDP over the medium term while containing growth of total expenditure. Total expenditures and net lending is projected to decrease from 27.6 percent of GDP in FY 2016/17 to 27.5 percent of GDP in FY 2017/18 and 26.6 percent of GDP over the medium term.

The overall fiscal deficit inclusive of grants is therefore projected to decline from 6.9 percent of GDP in FY 2016/17 to 6.4 percent in FY 2017/18 and then decline to 4.1 percent of GDP over the medium term. Despite the decline in the overall fiscal balance (after grants) over the medium term, loan repayments will increase the public debt net of deposits from 47.2 percent of GDP in FY 2017/18 to about 49.0 percent of GDP by 2019/20. To finance the deficit, the government will continue borrowing from domestic and external sources mainly on concessional terms. Non-concessional external borrowing will be limited to projects with viable expected returns and the ceiling stated in the Medium-Term Debt Strategy paper.

2.3.3 County Economic and Fiscal Outlook

2.3.3.1 Economic Outlook

The government has purposely targeted poverty reduction, increased youth employment and increased land productivity. Key projects and programmes has contained in the county development plan were under implementation during the year. Land productivity is being addressed gradually under the non acidic fertilizer subsidize and adoption of conservation agriculture, while other programmes including NAWIRI Fund, Women and Youth fund are geared towards, youth and women empowerment hence effectively addressing youth unemployment and high poverty level.

Albeit the slow implementation of development projects, the general welfare of the citizens has substantially improved following gradual increase in maize production rising from about 4.2 million bags in 2103 to about 5.4 million bags in 2016. The increment is expected to continue in 2017. Milk production has also increased substantially from 90 million litres annual in 2013 to over 100 million litres in 2016 a situation that is expected to continue in 2017. Other key development includes the Crop diversification- tissue culture banana, other horticultural crops, and promotion of coffee and tea in the county.

The 2017/18 budget aims to build on the growth momentum arising from the ongoing programmes and projects while taking advantage of any new growth opportunities that may arise. The government will put in place measures to improve on revenue collection, ensure efficient procurement and delivery of services and streamline expenditure management while creating a conducive environment for investment especially in agro -based industrial development. The services sector is also being promoted through the construction of fresh produce markets in the entire county, produce construction of Kitale Business Park, street lighting programme among others.

2.3.3.2 Fiscal Outlook

The government will continue to pursue prudent fiscal policy to ensure sustainability of the county's development agenda of poverty reduction, youth employment and increasing agricultural productivity. The overall County Government objective is to maintain a balanced budget during the year and in the medium term.

The County Government will maintain a strong revenue effort over the Medium term. Measures to achieve this effort include; procurement of revenue collection system, simplification of Collection process in line with international best practices and improved compliance with enhanced administrative measures. In addition, the County Government will expand the tax base and improve on its collection and administration. In addition, the government will seek to augment revenues through new forms of financing including, asset financing. In addition, the government will seek for donor support in form of grants and loans from domestic and external sources, in line with the regulations as set out in the PFM Act and other financial regulations.

On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management is strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across departments and enforcing and upscaling the e-procurement in line with the PFM Act, 2012.

2.3.3.3 Risks to the outlook

The risk to the outlook for 2017 and medium term include the uncertainties in the political arena as the county enters into electioneering period for 2017 national elections, inability to realize the estimated local revenues, slow pace of implementation of the development budget, late disbursement of CRA allocations by the national treasury, inability of the local contractors and supplier to appreciate and comply with the e-procurement directives among others.

3.0 FISCAL POLICY FRAMEWORK

3.1 Overview

The FY 2017/2018 budget framework is set against the background of the updated medium-term county fiscal framework set out above. Real growth is expected to increase in FY 2017/2018 underpinned by continued good performance across all sectors of the County. The projected growth assumes normal weather pattern during the year and improved investor confidence in the economy.

3.2 Revenue Projections

The FY 2017/2018 budget will target total revenue of Ksh. 6,840,088,371 of which Ks.600 Million is from the Local Sources while Ksh. 6,240,088,371 is CRA allocations. As noted above, this performance will be underpinned by on-going reforms in Revenue policy and administration. The table below provides a summary of the projected revenue by source.

Table 6: Projected Revenue Summary for 2017/18 Financial Year

Source	Amount in Ksh.
CRA allocations	5,872,318,341
Other national grants	367,770,030
Local Revenue	600,000,000
Total Revenue for 2017/18	6,840,088,371

3.3 Expenditure Focus

In FY 2017/2018 the general Sector expenditure will go towards the following:-

- Improving public service delivery systems
- Transforming the agricultural sector.
- Creating an enabling environment to attract investors
- Empowering the Youth, Women and other vulnerable members of the society
- Improving Health care Delivery system
- Environmental Conservation and Making Water Accessible
- Improve Accessibility and Learning Environment
- Expanding County Road Network

The proposed total expenditure is Ksh. 6.8 billion of which personnel emoluments accounts for 2.2 billion, Operations and Maintenance is Ksh. 1.9 billion while the development expenditure is Ksh. 2.6 billion. The summary of the expenditure forecast for 2017/2018 FY is as provided below.

Annex 6: Summary of Proposed Expenditure by Economic Classification for Fy 2017/18

Expenditure Category	Amount in Ksh.
Personnel	2,235,000,000
Operations & Maintenance	1,932,000,000
Development	2,673,088,371
Total Expenditure for Fy. 2017/18	6,840,088,371

3.4 Compliance with Fiscal Responsibility Principles

In preparing this policy document, the County Treasury has fully complied with the Fiscal responsibilities as set out in article 107 of the PFM ACT;-

- (a) The county government's recurrent expenditure shall not exceed the county government's total revenue. This requirement has been complied with as the proposed recurrent expenditure is 61 % of the total budget
- (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure. The percent of the proposed development expenditure is 39 %.
- (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.

4.0 MEDIUM-TERM EXPENDITURE FRAMEWORK

4.1 Overview.

In view of the recent macroeconomic circumstance, growth prospects and limited resources, MTP budgeting will entail adjusting non-priority expenditures to cater for the priority projects across the sectors. The current county medium term plan (CIDP 2013-2017) will be reviewed in preparation of the 2nd generation CIDP (2017-2022) that will guide resource allocation in the medium term. The 2017/18 annual development plan has been finalized and the sectors have outlined key strategies for implementation in the financial year 2017/18 which will guide the resource allocation.

The government is committed to changing the lives of the county residents. The 2017/18 aims at prioritizing expenditure into the sectors that will unlock the county's development potentials and create employment, as well as take on board the vulnerable, youth and women into the mainstream of economic development. The priority areas of expenditure will be in initiatives that will transform the agricultural sector that is the backbone of the local economy, improve access for all to quality and affordable social services including health, education, water and sanitation, improve and expand county roads to open up the county, empower special interest groups including youth, women, the physically challenged, and the vulnerable members of the community, well as create a conducive environment for business and industry to thrive. To this effect, the key initiatives are as outlines below;-

4.2 Budget Focus for the FY. 2017/18

Expanding County Road Network

The sector provides the foundation upon which the attainment of the county's development blue print is anchored on. To this end, the county is intent on opening up of new roads, grading and maintaining the existing county roads across all the 25 county wards to motorable standards over the year. To this effect, the government has allocated a set of the newly acquired road equipments to each of the five sub counties.

Transforming agriculture

Agriculture is the major source of livelihood and employment for over 80% of the county's rural population. It's therefore important that the sector is well supported in this budget document for it to play that vital role in the development of this county.

Already the programmes under implementation have borne fruit, grain production has increased, and milk production has improved, the first batch of tissue culture bananas are now in the market. In addition, the government has acquired assorted specialised conservation agricultural machinery among other initiatives. The 2017/18 aims to sustain this growth moment and ensure that the county's agriculture moves to the next level. In that respect, resources will be directed towards the ongoing fertilizer cost reduction programme, livestock production, agricultural value addition, farm mechanization, crop diversification and improving access to markets for agricultural products.

Improving Health care Delivery system

The government's sector objectives are to make medical care including specialised care accessible and affordable for everyone. To this effect great investments have already been undertaken in health infrastructure development, enhanced emergency services and improved management of medical supplies across all the county medical facilities. The completion of the county teaching and referral hospital is on course and will be operational soon. Other development initiatives to be undertaken in the sector includes construction of new health facilities, expansion, rehabilitation and equipping of the existing county health facilities with modern equipments, recruitment of medics including specialised and improving the general working condition of the county health staff.

Improve accessibility and Learning Environment

The county government inherited ECDEs and youth polytechnic institutions that had dilapidated infrastructure, no learning materials, no equipments and all being run by volunteers or untrained teachers paid by the parents. The objective of the government is to provide quality education that produces graduates who can compete for job opportunities internationally. Through a carefully crafted plan, the government has massively investments in the construction of over 300 ECDE classes, 25 youth polytechnics and employed ECDE care givers and polytechnic instructors among other initiatives. In the 2017/18 budget and in the medium term, the government will invest in:-

- The Construction and improvement of infrastructure in all ECDE and VTC learning institutions across the county
- Increasing provisions for bursaries and scholarships to meet the increased demands of education and training.
- Equip the county learning institutions with relevant teaching equipments and instructional materials
- Facilitating a school feeding programme for all public ECDE

- Improve staffing levels in all county ECDE Centres and county vocational training colleges in line with the internationally accepted teacher student ratios.

Empowering the Youth, Women the marginalized and other vulnerable members of the society

The county recognises the vital role youth and women play in the development of a nation. In that respect, the 2017/18 county budget seeks to upscale the women and youth empowerment programmes by increasing allocations and efficiently managing the county youth and women fund, establishing a strong mentorship, training and capacity building programme so as prepare them get their 30% share in county supply contracts. The sector will also upscale the social welfare fare programme for the elderly, and marginalized, support community self help groups, nature youth talent through improvement of existing sports facilities, establishment of new sports facilities and talent centres as well as provide support to community sports teams.

Creating a conducive environment to attract investment

The development target for the county Government in the medium term has been to create employment and reduce poverty levels. To this end, several initiatives have been undertaken. This includes among others;-street lighting programme in all the market centres and slum areas hence security and extension of business hours, promotion of the MSE sector and support to local artisans through capacity building, credit and sponsorship in participating in national and international trade fairs, construction of market fresh produce markets and market shed to provide shelter for our local traders. In addition the government is in the process of finalising the construction of a modern business centre as well as bus station aimed at expanding the market infrastructure as well as easy congestion in Kitale town.

Environmental conservation and making water accessible

Trans Nzoia County is home to two of Kenya's five water towers namely Mt. Elgon and Cherangany hills. Consequently, all the development activities in the county must take into account their impact on Environmental conservation and management. The development objective of the county for the sector includes; Conservation and management of the natural resources, expansion of existing sewerage system and water distribution infrastructure, increasing forest cover and rehabilitation of depleted forests, catchment restoration and rehabilitation, establishment of a solid waste management plan and adoption of modern solid waste management systems.

5.0 CONCLUSION

The 2017/18-2019/2020 MTEF budget presented in this CFSP has been aligned to the national budget, the county Medium Term Plan CIDP 2013-2017 and the annual development plan 2017/18. As already mentioned, grants from the national government as determined by CRA forms a large part of the proposed revenue in the medium term. In addition, the risks mentioned in the Budget Policy Statement have a great bearing on the implementation of the county budget for the MTEF period 2017/18-2019/20. In this regard, the county government must;

- Develop and expand the local revenue base reduce the overreliance on the CRA allocations,
- Strengthen the supervision of local revenue collection and management system to reduce leakages
- Exercise stringent Budget controls as underlined in these CFSP and containing sector expenditure within their set ceiling.
- Strengthen consultation in the budget making processes to ensure efficient and timely implementation of the proposed budget
- Adjust the 2016/17 budget to reflect the reality on the ground.

Annexes

ANNEX 1: Indicative Departmental Recurrent (O&M) Sector Ceiling for FY 2017/18

NO.	SECTORS	AMOUNT
1.	Agriculture, Livestock, Fisheries and Cooperative Development	142,968,000
2.	Economic Planning Commerce & Industry	40,572,000
3.	Water Environment and Natural Resources	38,640,000
4.	Works, Transport & Infrastructure	112,056,000
5.	Education, ICT and Vocational Training	46,368,000
6.	Health Services	707,112,000
7.	Lands, Housing and Urban Development	42,504,000
8	Gender, Youth, Culture, Sports, Women & Tourism	181,608,000
9.	Governance & Public Service Management	142,968,000
10.	Finance	212,520,000
11	Assembly	264,684,000
	TOTAL	1,932,000,000

Note: The Recurrent ceiling provided above does not include the sector personnel emoluments.

Annex 2: Indicative Departmental Development Budget Ceiling for Fy 2017/18

NO.	SECTORS	AMOUNT
1.	Agriculture, Livestock, Fisheries and Cooperative Development	253,093,423
2.	Economic Planning Commerce & Industry	205,427,495
3.	Water Environment and Natural Resources	230,736,837
4.	Works, Transport & Infrastructure	674,915,795
5.	Education, ICT and Vocational Training	236,220,528
6.	Health Services	497,750,398
7.	Lands, Housing and Urban Development	229,049,547
8	Gender, Youth, Culture, Sports, Women & Tourism	168,728,948
9.	Governance & Public Service Management	92,800,921
10.	Finance	84,364,479
	TOTAL	2,673,088,371