**REPUBLIC OF KENYA**

**COUNTY GOVERNMENT OF NANDI**

**THE COUNTY TREASURY**

# COUNTY FISCAL STRATEGY PAPER (CFSP)

"THE BOTTOM – UP ECONOMIC TRANSFORMATION AGENDA FOR INCLUSIVE GROWTH"

**FEBRUARY, 2023**

*Nandi County Fiscal Strategy Paper 2023*

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The document is also available on the official county website www.nandi.go.ke

# FOREWORD

The Nandi County Fiscal Strategy Paper (CFSP 2023) is prepared as provided under section 117 of the PFM Act, 2012. The CFSP outlines the County Government priority whose programmes are to be implemented during the FY 2023/2024 and over the MTEF period. Preparation of this document has been done through collaborated effort and therefore reflects the needs of the people of Nandi. The paper has been aligned to key national and county policy documents which include; the Kenya Vision 2030, Fourth Medium-term Plan (2023-2027), Nandi County Integrated Development Plan (CIDP 2023-2027), County Annual Development Plan (CADP 2023/2024) and the policy priorities spelt out in the Kenya Kwanza Government's Bottom-Up Economic Transformation Agenda.

The paper highlights the outcome of the previous financial year and also realigns itself to the broad national objectives as outlined by the national treasury in the Budget Policy Statement (BPS) 2023. It also contains vital information on: macroeconomic policy and plans; overall fiscal strategy such as revenue projections; the overall resource envelope for the medium-term; overall priority interventions and proposed sectoral expenditure as outlined in the Medium-term Expenditure Framework for the Fiscal year 2023/2024 and over the Medium Term.

This policy document prioritizes the establishment of the Nandi County Equitable Development fund which shall be operationalized under the Financial Year 2023/2024 as guided by the proposed draft Nandi County Equitable Development Bill. Further emphasis is given to completion and operationalization of all the ongoing projects across the county for full realization of the objectives and value for money. Spending baselines which are basis for ceilings have undergone rigorous review and have been revised taking into account factors which include: the settlement of pending bills, staff rationalization, the outstanding commitments the county has entered into, the capacity of departments and public entities to manage and absorb resources, the link between outcomes, expenditure and departmental mandates, proposals from the public and programme performance so far and the provisions of the Public Finance Management (County Governments) Regulations, 2015.

Despite the tremendous progress realized, the County Government is still faced with several challenges including; constrained financial resources, lingering effects of Covid-19 pandemic and high inflation rates. Strategies and measures geared to address these challenges have been captured in this Paper. The Paper also gives parameters for the FY 2023/24 budget and the Medium-Term Expenditure Framework which are consistent with the County and National Government priority Programmes and policies.

**HILLARY SEREM**

**CEC MEMBER FOR FINANCE AND ECONOMIC PLANNING**

# ACKNOWLEDGEMENT

The County Fiscal Strategy Paper 2018 is a result of contribution and concerted efforts of various stakeholders. The paper is informed by the Public Finance Management Act 2012 Section 117 (1). The Paper sets out broad strategic priorities and policy goals that will guide the County Government in preparing its budget for coming Financial Year 2023/2024 and over the Medium Term.

The preparation of this fiscal strategy paper continues to be a collaborative effort from an array of expertise of professionals and key stakeholders in the County. Most of the information in this paper has been obtained from the National and County Government policy papers, departments and agencies and stakeholders whose input is acknowledged and highly appreciated. We are also grateful for those who provided inputs during the various budgeting forums conducted in the County.

We are particularly grateful to the Governor for his lead role, direction and guidance in developing this document; The Deputy Governor, members of the cabinet and the accounting officers for their input in providing the much-needed information to the team working on this County Fiscal Strategy Paper 2023. Special appreciation goes to the technical team in the Department of Finance and Economic and across all sectors who spent a significant amount of time putting together this Paper.

**MESHACK MALAKWEN**

**CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING**

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# ABREVIATIONS AND ACRONYMS

| | |
|---|---|
| BPS | Budget Policy Statement |
| CEC | County Executive Committee |
| CFSP | County Fiscal Strategy Paper |
| CIDP | County Integrated Development Plan |
| CADP | County Annual Development Plan |
| COB | Controller of Budget |
| ECD | Early Childhood Development |
| EIA | Environmental Impact Assessment |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| M&E | Monitoring and Evaluation |
| MCAs | Members of County Assembly |
| MTP | Medium Term Plan |
| MTEF | Medium Term Expenditure Framework |
| PFMA | Public Financial Management Act |
| SRC | Salaries and Remuneration Commission |
| TIVET | Technical Vocational Education and Training |

# CHAPTER ONE

## 1.1 INTRODUCTION

The county government is responsible for spearheading development and service delivery in the county through a process that links planning and budgeting as stipulated in the County Government Act 2012. Section 117 of the PFM Act outlines responsibilities of county governments with respect to the County Budget Making Process.

This Fiscal Strategy Paper identifies the broad strategic priorities and policy goals that will guide the County in preparing its budget for Financial Year 2023/2024. The paper discusses the performance of the Financial Year 2020/2021 budget which forms the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for financial year 2022/2023.

The Public Finance Management Act, 2012 stipulates that the County Governments prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by the 28th February of each year. The County Fiscal Strategy Paper covers the following:

- The legal basis for the fiscal strategy paper; and fiscal responsibility principles for the government;
- A review of sector performance for the previous financial year 2021/2022 and budget implementation for the current financial year (2022/2023).
- The recent economic developments and policy outlook thus providing the economic context for the 2023/2024 budget.
- The budget framework that will support growth over the medium term, while continuing to pursue seamless resource flow and management.
- The resource envelope and spending priorities for the proposed 2023/2024 budget. (i.e. expenditure ceilings)

## 1.2 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCALSTRATEGY PAPER

This Fiscal Strategy Paper is prepared in accordance with section 117 of the Public Finance Management Act, 2012 which stipulates that:

a) The County Treasury shall prepare and submit to 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 28th February of each year.

b) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement

c) 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.

d) The County Treasury shall include in its Fiscal Strategy Paper, the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the Medium Term.

e) In preparing the Fiscal Strategy Paper, the County Treasury shall seek and take into account views of:

    i. The Commission on Revenue Allocation (CRA)
    ii. The Public
    iii. Any interested persons or groups: and
    iv. Any other forum that is established by legislation

f) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments

g) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned.

h) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

## 1.3 RATIONALE FOR COUNTY FISCAL STRATEGY PAPER

The basis for preparing the CFSP is to indicate:

i. The mechanism for aligning the county with the national objectives as contained in the Budget Policy Statement.
ii. The broad strategic priority areas that will guide the County Government in preparing the Budget for Financial Year 202/2023.
iii. Create a mechanism for engaging the public in prioritizing the development programs that meet their needs best.
iv. Details of departmental ceilings for the medium-term expenditure framework (MTEF) period for prudent resource allocation and consistency with the MTEF budgeting approach.
v. Financial outlook with respect to County Government Revenues, Expenditures and borrowing for the coming Financial Year and over the Medium Term.

## 1.4 COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

The Constitution of Kenya and 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 (30%) 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. The fiscal risks shall be maintained prudently; and

vii. 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.

### 1.5 OUTLINE OF THE COUNTY FISCAL STRATEGY PAPER FY 2023/2024.

This County Fiscal Strategy Paper is presented in five chapters. Chapter one presents the introduction with an overview, legal basis for the preparation of the CFSP, rationale, County Government's fiscal responsibility principles and the paper outline.

Chapter two outlines the recent economic and fiscal developments within which the 2022/2023 budget will be prepared. It further presents an overview of the forward economic and fiscal developments and the macroeconomic outlook covering the global, national and county scenes with respect to the recent developments.

Chapter three highlights the County strategic priorities and interventions.

In Chapter Four, the paper presents the fiscal policy and budget framework that will support planned growth over the medium and long term, while continuing to provide sufficient resources to support the county social-economic development.

Chapter five Presents the resource envelope and spending priorities proposed for the FY 2022/2023 MTEF Budget. Sector achievements and priorities are also reviewed for the FY 2018/19 – 2020/21MTEF period.

# CHAPTER TWO

## 2.1 RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK OVERVIEW

The Kenyan economy continued to expand in 2022, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP is expected to have grown by 5.5 percent in 2022 supported by the services sector despite subdued performance in agriculture and weaker global growth. The economy is projected to rebound to 6.1 percent in 2023, reinforced by the Government's Bottom–Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth. The coordination between monetary and fiscal policies continued to support macroeconomic stability with interest rates remaining relatively stable. Year-on year overall inflation rate declined for the third consecutive month in January 2023. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices following the favorable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.4 percent recorded in January 2022. 106. The external sector has remained stable despite the tight global financial conditions attributed to strengthening of US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling, like all world currencies, has weakened but strengthened against other major international currencies. The current account deficit was generally stable at 5.2 percent of GDP in the 12 months to November 2022 compared to 5.4 percent of GDP in November 2021 on account of improved receipts from service exports and resilient remittances. The official foreign exchange reserves at 4.2 months of import cover in November 2022 continues to provide adequate buffer against short term shocks in the foreign exchange market. 107. The fiscal policy continues to pursue growth friendly fiscal consolidation to preserve debt sustainability. This will be achieved through enhancing revenue collection and curtailing non-core expenditures while prioritizing high impact social and investment expenditure. As such, fiscal deficit is projected to decline from 5.7 percent of GDP in FY 2022/23 to 4.4 percent of GDP in FY 2023/24.

## 2.2 RECENT ECONOMIC DEVELOPMENTS

**Global and Regional Economic Developments**

Global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic, and persistent supply chain disruptions. Global growth is projected to slow down to 2.9 percent in 2023 from the estimated at 3.4 percent in 2022 mainly driven by sluggish growth in advanced economies. The advanced economies is projected to decline from the estimated 2.7 percent in 2022 to 1.2 percent in 2023 reflecting slowdown in the growth in the USA, Euro Area and United Kingdom.

Growth in the emerging markets and developing economies is projected to rise modestly to 4.0 per- cent in 2023 from an estimated 3.9 percent in 2022 mainly driven by recovery of activities in China with the full reopening in 2023. China economy is projected to improve to 5.2 percent from 3.0 per- cent in 2022 (Table 2.1). In the sub-Saharan Africa region, growth is projected to remain moderate at 3.8 percent in 2023. This outlook reflects Nigeria's rising growth in 2023 due to measures to address insecurity issues in the oil sector.

Table 2.1: Global Economic Growth, Percent

| Economy | 2020 | 2021 | 2022* | 2023** |
|---|---|---|---|---|
| | Actual | | Jan. WEO | Jan. WEO |
| World | (3.1) | 6.2 | 3.4 | 2.9 |
| Advanced Economies | (4.5) | 5.4 | 2.7 | 1.2 |
| Of which: USA | (3.4) | 5.9 | 2.0 | 1.4 |
| Euro Area | (6.1) | 5.3 | 3.5 | 0.7 |
| Emerging and Developing Economies | (2.0) | 6.7 | 3.9 | 4.0 |
| Of which: China | 2.2 | 8.4 | 3.0 | 5.2 |
| India | (6.6) | 8.7 | 6.8 | 6.1 |
| Sub-Saharan Africa | (1.6) | 4.7 | 3.8 | 3.8 |
| Of which: South Africa | (6.3) | 4.9 | 2.6 | 1.2 |
| Nigeria | (1.8) | 3.6 | 3.0 | 3.2 |
| EAC-5 | 0.9 | 6.6 | 4.7 | 5.4 |
| Of which: Kenya*** | (0.3) | 7.5 | 5.5 | 6.1 |

** Estimate  ** Projected  *** budget estimate*
*EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda*

*Source of Data: January 2023 WEO*

## 2.3 Domestic Economic Developments

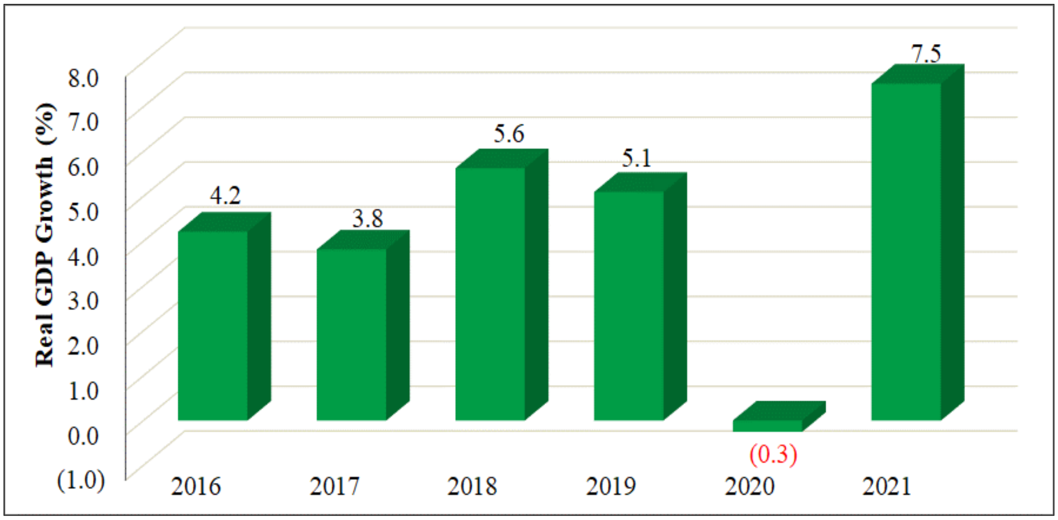
The economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019 following the adverse impact of COVID-19 pandemic and the resultant swift containment measures. The Government's priority was premised on the need to safeguard the lives of Kenyans and Kenyan residents while at the same 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 which resulted to negative impacts on some key sectors of the economy. Many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020. Pick up of economic activities resumed in the third quarter of 2020 with further improvements in subsequent quarters

The contraction was spread across all sectors of the economy but was more dismal in accommodation and food services activities, education, and transport sectors.

The overall performance of the economy in 2020 was cushioned from a deeper slump by accelerated growths in agricultural production (4.8 percent), mining and quarrying (6.7 percent), construction activities (11.8 percent) and health services (6.7 percent).

The agriculture sector was more vibrant in 2020 compared to 2019 despite a contraction in global demand in 2020. The sector's Gross Value Addition was 4.8percent in 2020 compared to 2.6 percent in 2019. This was mainly on account of favorable weather conditions in 2020 which improved production of food crops such as beans, rice, sorghum and millet and, livestock and related products such as milk and meat. Improved production of cash crops such as tea and sugarcane also supported the sectors growth.

Figure 2.1: Annual Real GDP Growth rates




*Source of Data: Kenya National Bureau of Statistics, The National Treasury*

The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 per- cent in similar quarters in 2021.

In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. The growth in the third quarter of 2022 was mainly supported by the service sectors, particularly; Accommodation and Food Service activities, Wholesale and retail trade, Professional, Administrative and Support services, Education and Financial and Insurance activities. The growth was, however, slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors

The agriculture sector recorded a contraction of 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavorable weather conditions that prevailed in first three quarters of 2022. The decline was reflected in vegetable exports and milk intake by processors. The sec- tor's performance was cushioned from a steeper contraction by improved production in fruits, coffee and cane.

The performance of the industry sector slowed down to a growth of 3.4 percent in the third quarter of 2022 compared to a growth of 8.3 percent in the same period in 2021. This was mainly on account of normalization of activities in the manufacturing sub-sector after the strong recovery in 2021. Manufacturing sub- sector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth in the industry sector was supported by positive growths in Electricity and Water Supply sub- sector and construction sub-sector which grew by 4.7 percent and 4.3 percent, respectively.

The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID- 19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

## 2.4 Inflation Rate

The year-on-year inflation rate eased for the third consecutive month in January 2023 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and lower global commodity prices particularly for edible oils and wheat with the easing of international supply chain disruptions (Figure 2.2). However, this inflation rate was higher than the 5.4 percent recorded in January 2022. Overall annual average inflation increased to 7.9 percent in January 2023 compared to the 6.1 percent recorded in January 2022.

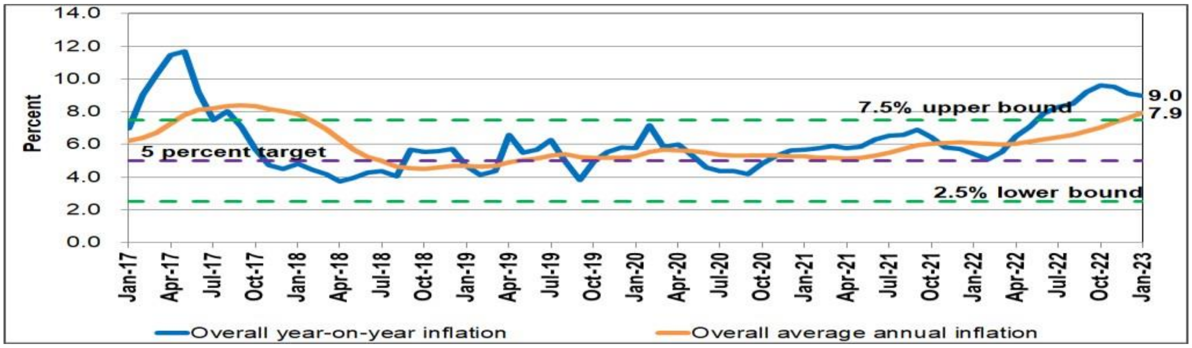


**Figure 2.2: Inflation Rate, Percent**

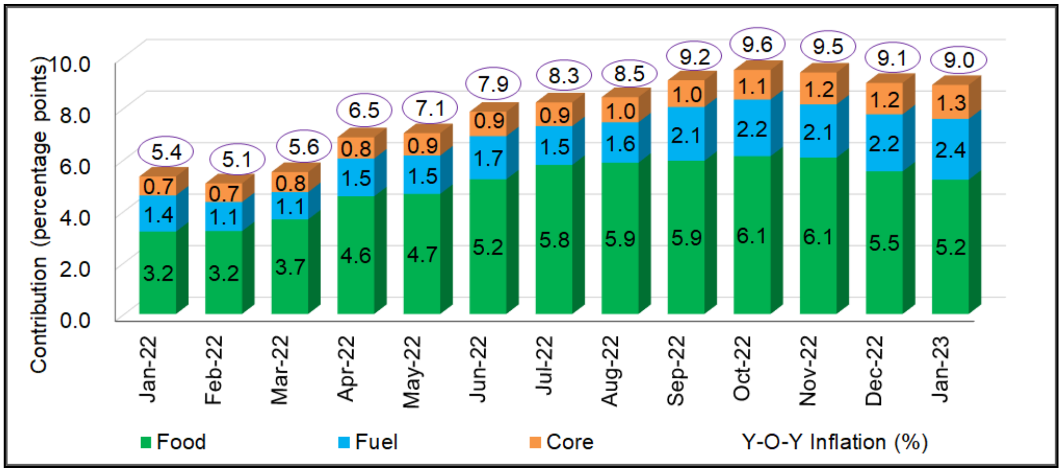
*Source of Data: Kenya National Bureau of Statistics*

Food inflation remained the main driver of overall year-on-year inflation in January 2023, contributing 5.2 percentage points, an increase, compared to a contribution of 3.2 percentage points in January 2022 (Figure 2.3). The increase was mainly attributed to relatively higher prices key food items particularly cow- peas, maize grain (loose), beans, potatoes (Irish), green grams, and mangoes.

Fuel inflation also increased to contribute 2.4 percentage points to year-on- year overall inflation in January 2023 from a contribution of 1.4 percentage points in January 2022. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices and scaling down of the fuel subsidy.

The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy. The contribution of core inflation to overall inflation increased to 1.3 percentage points in January 2023 compared to 0.7 percentage points contribution in January 2022.

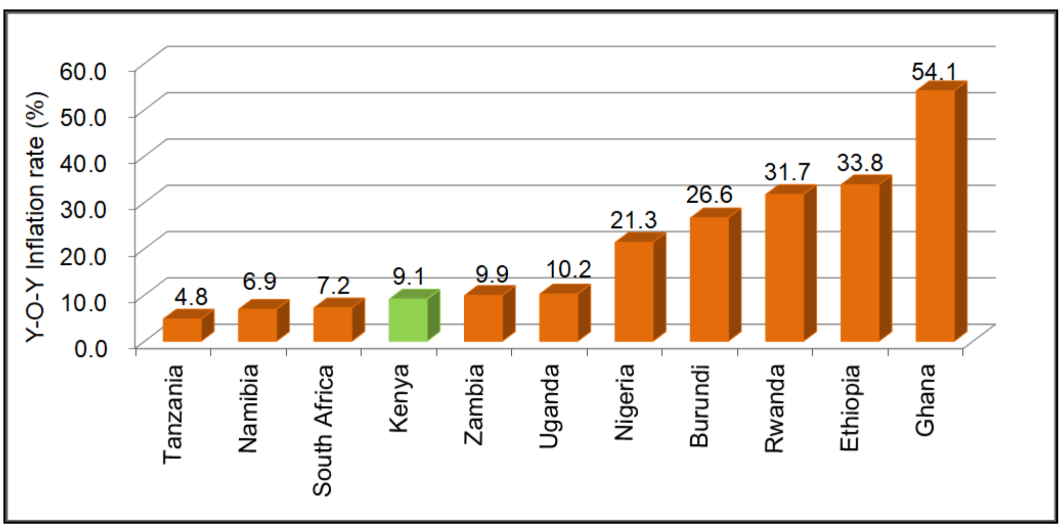
**Figure 2.3: Contributions to Inflation, Percentage Points**




*Source of Data: Kenya National Bureau of Statistics*

While inflation has been rising and remains high in most economies, Kenya's inflation rate at 9.1 percent in December 2022 is much lower than that of some countries in the Sub-Saharan African region that have double digits' inflation (Figure 2.4).

**Figure 2.4: Inflation Rates in selected African Countries (December 2022)**

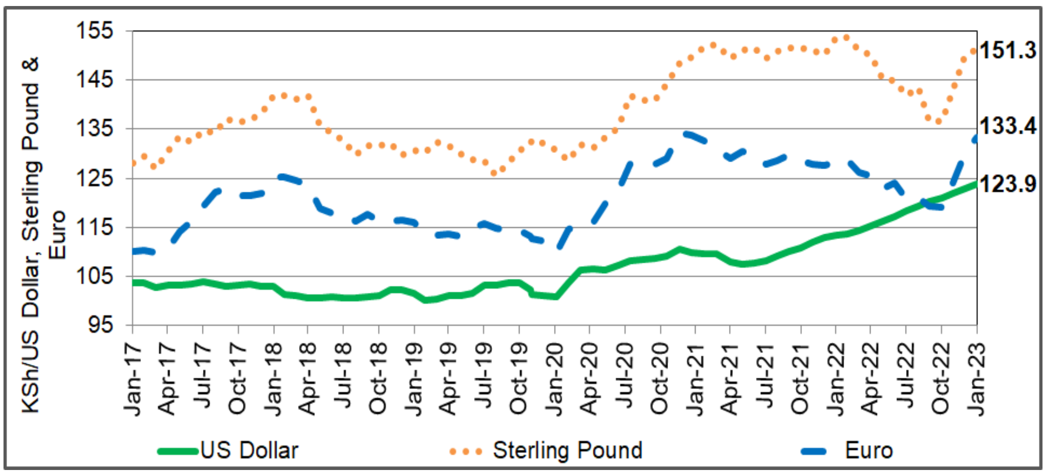



*Source of Data: National Central Banks*

## 2.5 Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dol- lar, the exchange rate to the Kenya shilling like all world currencies has weakened to exchange at Ksh 123.9 in January 2023 compared to Ksh 113.4 in January 2022 (Figure 2.5). Against the Euro, the Kenya shilling also weakened to Ksh 133.4 from Ksh 128.4 over the same period. The Kenyan Shilling strengthened against the Sterling Pound exchange at Ksh 151.3 in January 2023 compared Ksh 153.6 in January 2022.

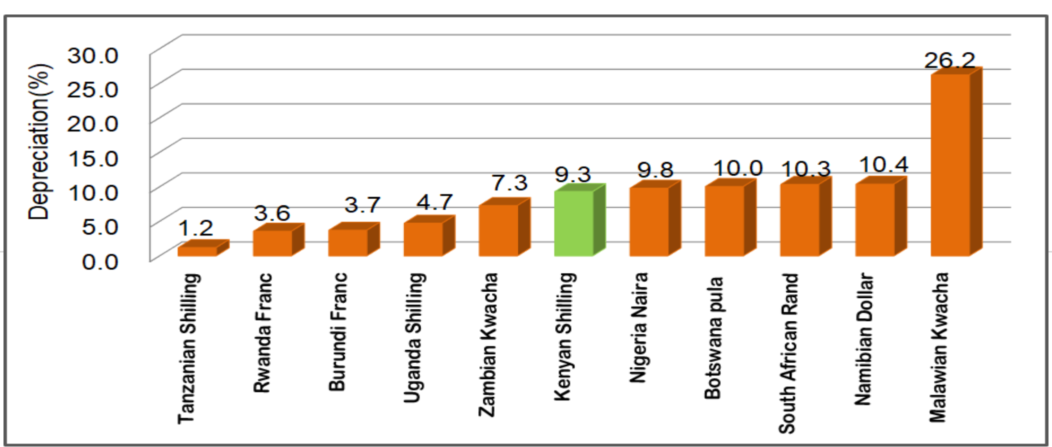
**Figure 2.5: Kenya Shillings Exchange Rate**




*Source of Data: Central Bank of Kenya*

In comparison to Sub-Saharan Africa currencies, the depreciation of the Kenya Shilling exchange rate has remained relatively low at 9.3 percent against the US Dollar in January 2023 (Figure 2.6). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, South African Rand, Namibian Dol- lar and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

**Figure 2.6: Performance of Selected Currencies against the US Dollar (January 2022 to**



**January 2023).**

*Source of Data: National Central Banks*

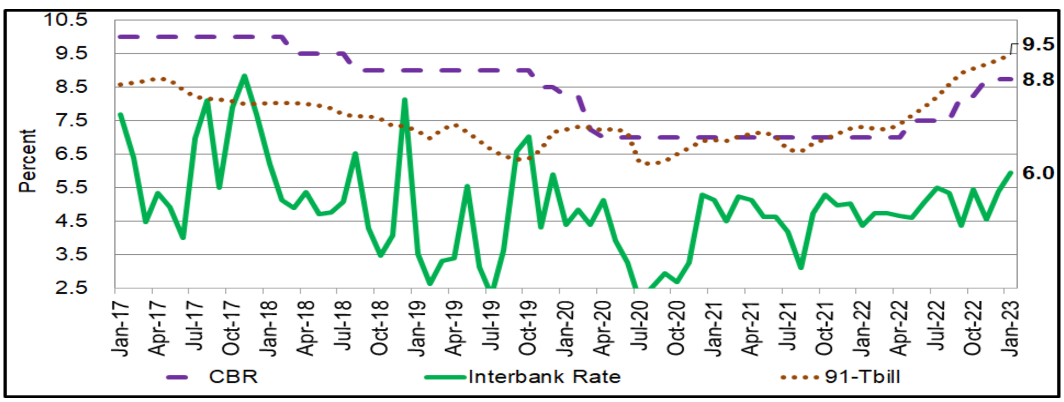
In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 2.0 percent against the US Dollar in the year to October 2021 (Figure 1.4). The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and favorable horticultural exports.

## 2.6 Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022 and retained at the same rate on 30th January 2023. (Figure 2.7).

The interbank rate increased to 6.0 percent in January 2023 compared to 4.4 percent in January 2022 while the 91-day Treasury Bills rate also increased to 9.5 percent compared to 7.3 percent over the same period due to tight liquidity conditions.

**Figure 2.7: Short Term Interest Rates, Percent**




*Source of Data: Central Bank of Kenya*

**Fiscal Performance of County Government in FY 2020/21**

In FY 2021/2022, the County Government had a total budget of Ksh. 8,965,549,809 out of which Ksh 6,990,869,041 was CRA allocation and the rest comprised of Own Source Revenue (OSR), conditional grants and rollover funds from FY 2020/2021. From the total revenue, Ksh. 5,868,074,823 was recurrent budget and Ksh. 3,097,474,986 development budgets.

## 2.7 National Government Revenue FY 2021/2022

Revenue from the National Government consisted of equitable shareable revenue of KES 6,990,869,041 and total Conditional grants of KES 598,211,166. The summary of transfers from the National Government including conditional grants is highlighted in **table 2.4**.

**Table 2.4 National Government Revenue FY 2021/2022**

| | 2021-2022 | 2020-2021 |
|---|---|---|
| | Kshs | Kshs |
| Total exchequer releases for quarter 1 | 1,155,992,791 | 460,001,100 |
| Total exchequer releases for quarter 2 | 1,750,217,259 | 1,960,884,202 |
| Total exchequer releases for quarter 3 | 1,747,717,260 | 1,540,280,805 |
| Total exchequer releases for quarter 4 | 2,582,070,915 | 2,700,476,895 |
| Total | 7,235,998,225 | 6,661,643,002 |

*Source of Data: Central Bank of Kenya*

Out of the Kshs. 7,235,998,225 received through exchequer, Kshs. 6,990,869,041 was the County equitable share with Kshs. 598,211,166 being receipts from domestic and foreign grants.

## 2.8 County Governments' Own Source Revenue (OSR)

Total OSR collected amounted to Ksh. 287,403,322 against a target of Ksh 387,106,430. There was a deficit of Kshs 99,119,671 in the 2021/2022 FY translating to 26% shortfall. The shortfall in OSR is attributed to Political interferences from the just concluded general elections and lack of stakeholder engagements.

**Table 2.6: County Governments' Own-Source Revenue (OSR) per revenue stream**

| REVENUE SOURCE | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/2022 |
|---|---|---|---|---|---|
| Business Permits | 29,137,021 | 46,102,045 | 35,841,862 | 47,173,887 | 35,470,082 |
| Liquor licensing | 5,337,000 | 10,312,700 | 6,809,500 | 11,780,110 | 10,976,100 |
| Plot rents | 1,546,106 | 2,036,359 | 1,860,661 | 1,489,527 | 1,485,873 |
| Land Rates | 8,277,187 | 24,319,280 | 21,567,056 | 23,228,006 | 14,503,673 |
| Kiosk and Stalls Rent | 7,048,935 | 6,589,508 | 7,111,376 | 8,792,673 | 7,137,779 |

| REVENUE SOURCE | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/2022 |
|---|---|---|---|---|---|
| Parking Fees | 31,676,091 | 30,601,568 | 27,046,638 | 26,832,798 | 25,523,712 |
| Market Fees | 10,390,273 | 14,615,695 | 12,550,796 | 10,051,900 | 14,880,911 |
| Cess | 3,142,735 | 11,663,613 | 11,092,433 | 19,944,822 | 23,931,845 |
| Health and Sanitation | 62,399,589 | 97,713,219 | 125,019,797 | 99,453,070 | 118,969,920 |
| Kiborgok Tea Proceeds | 17,616,629 | 13,205,201 | 15,391,927 | 10,550,386 | 11,594,502 |
| Slaughter Fees | 796,790 | 161,505 | 1,010,450 | 844,614 | 783,221 |
| Sewerage and water | 646,116 | 1,516,235 | 1,113,137 | 665,925 | 719,000 |
| Agriculture | 5,908,025 | 3,604,807 | 2,021,237 | 5,128,297 | 546,973 |
| Trade Fair | - | - | - | - | 7,106,497 |
| Cattle Dips/Veterinary | 4,676,068 | 6,479,775 | 6,954,115 | 2,369,601 | - |
| Advertising | 9,288,318 | 17,307,464 | 7,796,369 | 6,055,485 | 5,384,840 |
| Physical planning | - | - | - | - | 3,563,742 |
| Weight % Measures | - | - | - | - | 664,280 |
| Tourism and Co-op Dev | - | - | - | - | 441,133 |
| Hire of Exhauster | - | - | - | - | 145,800 |
| Other Fees | - | - | - | - | 3,573,439 |
| **TOTAL** | **197,886,883** | **286,235,013** | **283,187,354** | **274,361,101** | **287,403,322** |

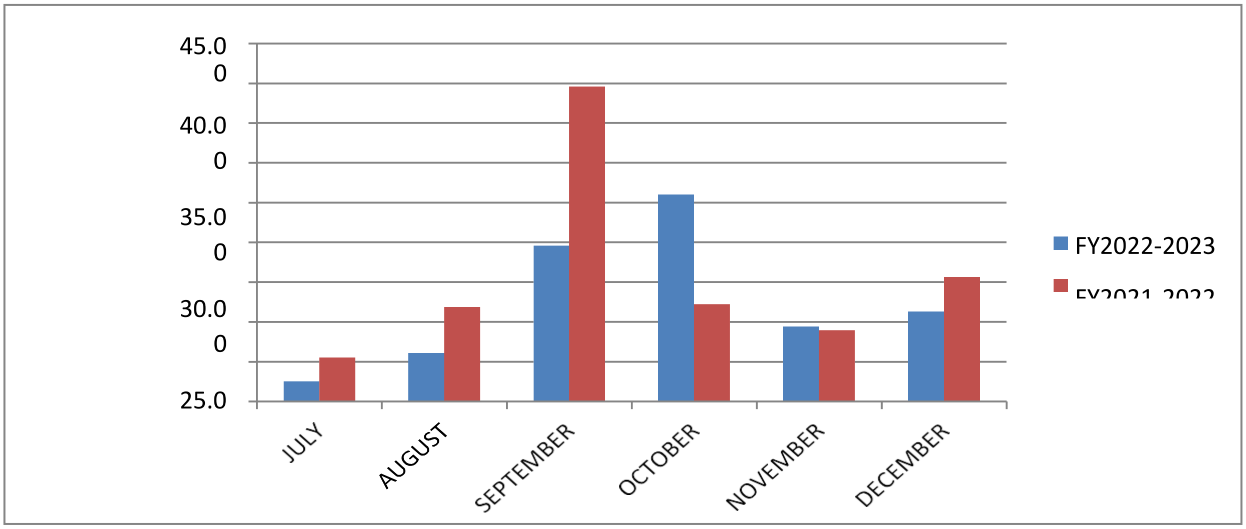
*Source: County Revenue office*

The revenue collection trend shows a slight increase in revenue collections in the financial year 2021/2022 as compared to the previous financial year 2020/2021.

**Table 2.7: Local Revenue Collection as of 31st October 2022.**

| MONTH | FY 2017/2018 | FY 2018/2019 | FY 2019/2020 | FY 2020/2021 | FY2021/2022 | FY 2022/2023 |
|---|---|---|---|---|---|---|
| July | 6,490,215 | 13,890,991 | 14,520,496 | 2,277,932 | 5,476,774 | 2,529,533 |

| | | | | | | |
|---|---|---|---|---|---|---|
| August | 5,125,745 | 16,077,721 | 10,397,040 | 22,190,405 | 11,877,345 | 6,056,157.00 |
| September | 8,490,098 | 11,354,238 | 32,667,617 | 13,240,630 | 39,603,860 | 19,606,546.64 |
| October | 11,304,599 | 23,762,527 | 21,648,872 | 30,577,990 | 12,238,222 | 26,034,681.00 |
| **Total** | **31,410,657** | **65,085,477** | **79,841,307** | **68,556,243** | **69,196,201** | **54,226,917.64** |




*Source: County Revenue office*

The revenue collection trend shows a marginal decrease in quarterly collections for the current financial year as compared to the previous financial years. This however cannot be a clear indication of the overall performance for the financial year.

**Challenges**

- Spending at source
- Evasion and/or Avoidance
- Geographical spread of businesses
- Integrity issues on the part of enforcers
- Collusion
- Hostility by sector players
- Outdated rates/Valuation Roles
- Incomplete land records

- Incomplete records
- Demotivated work force
- Unreliable revenue collection system
- Need for capacity building, equipping and proper placement of NHIF Clerks
- Farm management challenges for Kiborgok and Kaimosi tea farms. 50% drop in production and pricing

**Interventions**

- Identify, train and Redeployment of staff to the lowest possible levels
- Enforcing the act on all offenders
- Update valuation rolls
- Public sensitization and engage stakeholders on rates.
- Establish a feedback mechanism for information sharing
- Full integration of processes to bank accounts
- Set up amenity clinics to handle NHIF & health insurance clients
- Critical review of the Revenue Collection system.
- Factor in the possible effects of the electioneering circle on achieving set targets.
- Financial estimates also be revised to reflect the current and foreseeable future.

## 2.9 County Expenditures for FY 2021-2022

Total expenditure was KES. 7,315,568,463 against an approved budget of KES 8,965,549,809 representing an under spending of KES 1,649,981,346. The overall absorption rate was 82 percent with a 91 percent and 59 percent for recurrent and development expenditure respectively.

Overall recurrent expenditure amounted to KES. 5,727,018,326 representing an under spending of KES 547,356,683 (9 percent) deviation from the approved recurrent expenditure of KES 6,274,375,009 while Development expenditure amounted to KES. 1,579,050,137 representing an under spending of KES 1,112,124,663 (41 percent) deviation from the approved Development expenditure of KES 2,691,174,800

**Table 2.8: Statement of Receipts and Payments**

| | Notes | 2021-2022 | 2020-2021 |
|---|---|---|---|

| | | Kshs | Kshs |
|---|---|---|---|
| **Receipts** | | | |
| Exchequer releases (Transfers from the CRF) | **1** | 7,235,998,225 | 6,661,643,002 |
| Proceeds from sale of assets | **2** | - | - |
| Other receipts | **3** | 298,804,624 | 278,408,973 |
| **Total receipts** | | **7,534,802,849** | **6,940,051,975** |
| **Payments** | | | |
| Compensation of employees | **4** | 3,649,417,748 | 3,575,932,560 |
| Use of goods and services | **5** | 1,380,479,065 | 934,170,678 |
| Subsidies | **6** | 9,500,000 | 6,400,000 |
| Transfers to other government entities | **7** | 803,003,318 | 780,723,986 |
| Other grants and transfers | **8** | 392,680,715 | 530,630,784 |
| Social security benefits | **9** | - | - |
| Acquisition of assets | **10** | 1,080,487,617 | 1,178,933,060 |
| Finance costs, including loan interest | **11** | - | - |
| Repayment of principal on domestic & foreign Borrowing | **12** | - | - |
| Other payments | **13** | - | - |
| **Total payments** | | **7,315,568,463** | **7,006,791,068** |
| **Surplus/deficit** | | **219,234,386** | **(66,739,093)** |

## Implementation of FY 2022/2023 Budget and Emerging Fiscal Challenges

### TABLE 2.9 STATEMENTS OF RECEIPTS AND PAYMENTS AS AT 31ST DECEMBER 2022.

| | Note | Sep (Q1) | Dec (Q2) | Mar (Q3) | June (Q4) | Cumulative Amount | ComparativePeriod 2021 |
|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| Equitable Share (Exchequer releas-es) | 1 | 1,153,493,391 | 1,153,493,393 | - | - | 2,306,986,784 | 2,901,210,650 |
| Transfers from National Govern-ment Entities | 2 | - | - | - | - | - | - |
| Proceeds from Foreign Grants /Development Partners | 3 | 4,999,400 | - | - | - | 4,999,400 | 7,549,400 |
| Proceeds from Domestic Borrow-ings | 4 | - | - | - | - | - | - |
| Proceeds from | 5 | - | - | - | - | - | - |

| RECEIPTS | Note | Sep (Q1) | Dec (Q2) | Mar (Q3) | June (Q4) | Cumulative Amount | ComparativePeriod 2021 |
|---|---|---|---|---|---|---|---|
| | | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| | | | | | | | |
| Foreign Borrowings | | | | | | | |
| Proceeds from Sale of Assets | 6 | - | - | - | - | - | - |
| Conditional Additional Allocationsto County Gov | 7 | - | - | - | - | - | - |
| Conditional Allocation to Level 5Hospitals | 8 | - | - | - | - | - | - |
| Fuel Levy Allocation | 9 | - | - | - | - | - | - |
| County Own Generated Revenues | 10 | 28,192,237 | 46,688,171 | - | - | 74,880,408 | 76,867,004 |
| Unspent funds | 11 | 586,681,809 | - | - | - | 586,681,809 | 358,277,457 |
| **TOTAL RECEIPTS** | | **1,773,366,837** | **1,200,181,564** | **-** | **-** | **2,973,548,401** | **3,343,904,511** |
| | | | | | | | |
| **PAYMENTS** | | | | | | | |
| Compensation of Employees | 12 | 863,938,474 | 802,736,422 | - | - | 1,666,674,895 | 1,790,858,355 |
| Use of goods and services | 13 | 113,062,855 | 348,299,338 | - | - | 461,362,193 | 642,059,103 |
| Interest payments | 14 | - | - | - | - | - | - |
| Subsidies | 15 | - | - | - | - | - | 4,000,000 |
| Transfers to Other Government Entities | 16 | 113,499,285 | 205,287,343 | - | - | 318,786,628 | 423,333,546 |
| Other grants .and transfers | 17 | 114,327,864 | 17,000,000 | - | - | 131,327,864 | 55,625,621 |
| Social Security Benefits | 18 | - | - | - | - | - | - |
| Acquisition of Assets | 19 | - | 165,362,442 | - | - | 165,362,442 | 426,491,639 |
| Finance Costs | 20 | - | - | - | - | - | - |
| Repayment of principal on Domes-tic and Foreign borrowing | 21 | - | - | - | - | - | - |
| Other Payments | 22 | - | - | - | - | - | - |
| | | | | | | | |

| | Note | Sep (Q1) | Dec (Q2) | Mar (Q3) | June (Q4) | Cumulative Amount | ComparativePeriod 2021 |
|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **TOTAL PAYMENTS** | | 1,204,828,478 | 1,538,685,545 | - | - | 2,743,514,022 | 3,342,368,264 |
| **SURPLUS/DEFICIT** | | **568,538,359** | **-338,503,981** | **-** | **-** | **230,034,379** | **1,536,247** |

Budget execution in the first three months of FY 2022/23 progressed well. Revenues recorded positive growth rates to reflect improvement in business environment, impact of reversal of some tax relief measures effected in January 2021, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority. Revenues are expected to progressively improve in the rest of the fiscal year following the reopening of the economy, uptake of the COVID-19 vaccine and the increased demand for imports as well as improved domestic sales. Revenue targets for the FY 2022/2023 are also expected to be achieved considering the performance in the first quarter.

The Government has embarked on expenditure rationalization and prioritization to ensure that expenditures are on the most impactful programmes that yield the highest welfare benefits to Kenyans.

Most spending during the first quarter was majorly recurrent in nature with employee cost taking a bigger percentage including a comprehensive medical cover expense for all the staff as an incentive to motivate the staff. Some of the notable challenges faced in the implementation of the County Projects and pro- grammes included;

- High expectation from the Public for development and other socio-economic programmes
- Outbreak of COVID 19 pandemic and its costly response and containment measures
- Delays in disbursement of funds from the National government;
- Inadequate financial resources;
- Low domestic revenue collection;

- Inadequate policy and legal framework;

## 2.9 County Economic Situation

County economy was adversely affected by the outbreak of Covid-19 Pandemic in 2020 where normal livelihood, businesses and economic activities in the county was greatly affected by the swift and stringent containment measures. The economy demonstrated remarkable resilience and recovery from COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses.

The economy is expected to grow by 5.5 percent in 2022 and recover in 2023 to 6.1 percent and maintain that momentum over the medium-term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24). This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates.

The FY 2023/24 Medium Term Budget builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of a set of programmes under the Bottom–Up Economic Transformation Agenda to support economic recovery.

Public spending will be directed towards the most critical needs of the county with the aim of achieving quality outputs and outcomes with optimum utilization of resources. Further, the county departments and agencies will be encouraged to adopt efficiency in allocation of resources through cost budgeting and realign with the Government priority programmes and reduce non-priority spending.

The year-on-year inflation rate eased for the third consecutive month in January 2023 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and lower global commodity prices particularly for edible oils and wheat with the easing of international supply chain disruptions. However, this inflation rate was higher than the 5.4 percent recorded in January 2022. Overall annual average inflation increased to 7.9 percent in January 2023 compared to the 6.1 percent recorded in January 2022.

Food inflation remained the main driver of overall year-on-year inflation in January 2023, contributing 5.2 percentage points, an increase, compared to a contribution of 3.2 percentage points in January 2022. The increase was mainly attributed to relatively higher prices key food items particularly cowpeas, maize grain (loose), beans, potatoes (Irish), green grams, and mangoes.

The fiscal and economic assumption underlying the 2023/24 budget entail economic recovery situation leading to better economic situation within the county coupled within improved collection of revenue from local sources and timely releases of funds by the national treasury. The updated Fiscal Economic frame- work is optimistic, given that the local revenue collection trend has improved. County Government will continue with its policy of expenditure rationalization with a view to provide more funds to core services, priority development programs and disaster preparedness in the future.

Fiscal consolidation and economic growth are a parameter that influences national government transfer to the counties. The global market is largely progressing to recovery in the coming year having been largely affected by the significant uncertainty with regard to the Covid-19 pandemic. This anticipated stability reflects strong inflows resilient and improved receipts from tea and other cash crop exports which are drivers of economy in Nandi County.

Unemployment still poses a great challenge to the youth and a good proportion of the population, which worsened with the contraction of the economy due to COVID -19 scares where most businesses shut down and ended up downsizing and pay cuts. The county government is looking into partnerships with private sector through PPP to create enabling environment to ease doing business for youth and the vulnerable groups as well as upscale investment in ICT and digital infrastructure through ICT & data center development to encourage online and other digital businesses.

### 2.10 Major Initiatives implemented by the County Government for the period 2017/2018-2021/2022.

The county government has implemented various development initiatives across the departments that are geared towards economic empowerment and sustainable economic growth of residents.

### 2.10.1 EDUCATION AND VOCATIONAL TRAINING

a) To attain the objective of provision of quality and accessible pre-primary education, the county department constructed and completed 42 ECDE centres. This will add up to the existing classrooms in the county totaling to 214 classrooms. Several other centres were ongoing at different levels of implementation across the County.

b) The department managed to distribute teaching and learning materials on new curriculum to 809 ECDE centres across the county.

c) Department confirmed 1,300 ECD teachers and 102 Vocational Training Instructors on contract into permanent and pensionable terms. Furthermore, the department managed to replace 81 ECDE caregivers who left the service due to natural attritions.

d) In order to improve access to technical education and training, the department constructed a total of 9 class rooms including Cheptarit and Kaplamai VTCs were complete with several centres ongoing at different stages and 3 ablution blocks complete and operational.

e) Conditional grants to VTCs and have been disbursed to the 15 VTCs. In partnership with Computers of Kenya, the department also managed to install ICT equipment funded in FY2018/19 to all existing 15 VTC centres therefore promoting modern and quality learning in the centres.

f) The department also managed to disburse Ksh. 60 Million yearly as bursaries to needy students across the County thus increasing access to education and training at all levels.

g) In a bid to promote sports and talent development amongst the youth, the department undertook various development projects and programs geared towards nurturing and promoting talent and sports among the youth with 30 local competitions namely; KICOSCA, volleyball tournament, Ndalat Gaa cross country, athletics cross country, county primary and secondary schools' competitions held.

h) Total of 7 community sports facilities have been improved with an aim of improving and promoting talent across the County.

i) The department achieved 85% construction of the second phase of Eliud Kipchoge Modern Athletics Training Camp in Kapsabet. In addition, the third and fourth phases of Nandi hills stadium entailing construction of changing rooms & toilets and stone pitching & construction of spectator terraces respectively were ongoing

j) In addition, the department distributed 100 welding machines purchased in financial year 2018/19 FY to youth groups across the County.

k) Facilitated seven local competitions namely; Koitalel half marathon, national volley ball league, county secondary and primary school competition, U20 trials, Governor's cup tournament, Mozart Bet 10km race and Eldoret City Marathon out of which 100 youths were facilitated to participate and explore their talents.

l) Recruited 100 service members to Nandi County Youth Service (NCYS) which has offered casual employment opportunities to over 700 youths since the inception of the programme

m) In Collaboration with the Kenya Devolution Support Program funded by the World Bank, the Department is constructed the Nandi County Persons Living with Disabilities Empowerment and vocational training Centre at Chesumei, Chemundu sub-county headquarters.

n) In order to honour the County's heroes and heroines, the department is in the process of establishing Jean Marie Seroney Leadership Centre whereby it has completed the renovation and restoration of the Jean Marie Seroney house and construction of a tomb house (mausoleum), the ECDE centre is complete, a Vocational Training Centre and the social hall nearing completion in Songhor/Soba Ward. Annually, the de- partment also celebrated the Koitalel Samoei the Legendary Nandi leader who played a key role in the Nandi resistance to colonial rule. Minority groups within the county such as the Terik and the Talai were also celebrated with an aim of fostering cohesion and togetherness within the County. This has enhanced appreciation of the role played by heroes and heroines in the making of Nandi history.

### 2.10.2 LANDS, PHYSICAL PLANNING, HOUSING, ENVIRONMENT, WATER, NATURAL RE- SOURCES AND CLIMATE CHANGE.

**a)** The department has made progress towards provision of safe and clean water by increasing the proportion of house-holds level accessing clean water from 35% in 2017/2018 to 42% in 2021/2022. This has been achieved through completion and rehabilitation of 158 water projects across the County. Several new projects are also ongoing at different levels of completion.

**b)** The County also invested in drilling rigs which are functional with 12 boreholes drilled namely Taboiyat, Kapkechui, Siginwai ,Kaiboi and Kipsamoite.

**c)** In order to promote environmental conservation with clean and safe environment for all gen- erations the department has participated in tree planting sessions thus increasing the percent- age of forest cover from 21% in 2017/2018 to 26.8% in 2021/2022. Further, the department undertook various Policy, Legal and Institutional Reforms that will provide a framework for implementation of environmental programmes and projects in the County. These include the development of the Wetlands Management and Conservation Draft Policyand Climate Change Draft Policy which had been submitted to the cabinet for approval.

**d)** The department also implemented strategies aimed at ascertaining rights and interests on land in order to achieve secure land tenure and controlled development to encourage greaterinvestments in land and agriculture. The following achievements were recorded: 60 percentcompletion of the County Spatial Plan to guide land use; 80 percent completion of KipkarenSalient and Kiboswa Trading Centres Devel- opment Plans and 90 percent completion in planning of Romorio, Kiptegat and Mchanganyiko farm settlements pending approval by theTown Planning Committee.

**e)** Preparation of County spatial plan which is at 70% complete. The following activities have been done; reconnaissance survey, acquisition and digitization of high-resolution satellite imagery, scanning and digitization of parcels of land (Registry Index Maps), ward sensitization fora, sensitization of executive, inception report, survey control pillars in place, situational analysis report.

**f)** Conducted survey and mapping of public lands and wetlands and acquisition of Modern survey equipment.

### 2.10.3 AGRICULTURE AND CO-OPERATIVE DEVELOPMENT

The department of Agriculture and Cooperative Development embarked on a number of programmes that are geared towards increasing agricultural productivity and in a bid to improve household food, nutrition security and commercialization of agriculture through value addition. The following interventions were undertaken;

a) In a bid to Enhance dairy production and value addition, The Department has constructed and equipped a complete turnkey milk processing plant that has the capacity to process

100,000Kgs of milk per day in Kabiyet. Phase I and II of the project entailed the construction of the structure and equipping of the plant.

b) During the review period, Increased coffee production has been realized by the Construction and equip- ping of a coffee milling factory in Chebonet. The factory has the capacity to process 500kg/hr of coffee parchment per day.

c) The department has Supported small holder coffee farmers through procurement and distribution of 58,000 coffee seedlings, 200kg coffee seeds and 8 coffee pulping machines to the coffee growing areas of Tindiret and Aldai Sub County

d) There has been Enhanced Agricultural mechanization services through purchase of 8 farm tractors with assorted implements. This has led to increased acreage of land under Agricultural cultivation.

e) Continuous and sustained improvement of dairy breeds has been realized through encouragement of farmers to adopt modern breeding/Artificial Insemination (AI) services. This has been achieved by the department Administering over 77,000 successful Artificial inseminations throughout the County during the review period.

f) Reduction of livestock diseases has led to improved animal health. During the review period, the department purchased following vaccines 343,000 doses for Foot and Mouth disease, 166,500 doses for Black Quarter Anthrax and 230,000 doses for Lumpy skin disease.

g) Reduced post-harvest losses through the construction of 25 milk cooling plants Impact

**Impact**

Due to these initiatives, there has been a significant improvement in livestock health productivity, enhanced breeding services and an increase in modern and diversified farming techniques by farmers resulting in increased productivity, food security and improved livelihoods of the residents.

### 2.10.4 HEALTH AND SANITATION

a) The County department of Health and Sanitation recorded a reduction in maternal mortality rate from the baseline of 362/100000 in FY 2018/2019 to 210/100000 in FY 2020/2021 and this has been contributed by the following factors:

b) Completion and operationalization of new health as well as renovation of health facilities among them Kosoiywo, Kamamut, Mbogo valley dispensaries and Nandi hills sub county hospital. This has improved access to health care in the County and especially by expectant mothers whereby a total of 65 maternity centres have been operationalized across the County.

c) There has been increased skilled deliveries in the County, as the proportion of mothers delivering at health facilities has improved from37.8% in 2017 to 87% in 2022. This has also been aided by recruitment and deployment of more nurses and other health care workers across the County

d) In a bid to improve response to emergency and referral services in the County, the department acquired and commissioned 10 additional ambulances which are currently offering emergency services across the County hence saving lives. This has also been achieved through collaboration with the Call Centre (1548) where by cases are reported and respondedto as soon as possible.

e) In order to save life and offer critical care to all due to the COVID-19 pandemic, the County, under the emergency fund program set up two ICU units. A 10-bed and 7-bed ICU units in KCRH and Nandi Hills hospitals respectively.

f) Access to health care has been improved through reduction of average distance to the nearest health facility from 10km in 2017/2018 to 5km in 2020/2021 as recommended by WHO.

g) In order to ensure uninterrupted delivery of healthcare services, the department installed standby generators at KCRH, Nandi hills Sub County hospital, Kaptumo, Chepterwai, Kabiyet, Serem, Meteitei and Mosoriot. During the outbreak of Covid-19, the department in- stalled an Oxygen at KCRH with a flow-rate of 240 litres per minute and with a refilling unit of 10 cylinders per.It has also managed to support local private and faith-based health facilities and other neighboring Counties such as Elgeiyo-Marakwet County thus earning the County revenue

**Impact**

The expansion of infrastructure in various health facilities in the County has increased access to quality health care. Acquisition of standby generators has ensured steady power supply and uninterrupted service delivery in the facilities coupled with acquisition of more ambulances has enhanced referral systems and saving of saving of lives during emergencies.

### 2.10.5 ADMINISTRATION, PUBLIC SERVICE AND E-GOVERNMENT

a) In a bid to improve accessibility within the town, the department Completed construction of Infrastructural works within Kapsabet Municipality; Jua Kali roads 900 Meters, Kokwet road 200 Metres, Chepcholol road 200 Metres and rehabilitation of Jean Marie Road 1.5KM

b) Registered the disaster management unit personnel with the Chief Fire Association and done both online and in-person trainings. The unit also managed to employ three professional divers to mitigate emergencies during drowning. The department has also refurbished and upgraded modernized Disaster Management Unit for effective disaster mitigation and response

c) Improved public Engagement through the development of Public Participation and Civic Education Act, 2021 and the establishment of the Toll-Free call center that has responded to over 40,000 complaints, compliments, inquiries and emergencies

d) Construction of a six-kilometer non-motorized transport facilities from Chebarbar-(Namgoi Trading Centre to Law Courts on Kapsabet boy's side and from public work offices - Kamobo on St. Peters Side has reduced pedestrian accidents along the highways and im- prove the training environment for the athletic community; Athletic racing track from Kaps- abet bible college – Lode School academy/Marcle School) funded in FY 2018/19 is complete and operational

e) To improve efficiency in service delivery the department developed 3 human resource policies to guide on the frameworks on staff establishment and their welfare and also signed 120 performance and ap- praisals in order to improve on service delivery by the County's management.

f) To achieve improved solid waste management, the department acquired five waste receptacles in FY 2018/2019 and were distributed to major urban areas including Kapsabet, Nandi hills, Mosoriot, Kabiyet, Baraton and Kaptumo. In collaboration with the World Bank in FY 2018/19, the department enhanced town and urban areas sanitation in Kapsabet Municipality through extension of the sewer line by 1.5km

g) In order to improve urban and town centers security in the County, construction of streetlights and seven high mast floodlights in Major Street and urban areas was on-going funded by the County Govern- ment in collaboration with the World Bank in FY 2018/19. The earmarked sites for the High masts namely Chepterit Girls cross roads, Chepterit Trading Centre, Baraton Trading Centre, Namgoi Trading Centre, Chebarbar Trading Centre, Kapsabet Market, Jua kali Centre are complete and awaiting connection to the main grid lines. The Security Lighting done in the following areas Nandi Primary-Amai River, CITAM Road-2.5km and Kamobo – Kamobo Primary School/ Teldet DICECE- Kamatargui, AIC Singorwa – Chepsegeny River, Namgoi- Kamatargui are complete.

h) To improve disaster preparedness and risk management the department established a disaster response unit and was able to respond to emergencies on time due to mapping and availability of information on disaster prone areas. 21 sites had been mapped as prone to landslides, floods and lightening.

i) To enhance Service Delivery through Information Communication Technology(ICT), the County constructed and equipped a data center and a Call Center in FY 2018/2019 in order to address emergencies on time especially the Covid-19 related cases and manage public complaints/compliments. The two centers are operational.

**Impact**

There has been increased economic activities in the jua kali sector, transport sector and retail trade. The county supplier system has allowed for continuous pre-qualification of suppliers and promotes transparency and accountability in service delivery.

### 2.10.6 TRADE, TOURISM, INDUSTRIALIZATION AND ENTEPRISE DEVELOPMENT

The department acts as a link between production and consumption and has registered improved performance in implementation of projects that are aimed at increasing access to goods and services. The investment in the tourism sector will tap into the County tourism potential and increase tourist arrivals with a proportional increase in revenue levels. The progress made under this sector include:

a) Progress has been registered in the industrial development section with the establishment of a textile and apparel unit in Mosoriot which is at 90% level of completion for phase 1 with equipment for the structure procured and delivered. Upon completion and equipping, the unit under construction is expected to expand employment opportunities to the residents of the county and attract investors. Other achieve- ments recorded in the section include construction of jua kali shades in Kurgung, Lessos, Cheptewai, Kobujoi and Maraba market which are yet to be equipped and handed over to the end user.
b) The department has further promoted fair trade practices in the county by calibrating and verifying weight and measures instruments. Calibration and verification of instruments has enhanced consumer protection andimproved fairness in business community.
c) The department has improved enterprise sector by constructing a business incubation Centre in Kapsabet town. The incubation centre will help many business people in our county to access more in- formation and learn on issues pertaining business. Furthermore, the department has constructed Kapkakaron, Yala centre, Lemook, Kipng'oror, Boda-boda shades.
d) Promotion of trade development has been realized through construction of modern market stalls at Nandi hills, Namgoi and Serem market. The modern market stalls are in the process of being issued to the end user through the market management committee.
e) Construction of fresh produce markets in Kobujoi and Maraba trading centres, market stalls in 4 markets namely Kaptumo, chemursoi, Kabiyet and Baraton with works ongoing several markets across the County.
f) To improve town planning and market sanitation, the department established a bus park/stage in Mosoriot and constructed 3 ablution blocks in Kabiyet, Maraba and Nandi Hills town
g) To improve the working environment for motorbike operators, the department has constructed more than 20 boda boda shades across the County.
h) The automation of revenue systems led to increased revenue collection at Chepkiit tourist site. Im- proved Chepkiit tourism site has attracted more tourists to Nandi County through; Construction of a PWD friendly ablution block, walkways, a signage, water

supply, installation of a water tank, shades, seats, renovation of a watch tower, foot bridges, supply and installation of dustbins and construction of a pit latrines

**Impact**

The initiatives have improved market accessibility and increased incomes and local revenues. The economic blocs will give the county the opportunity to pull resources together towards development of the tourism circuits, value addition processes and optimize on their respective county niche products.

### 2.10.7 TRANSPORT AND INFRASTRUCTURE

i. In order to improve rural access, infrastructure and maintenance of existing roads by use of County machines, hired machines and under the Road Maintenance Levy Fund (RMLF) Programme; the department has enhanced connectivity through the opening up of new roads, grading and gravelling and maintenance of existing roads across the County.
ii. This has been achieved through opening up of 483 kms of new roads and installation 4814 Meters of culverts. It also graded 3617kms and graveled 1972kms together with construction of 19 bridges and 3 footbridges across the County. Furthermore, total of 6,219m of culverts have been installed.
iii. A pilot project using application of Clay-Crete in road maintenance which sustains road condition for a longer period compared to the normal gravel was done in Cheptarit Polytechnic-Textile-Industry Road in Mosoriot.
iv. In order to ensure reliable and appropriate infrastructural development in the County, the public works sector has designed, developed, maintain and supervised construction works for 607 institutional facilities.
v. The improve connectivity and accessibility, the department acquired several road work machineries including excavators and backhoe

**Impact**

Opening up of new roads and maintenance of the existing roads have increased connectivity and improved accessibility with most of the roads improved to motor-able condition. This has enabled sustainable road works and general county economic growth.

## 2.11 ECONOMIC OUTLOOK

The economy is expected to grow by 5.5 percent in 2022 and recover in 2023 to 6.1 percent and maintain that momentum over the medium-term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24). This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labour market recovery, improved consumer confidence, and resilient remittances (Table 2.5).

**Table 2.5: Macroeconomic Framework**

| | 2020/21 | 2021/22 | | 2022/23 | | 2023/24 | | 2024/25 | | 2025/26 | | 2026/27 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Prel. Act | Approved Revised II | Prel. Act | Budget | Supp I Budget | BROP'22 | BPS'23 | BROP'22 | BPS'23 | BROP'22 | BPS'23 | BROP'22 | BPS'23 |
| *annual percentage change, unless otherwise indicated* | | | | | | | | | | | | | |
| **National Account and Prices** | | | | | | | | | | | | | |
| Real GDP | 3.6 | 6.8 | 6.5 | 5.8 | 5.8 | 6.1 | 6.1 | 6.2 | 6.2 | 6.1 | 6.1 | 6.2 | 6.2 |
| GDP deflator | 5.0 | 4.8 | 6.2 | 6.1 | 6.9 | 5.8 | 5.8 | 4.8 | 4.8 | 5.9 | 5.9 | 6.0 | 6.0 |
| CPI Index (eop) | 6.3 | 5.2 | 6.9 | 5.5 | 6.4 | 5.4 | 5.4 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| CPI Index (avg) | 5.7 | 5.4 | 6.8 | 6.0 | 7.0 | 5.8 | 5.8 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Terms of trade (-deterioration) | -3.6 | 1.1 | 1.1 | -0.4 | 1.1 | -0.6 | -0.6 | -1.8 | -1.8 | -0.7 | -0.7 | 0.6 | 0.6 |
| *in percentage of GDP, unless otherwise indicated* | | | | | | | | | | | | | |
| **Investment and Saving** | | | | | | | | | | | | | |
| Investment | 20.1 | 23.9 | 18.8 | 19.3 | 17.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.6 | 18.6 | 18.6 | 18.6 |
| Central Government | 4.9 | 4.7 | 4.2 | 4.7 | 3.9 | 4.7 | 4.5 | 4.8 | 4.8 | 5.2 | 5.3 | 4.9 | 4.9 |
| Other | 15.2 | 19.1 | 14.6 | 14.6 | 14.1 | 14.2 | 14.3 | 14.1 | 14.1 | 13.4 | 13.3 | 13.6 | 13.6 |
| Gross National Saving | 14.1 | 19.1 | 12.9 | 14.2 | 13.1 | 13.6 | 13.6 | 13.5 | 13.5 | 13.3 | 13.3 | 13.2 | 13.2 |
| Central Government | -2.2 | -5.3 | -1.5 | -0.7 | -0.9 | 1.1 | 0.8 | 1.6 | 1.4 | 2.1 | 2.1 | 1.7 | 1.7 |
| Other | 16.3 | 24.4 | 14.5 | 14.9 | 14.0 | 12.5 | 12.8 | 11.9 | 12.0 | 11.2 | 11.2 | 11.5 | 11.5 |
| **Central Government Budget** | | | | | | | | | | | | | |
| Total revenue | 15.9 | 17.1 | 17.3 | 17.6 | 17.4 | 17.8 | 17.8 | 17.8 | 17.8 | 18.0 | 18.0 | 18.3 | 18.3 |
| Total expenditure and net lending | 24.4 | 25.6 | 23.8 | 24.0 | 23.4 | 22.4 | 22.5 | 21.8 | 22.0 | 21.7 | 21.8 | 22.3 | 22.3 |
| Overall Fiscal balance excl. grants | -8.5 | -8.5 | -6.5 | -6.4 | -6.0 | -4.6 | -4.7 | -4.1 | -4.2 | -3.7 | -3.9 | -3.9 | -3.9 |
| Overall Fiscal balance, incl. grants, cash basis | -8.2 | -8.0 | -6.2 | -6.2 | -5.7 | -4.3 | -4.4 | -3.8 | -3.9 | -3.5 | -3.6 | -3.6 | -3.6 |
| Primary budget balance | -3.8 | -3.3 | -1.6 | -1.2 | -1.1 | 0.3 | 0.3 | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 |
| **External Sector** | | | | | | | | | | | | | |
| Current external balance, including official transfers | -6.0 | -4.8 | -5.9 | -5.0 | -4.8 | -5.2 | -5.2 | -5.4 | -5.4 | -5.3 | -5.3 | -5.4 | -5.4 |
| Gross reserves in months of this yr's imports | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.9 | 5.9 | 5.9 | 5.9 | 6.0 | 6.0 |
| **Memorandum Items:** | | | | | | | | | | | | | |
| Nominal GDP (in Ksh Billion) | 11,370 | 12,646 | 12,736 | 14,002 | 14,522 | 16,290 | 16,290 | 18,180 | 18,180 | 20,437 | 20,437 | 22,872 | 22,872 |

Notes: BPS = Budget Policy Statement; BROP = Budget Review & Outlook Paper; SGR = Standard Gauge Railway

## 2.12 Domestic Growth Outlook

The growth outlook will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on; increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase in- vestments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include: Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment. To address the adverse impact of the ongoing drought, the Government in partnership with the Development Partners and the private sector under the auspices of the National Steering Committee on Drought Response has provided response to affected persons, regions and communities. The Committee will work with both the National and County Governments in strengthening the national capacity for resilient recovery to protect development gains from recurrent drought.

## 2.13 County Growth Prospects and Challenges

Fiscal consolidation and economic growth are a parameter that influences National Government transfer to the counties. The global market is largely progressing to recovery in the coming year. This anticipated stability reflects strong inflow resilient and improved receipts from tea and other cash crop exports which are drivers of economy in the County.

The updated Fiscal Economic framework is optimistic, given that the local revenue collection trend has improved following the agreement by the tea multinationals to deduct and remit cess. The county growth prospects that can propel the county to higher economic possibilities include; improved agricultural productivity, urban growth, value addition ventures, industrial development and economic gains from sports related activities amongst others.

The county's economic growth majorly relies on agricultural activities. It is with this in mind that the County Government continues to prioritize investing in the sector due to its potential in improving household incomes. For the overall socio- economic development to be realized, there is need to continue investing in value addition and modernization of agriculture, improving road network and also improving the marketing chains though cooperatives and farmer organizations.

The County economy is projected to expand in FY 2023/24 due to the completion and operationalization of strategic priorities of the Government under the flagship projects as well as other projects across the various County departments.

The county government continues to face challenges as a result of constrained fiscal space necessary for implementation of strategic priorities especially in the production sector. The major challenges include wage bill pressure which has been occasioned over the years by implementation of SRC circulars and demand for promotions from the labour unions. The wage bill pressure has been compounded by under performance in local revenue collection.

Also, implementation of development programmes and projects has been slow resulting in low absorption; this can be attributed to challenges in implementation of end-to-end procurement amongst other administrative and external challenges.

Despite the several challenges that still exist, the County Government will continue with its policy of expenditure rationalization with a view to provide more funds to core services, priority development programs and disaster preparedness in the future.

### 2.14 Risks to Fiscal Outlook in the County

There are down side risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks emanate from climate change resulting in unfavorable weather conditions. This could affect agricultural production and result to domestic inflationary pressures.

On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia -Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; lingering effects of post COVID-19 (coronavirus) pandemics; drought and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize

## 2.15 County Economic outlook

The fiscal and economic assumption underlying the 2023/24 budget entail post drought economic recovery situation nationally leading to better economic situation within the county coupled within improved collection of revenue from local sources and timely releases of funds by the national treasury. The updated Fiscal Economic framework is optimistic, given that the local revenue collection trend has improved after the lifting of the containment measures. Despite the several challenges that still exist, the County Government will continue with its policy of expenditure rationalization with a view to provide more funds to core services, priority development programs and disaster prepared- ness in the future.

Fiscal consolidation and economic growth are a parameter that influences national government transfer to the counties. The global market is largely progressing to recovery in the coming year having been largely affected by the significant uncertainty with regard to 2022 general elections. This anticipated stability reflects strong inflows resilient and improved receipts from tea and other cash crop exports which are drivers of economy in Nandi County.

The Low and stable performance of interest rates at the national level implies ample liquidity in the money market hence ease of doing business. This has directly affected the county economic growth in terms of Small and Medium Enterprises, accommodation and restaurants and the general growth of the private sector.

Unemployment still poses a great challenge to the youth and a good proportion of the population, which worsened with the contraction of the economy due to COVID -19 and drought scares. The county government through post drought recovery and re-engineering strategy is looking into partnerships with private sector through PPP to create enabling environment to ease doing business for youth and the vulnerable groups as well as upscale investment in ICT and digital infrastructure through ICT and data center development to encourage online and other digital businesses. The County’s performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery.

# CHAPTER THREE

## 3.1 MEDIUM TERM STRATEGIC PRIORITIES

The County Fiscal Strategy Fiscal Paper for the FY 2023/2024 and over the Medium Term, shall be based on the priorities outlined herein which are guided by the County Integrated Development Plan (CIDP)2023- 2027 and aimed at accelerating growth, employment creation, more equitable distribution of income, poverty reduction, improvement of social welfare and security. Focus remains on the achievement of the vision 2030 goals and the Bottom-up Economic Transformation agenda through;

i. Establishment of Ward Development fund
ii. Boost agricultural productivity and cooperative development; to ensure food security and overall poverty reduction.
iii. Increased investment in healthcare services; to ease accessibility of quality health services.
iv. Infrastructural developments in Roads, Access to clean water by all, investment in Early Childhood Development Education and other educational facilities.
v. Micro, Small and Medium Enterprise economy, Digital Superhighway and Creative Economy
vi. Good governance, Administration, Public Service and ICT
vii. Tourism, sports, Youth affairs and Environmental development, amongst other priorities.
viii. Physical Planning, Lands and Environmental conservation

### Strategic Priority I: Establishment of Ward Development Fund.

In the spirit of the Kenya Kwanza government's Bottom-up Economic Transformation Agenda the County Government seek to promote developmental growth in the Wards within the County by providing for the allocation of funds for Ward based development projects to ensure equitable development across the County 30 wards. The objective of the Ward Based Development is to ensure:

- A framework for the participation of the residents of each Ward to identify priority projects in the County;
- Promotion of efficient and practicable decentralization of functions and services by the County Government;

- The initiation and coordination of community-based development projects and programmes at the Ward level;
- Efficient and effective service delivery across the County;
- A platform to harmonize and ensure equity in the implementation of County development projects and services;
- Management of county projects in a manner that ensures reduction of bureaucracy in availability of funds and procurement of goods and services;
- A framework that allows direct funding of County development projects on need basis;
- Further devolvement of functions and resources of the County Government and to ensure participation and involvement of the County citizenry in management of its affairs pursuant to the Nandi County Public Participation and Civic Education Act, 2021;
- Channeling of the use of public funds at the lowest level of County
- Equity in the distribution of funds within the County
- Community driven development and local-level participation in the identification, prioritization, implementation and evaluation of development activities at the Ward level;
- Accountability and transparency in the disbursement and use of Public resources;
- Self-determination to the community in relation to their socioeconomic development;
- Seeking and receiving grants from national and international entities, the National Government, the County Government and other relevant organizations to initiate and coordinate community-based development projects and programmes at the Ward level; and
- Mechanisms for the County Assembly to facilitate the involvement of the people in the identification and implementation of projects for funding by the County government at the ward level.

The County Government wishes to allocate 40% of the Total Development Budget to facilitate the establishment and operationalization of the fund while the remaining development funds shall be for flagship projects and shall be distributed equitably within the County through public participations.

Additionally, the County Government development allocations shall continue alongside the projects funded under the ward Development fund and shall be construed to mean that no area may be excluded from any other development programmes. The residents of each Ward shall identify development projects to be implemented in their respective Wards through Ward Project Identification Committee.

### Strategic Priority II: Boosting agricultural productivity and cooperative development; to ensure food security and overall poverty reduction.

Investing in Agricultural sector not only achieves economic growth but also ensures food security, job creation, income generation and overall poverty reduction. The County therefore aims at raising agricultural productivity and increase commercialization of agriculture.

The Government is cognizant of the fact that increase in agricultural production has a direct effect on rise in per capita income in the rural community alongside production of primary raw materials that set stage for industrialization. As a priority the county will focus on construction to completion and fully equipping the Nandi Cooperative Creameries at Kabiyet.

Additionally, the county will Promote value addition and agro-processing initiatives through construction of Coffee Milling Factory, establishment of aggregation centers for crop production, carry out disease surveillance and vaccinations, Promote Cooperatives ventures including inputs, marketing, manufacturing and value addition, promoting savings and financial services are some of the strategies that will be put in place to achieve the sector priority.

### Strategic Priority III: Increased investment in healthcare services; to ease accessibility of quality health services.

A healthy population is essential for higher productivity and sustained long term development of the county. The county government intends to enable access to modern and well-equipped health facilities by focusing on the completion of the ongoing projects with well trained and motivated health personnel for improved service delivery.

The strategy seeks to expand and modernize Kapsabet County Referral hospital with all essential drugs and non-pharmaceuticals with specialized equipment necessary to handle all health-related cases and complete and equip the hospital complex with mother and baby unit.

Over the medium term, the county government will continue to rehabilitate, expand and fully equip with requisite equipment all the sub-county hospitals and health centres and adequately stocking with requisite drugs, establishing maternity wings as well as have Kapsabet and Nandi hills morgue fitted with facilities necessary to handle relevant cases. The county will also collaborate with the national government and other development partners in the area of training so that the county will have healthcare workers with all the necessary and sufficient knowledge and skills for quality health care services. The Government signed the leasing programme for medical equipment with the national government which when implemented will improve the quality-of-service delivery.

### Strategic Priority IV: Infrastructural developments in Roads, Access to clean water by all, investment in Early Childhood Development Education and other educational facilities.

Infrastructural development is geared towards agricultural transformation, encourage expansion of trade within and across the county borders as well as expand economic opportunity for employment and also develop ICT infrastructure.

The county will scale up investment in infrastructure by upgrading existing roads, carry out routine maintenance of existing roads, and opening up of new roads which aims to significantly reduce the cost of doing business and therefore facilitate high returns and poverty reduction in the county. The medium-term investment in road upgrade throughout the county will be aligned to support agriculture by linking farmers to markets.

In the current financial year, the county will invest substantial amount on purchasing, hiring and leasing of roadwork machinery and equipment so as to ensure quality road maintenance and sustain- ability as well as minimize overall costs in the long run.

To promote commerce coupled with security, the county street lighting will be done in all major urban areas. In addition, efficient waste management system will be put in place as well as proper drainage and sewer lines especially in Kapsabet town and other urban areas.

His Excellency the Governor’s manifesto clearly outlined his intention to provide clean and accessible water to all residents in the county. The county has invested in developing and commissioning major water projects across the county and conservation of water catchment areas by protecting springs and water bodies. Additionally, the Government in partnership with National Government

will gear towards construction of large-scale water projects and as a result ensure the completion and operationalization of Keben and Kabiyet water projects to increase the Households connected to clean and Safe water. The government will continue drilling pore holes and establish the rural Water Company to manage the water projects. Conservation efforts should be geared towards sensitization of community and encourage planting of more trees along the catchment areas.

In Education, proper and early development of a child lays good foundation necessary for entry into primary school education. The county government appreciates this and therefore, intends to develop ECDE in the county. The county expects to complete constructing and equip ECDE centers across the county, and continue investing in capacity building of ECDE teachers and their management. The county will continue to equip the youth with skills necessary to enter the labour market by equipping the existing county polytechnics and establishing more. Additionally, the County Government will double up the allocation on bursaries to increase the coverage of the needy students benefitting from the bursary allocations.

## Strategic Priority V: Micro, Small and Medium Enterprise economy, Digital Superhighway and Creative Economy

1. **Micro, Small and Medium Enterprise economy**

The county will focus on organizing the business people into specific value chain areas in order to offer room for better intervention in a bid to optimize their potential. The special interest groups will then be equipped with the requisite knowledge and capacity building so that they are better prepared to meet the challenges of doing business in the current environment. The county government has established linkages with various financial institutions and other stakeholders to ensure that MSMEs are properly resourced. Working with banks, KIRDI, MSEA, Ken-invest, KEPROBA, among other sector players, will bring the needed interaction to facilitate knowledge sharing and ultimately enhanced specialization.

2. **Digital Superhighway and Creative Economy**

The County government of Nandi is alive to the need to embrace digital economy in a bid to enhance business and service delivery. Mapping of the county products will be done and an E-Commerce platform created to digitally showcase what Nandi has to offer. The benefits of showcasing what the county can competitively produce will result in enhanced cross county trading and ultimately lead to specialization. When the digital economy is embraced by all counties, the realization of one county one product can be achieved since counties will concentrate on producing what they have both competitive and comparative advantage.

The county further has begun engaging the youth in a digital ajira program by training and resourcing them with computers. This is to enable the educated youth to take advantage of legitimate online businesses that can be executed remotely. These opportunities offer flexible working arrangements since the youth can work from their rural homes without the need to travel. This further underscores the need to have internet connectivity across the country

### Strategic Priority VI: Strategic Priority X: Good governance, Administration, Public Service and ICT

Nandi County continues to receive its shareable revenue. It is imperative that devolution achieves the objectives of better service delivery and rapid local economic development as well as job creation in line with the Vision 2030. However, this can only be realized if accountability and fiscal discipline in the use of devolved resources are entrenched and macroeconomic environment remains stable.

Further, the County government intends to carry out consultative forums towards cohesion and integration among communities living within the county boundaries. This is to ensure a peaceful coexistence among the various communities thus promoting development.

In the MTEF period the sector plans to anchor its priorities, plans and policies on three other key areas of Digitization, Urban planning and Public Service Management

**Digitization**

Information, Communication Technology plays a critical role in the efficiency of service delivery in the County. The sector has invested substantially in the extension of internet connectivity, construction of ICT centre, Installation of systems i.e Health Management Information (HMIS) In Health and Automated Revenue Systems in Finance, and the Call and data centre. However, there is need to up- grade these systems. The sector will see into it that this is fully realized.

Nonetheless there is still great potential to use ICT to even create employment opportunities to hundreds of youths in the County. In this regard the sector will endeavor to construct ad fully equip ICT centres in all the Sub counties. The sector also plans to install three outdoor screens in major towns in the County. This will not only serve as a source of information to the public but as a source of revenue to the County Government through advertisements and promotional activities which will be run from time to time.

Over the MTEF period the sector plans to upgrade the Call centre. The call centre has greatly improved public engagement and has responded to over 40,000 complaints, compliments, inquiries and emergencies. Upgrade of the centre will ensure sustainable and increase efficiency in service delivery.

The sector plans to support all the other sectors in the county in the automation of all critical services through system developments. This will in turn boost fairness, equity and even scale up creative/ in- novation economy.

**Urban Planning**

Urban planning plays a critical role in the development and growth of urban areas. To further improve urban planning and management the sector plans to;

- Follow up on Institutional Development Plan (IdeP) for Kapsabet Municipality to ensure that it is adopted/approved by the County Assembly. This will form a critical requirement for creation of vote head/Budget line for Kapsabet Municipality. All these are requirements by law to ensure that the Municipality is fully autonomous. The benefit of this is that the Municipality will be able collect own revenue and attract more funding from development partners.
- The sector has also planned to upgrade three more towns in Nandi County to Municipality status. The sector will achieve this through development of policies, strategic plans and development plans; Construction of social halls, acquisition of land for cemetery and other socio-economic infrastructure.
- The sector in collaboration with National government and other development partners plans to close the housing gap by constructing 2units (400 houses) in the MTEF period. This will greatly improve access to affordable housing In the County, create employment and other entrepreneurial opportunities for the residents. The sector will provide land and other infrastructure to facilitate this development.

**Public Service Management**

The quality of human resource is critical for socio-economic development of the County. The sector will endeavor to build highly skilled and responsive workforce well equipped with requisite sills, knowledge, attitudes and competencies to realize the County Governments'

Transformative Agenda. In this regard the public service should be creative, innovative and responsive to the needs of the County and by extension the citizens in view of the development priorities. To achieve this the sector will develop Human Resource and Development policies for its staff. The policy mechanism shall ensure priority and scarce skills are available under the County Public Service. In addition, framework to guide in development of effective career management in public service will also be developed.

Lastly, the sector will develop Human Resource Information System (HRIS) to ensure consolidation and digitization of Human Resource data and Payroll information for ease of track, optimal staffing, wage bill and policy considerations

### Strategic Priority VII: Tourism, sports and Environmental development, amongst other priorities.

Nandi County is the indisputable source of world champions in athletics and other sporting activities with celebrated personalities. Over the medium term, the ADP will allocate funds to continue investing in sports infrastructure and diversify its talent potential to include other sports and arts in order to consolidate and strengthen its position as a sports hub.

Strategies to develop tourism infrastructure that can attract both local and international visitors are put into consideration which entails: rehabilitation of existing sites and marketing the existing tour- ism attractions.

### Strategic Priority VIII: Physical Planning, Lands and Environmental conservation

The focus of the government of the spatial and urban plans will provide a basis for provision of affordable housing and improvement of urban settlement.

The County Government of Nandi has adopted digital technology in land administration, management and land use planning. Land records are in process of being digitized which will be integrated with valuation roll to enhance efficient land management and administration. Consequently, the county has initiated the process of preparing the GIS based County Spatial plan which has digitally mapped and zoned the county land uses. At a local level, the county is in process of preparing GIS based local Physical and Land Use Plans for various urban centres. These plans will guide growth and development of the urban areas by providing a basis for provision of infrastructure e.g ICT, housing, sewer, roads, electricity etc. In undertaking these land functions, the county has established a GIS laboratory which has facilitated mapping and digitization of the land records. The initiative to digitalize the land records will have an outcome of improving security of tenure and equitable access to land and natural resources for enhancement of livelihood and sustainable socio-economic development.

We are using the County Environment Committee as a serious tool to get our targets. We are targeting to plant 1 Million trees in partnership with KFS, Equity Bank, Green Belt Movement, etc. We will support the chiefs to target 3,000 trees per week for April, May and June.

We are also mapping and beaconing most of our Wetlands. We are restoring the degraded Wetlands. We will do sensitization meetings throughout the County among other interventions

# CHAPTER FOUR

## FISCAL POLICY AND BUDGET FRAMEWORK

### 4.1 Overview

The fiscal framework for the FY2023/24 and the medium-term budget is based on the Government's policy priorities and macroeconomic policy framework set out in the County Integrated Development Plan (CIDP) 2023-2027 and the County Annual Development Plan for FY 2023/2024. To support Continued Transformation Agenda for a balanced growth and development across the county, the Government will continue with the fiscal consolidation plan by containing expenditures and enhancing mobilization of local revenue. This will be

### 4.2 Fiscal Policy

The fiscal framework for the FY 2023/24 and over the medium term is based on the County Government's policy priorities and macroeconomic policy framework set out in this document. The fiscal policy will continue to support accelerated growth, employment creation, more equitable distribution of resources, poverty reduction, improvement of social welfare and security while undertaking the functions of County Government within a context of sustainable public financing. The fiscal policy will therefore focus on:

- Strengthening Internal Revenue collection: To match the increased resource requirement by sec- tors, the county will increase its revenue mobilization efforts and also cast a wider net to bring more stakeholders on board.
- Payment of pending bills;
- On-going projects: emphasis is given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation;
- Payment of pending bills;
- Establishment of ward development programme: aimed at reducing disparities in resource allocation and development among wards. The projects to be implemented under this programme will be ward based depending on the priorities of individual wards. The proposals from wards are development oriented, mostly in infrastructure development.
- Strategic policy interventions: further priority is given to policy interventions across all sectors that that address balanced growth, social equity, efficient service delivery and environmental conservation.

## 4.3 Fiscal Reforms

The County Government aims to widen the tax base by reviewing the relevant revenue legislations in order to improve revenue raising measures and efficiency. This is underpinned by the on-going reforms in revenue administration including negotiations with various stakeholders (Multinational Companies on tea Cess, land owners), review of valuation rolls for site value and land rating purposes, upgrading of the revenue collection system, expansion of the local revenue base through creation of more packing slots within urban areas and establishment of a county resource mobilization unit. Over the medium term, the County Government will rationalize its expenditure with an aim to reduce wastage. This will be done by ensuring improved accountability and transparency among the accounting officers who are in charge of public finances. The on-going fiscal structural reforms include full automation of all procurement processes and establishment of an asset management unit will instill strong internal controls on expenditure.

To achieve value for money there is need to strengthen audit function through continuous review of audit risks and periodic monitoring and evaluation of projects and programmes.

The County will be enacting and implementing the following fiscal structures to enable it to be fully compliant with PFM, 2012:

1. Enhanced Expenditure Productivity – To accelerate absorption rates especially in the development expenditures, the County will re-organize its structure to focus more on increased development expenditure with raft of measures put towards reducing recurrent expenditure to devote more resources to development.
2. Staff rationalization this will be achieved through proper placement, roll out and use of process manuals on technical capacity building of staff for enhanced efficiency in service delivery
3. The County Government aims to widen the tax base by reviewing the relevant revenue legislations in order to improve revenue raising measures and efficiency as well as bring to automation all revenue streams for proper accountability

## 4.4 Fiscal risks shall be managed prudently. Risks to the Economic Outlook

- Delays in disbursement to County Governments.

- Overreliance on equitable share of revenue hence exposing the County to fiscal shocks occasioned by revenue underperformance at the national level
- Underperformance of own source revenue
- Accumulation of Pending bills,
- Low absorption of budgeted funds delay envisaged socio-economic transformation
- Expenditure pressures due to increasing wage bill thus leaving inadequate resources for development.

**Proposed Interventions to the Risks**

- Application of fiscal responsibility principles
- Formulation of adequate legislations to guide and manage revenue collection in the County
- Undertaking quarterly implementation reporting of all County projects and programmes to ensure planned projects and programmes are implemented and paid on time
- Developing staffing plan to guide the county in recruitment of various cadres and increasing own source revenue by tracking new revenue sources.

### 4.5 Adherence to Fiscal Responsibility Principles

Adherence to Fiscal Responsibility Principles Section 107 of the PFM Act, 2012 and Regulations of 2015 requires County governments to adhere to the following fiscal responsibility principles:

1. Maintaining a Balanced Budget – the law states that the County Government's recurrent expenditure shall not surpass its total revenues. The County has maintained a balanced budget and will over the medium-term period.
2. Compliance with the Requirement for Expenditure on Wages – Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that county governments' wage bill shall not exceed 35 percent of their total revenues. The county Government will conduct rationalization of staff by ensuring proper placement.
3. Adherence with the Requirement for Development Spending Allocations – the law requires county governments to allocate a minimum of thirty percent of their budget to development expenditures. The County has consistently complied with the requirement and will be maintained at 30 per- cent over the medium-term.

## 4.6 Deficit Financing Policy

The County Government is taking all measures to ensure there is balance between the resources available and the priorities and programmes identified for implementation. The county expenditures are limited to county estimates that balance off with the sum total of internal revenue collection, share of the national revenue and conditional grants.

## 4.7 Revenue projections

The FY 2023-2024 budget estimates will target revenue inflow of Ksh. 7,912,195,116.00 which has the CRA shareable revenue and own source revenue. Local revenue is estimated at Kshs. 515,557,531.00. where shareable revenue as estimated stands at Kshs. 7,296,637,585.00. The national government shall additionally issue Kshs. 100,000,000.00. for establishment of an Industrial Park. The performance of own source revenue will be underpinned by the valuation roll for land and rating purposes, upgrading of the revenue system, enforcement of the Finance Act and establishment of a resource mobilization unit.

## 4.8 Expenditure projections

The expenditure estimates for the FY 2023-2024 are Kshs. 7,912,195,116.00 with a slight decrease from the current F/Y's estimates. Expenditure ceilings on goods and services for the County sectors/departments are based on the County priorities extracted from the CIDP 2023-2027 and the ADP 2023-2024. The ceilings are also adjusted based on expenditure trends and the County change of priority programs within the spending units. Most of the outlays are expected to support completion, equipping and operationalization of all ongoing infrastructural facilities-both flagship and transformational projects, opening up of new roads and continuous maintenance of existing ones alongside settling of pending bills.

Moreover, the county anticipates receiving extra additional conditional funds/grants from development partners. This shall be realized as and when the CARA 2023 is realized.

# CHAPTER FIVE

## MEDIUM TERM EXPENDITURE FRAMEWORK

### 5.1 Resource Envelope

The resource envelope available for allocation among the spending entities is based on the updated medium term fiscal framework which is outlined in chapter four. In view of the continued pressure that arise from wage bill and limited resources, MTEF budgeting will focus on adjusting expenditures to cater for the priority sectors.

An evaluation of the macroeconomic situation and a limited resource envelope in recent years shows that adjusting non-priority expenditures to cater for the priority ones will guide the Medium-Term Expenditure Framework (MTEF) budgeting processes. Share of resources for priority physical infrastructure sector, such as Roads, Water and Agriculture, will continue to rise over the medium term. All the other sectors will continue to receive adequate resources in line with our county's commitment to a balanced sector development to enhance the quality of life for the residents of Nandi and ensure sustainable economic growth.

Financing of County Government budget revolve around two main financing sources namely; transfers from the National Government and own source revenue. The shareable revenue transfers will account for 90 percent of the expenditure priorities in the budget and 3.67 percent will be financed from own revenue source.

### Revenue Projections

The County's sources of revenue include:

- **Equitable share**

The equitable share is an unconditional allocation to the County Governments from the revenue generated by the National Government as provided for by the constitution through County Revenue Act as shareable revenue. The County is fully responsible for these funds and is directly accountable to the County Assembly on how the resources under her control are spent. Shareable revenue from the National Government is estimated at Kshs. 7,296,637,585 during the Financial year 2023-2024.

- **Conditional and Unconditional grants**

For the Year 2023-2024 the County Government is yet to receive the conditional/ un- conditional grants subject to which the same shall be captured under the Estimates for the coming fiscal period.

- **Own revenues**

The County own revenue is projected at Kshs 515,557,531. This is based on the current trend of revenue collection and other revenue measures to be instituted.

Total revenue available to fund the expenditure is therefore projected at Kshs 7,912,195,116 in FY 2023/2024 projected to increase to Kshs 8,114,857,437 in FY 2024/2025.

## RESOURCE ENVELOPE 2023-2024

| CODE | REVENUE ITEMS | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 |
|---|---|---|---|---|---|---|---|
| **1** | **Total Anticipated Revenue** | **8,046,964,890** | **8,133,676,476** | **7,611,517,867** | **8,965,549,809** | **7,270,203,341** | **7,912,195,116** |
| 1.1 | **Local Revenue** | **459,293,246** | **376,829,833** | **405,408,260** | **387,106,430** | **279,334,300** | **515,557,531** |
| 1520100 | Land Rates | 46,682,200 | 23,807,922 | 24,284,080 | 42,184,423 | 26,224,400 | 92,284,080 |
| 1520500 | Plot Rent/House rent | 5,100,662 | 1,560,802 | 1,592,018 | 1,257,694 | 1,292,018 | 2,292,780 |
| 1420328 | Single Business Permits | 36,430,791 | 29,727,525 | 30,322,076 | 43,954,440 | 30,322,076 | 60,123,000 |
| 1420328 | Liquor Licensing | 12,120,000 | 5,439,456 | 5,548,245 | 14,383,114 | 12,548,245 | 15,468,200 |
| 1420405 | Market Fees | 15,595,046 | 10,657,655 | 10,870,808 | 15,587,938 | 10,870,808 | 17,840,000 |
| 1330405 | Agriculture | 9,090,000 | 6,119,388 | 6,241,776 | 6,931,003 | 2,241,776 | 5,980,120 |
| 1420345 | Cess | 156,456,200 | 156,456,200 | 159,585,324 | 22,529,356 | 12,775,383 | 65,585,324 |
| 1420507 | Kiborgok Tea Proceeds | 18,913,963 | 18,134,708 | 18,497,402 | 19,612,948 | 10,497,402 | 15,807,362 |
| 1580401 | Slaughter Fees | 638,320 | 820,369 | 836,776 | 661,053 | 836,776 | 856,226 |
| 1550105 | Kiosks & stalls | 3,535,000 | 7,247,457 | 7,392,406 | 5,840,001 | 7,332,406 | 7,592,406 |
| 1550000 | Trade Fair | 2,020,000 | 2,060,400 | 2,101,608 | 1,660,270 | - | 6,500,300 |
| 1420404 | Parking Fees | 46,018,822 | 32,388,047 | 33,035,808 | 46,098,288 | 30,035,808 | 48,700,060 |
| 1450100 | Veterinary | 6,565,000 | 4,754,373 | 4,849,460 | 3,831,073 | 3,849,060 | 4,049,460 |
| 1580100 | Health and Sanitation | 83,042,200 | 64,374,313 | 65,661,799 | 151,872,821 | 120,661,799 | 155,231,711 |
| 1420403 | Sewerage and Water | 686,800 | 665,509 | 678,819 | 536,267 | 578,319 | 678,719 |
| 1530000 | Advertising | 4,242,000 | 2,812,446 | 2,868,695 | 2,266,269 | 1,868,695 | 2,168,295 |
| 1530000 | Physical Planning | 2,020,000 | 1,339,260 | 1,366,045 | 1,079,176 | 1,566,045 | 6,866,044 |
| 1530000 | Weights & Measures | 3,030,000 | 2,008,890 | 2,049,068 | 1,618,764 | 1,049,068 | 1,549,168 |
| 1530000 | Tourism and Co-op Development | 1,414,000 | 1,442,280 | 1,471,126 | 1,162,190 | 871,126 | 1,271,226 |
| 1530000 | Hire of Exhauster | 2,222,000 | 1,473,186 | 1,502,650 | 1,187,094 | 902,650 | 1,102,650 |

| CODE | REVENUE ITEMS | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 |
|---|---|---|---|---|---|---|---|
| 1530000 | OTHER FEES | 3,470,242 | 3,539,647 | 3,610,440 | 2,852,248 | 3,010,440 | 3,610,400 |
| **1.2** | **GOVERNMENT FUNDING** | **6,802,400,000** | **6,843,294,705** | **6,394,414,458** | **7,899,732,213** | **6,990,869,041.00** | **7,296,637,585** |
| 1.2.1 | CRF 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 | 6,990,869,041.00 | 7,296,637,585.00 |
| | | | | | | | |
| **1.3** | **Conditional allocations from NG** | **196,712,989** | **202,710,317** | **212,845,833** | | | 100,000,000.00 |
| 1.3.1 | Establishment of the Industrial park | 0 | - | - | | | 100,000,000.00 |
| 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 | Polytechnics | 37,255,000 | 32,793,298 | 34,432,963 | | | |
| **1.4** | **Conditional Allocations from Development partners** | **588,558,655** | **710,841,621** | **596,628,512** | **598,211,166** | | 0 |
| 1.4.1 | DANIDA -HSPS3 | 17,111,250 | 16,031,250 | 16,832,813 | 11,851,125 | | |
| 1.4.2 | KDSP - World Bank | 44,551,044 | 30,000,000 | 31,500,000 | 82,682,844 | | |
| 1.4.3 | W.B - Transforming of Health Systems | 97,229,498 | 46,342,186 | 48,659,295 | 118,895,815 | | |
| 1.4.4 | W B. -National Agricultural and Rural Growth Project | 140,435,163 | 343,929,300 | 361,125,765 | 297,105,136 | | |
| 1.4.5 | Other Loans and grants | - | - | - | 14,000,000 | | |
| 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 | | |
| 1.5.0 | ASDSP | | 16,507,185 | | 23,676,246 | | |
| 1.5.1 | LEASING OF MEDICAL EQUIPMENT | 200,000,000 | 131,914,894 | 138,510,639 | 153,297,872 | | |

## PROPOSED BUDGET CEILINGS FOR FY 2023/2024

| VOTE TITLE | PE Est | Rec Est | Other OP Est | Dev Est | Total Est | % |
|---|---|---|---|---|---|---|
| COUNTY EXECUTIVE | 176,623,969 | 290,500,000 | 4,500,000 | 70,000,000 | 541,623,969 | 6.8 |
| FINANCE AND ECONOMIC PLANNING | 223,444,729 | 217,230,000 | 18,300,000 | 90,000,000 | 558,974,729 | 7.1 |
| ADMINISTRATION, PUBLIC SERVICE AND e-GOVERNMENT | 43,509,063 | 164,280,000 | 65,400,000 | 150,000,000 | 423,189,063 | 5.3 |
| HEALTH AND SANITATION | 2,107,886,349 | 351,433,000 | 15,500,000 | 375,600,000 | 2,855,419,349 | 36.1 |
| AGRICULTURE AND COOPERATIVE DEVELOPMENT | 252,030,130 | 25,070,789 | 5,500,000 | 369,800,000 | 652,400,919 | 8.2 |
| TOURISM, CULTURE AND SOCIAL WELFARE | 41,422,739 | 39,124,970 | 2,000,000 | 44,000,000 | 111,547,709 | 1.4 |
| SPORTS, YOUTH AFFAIRS AND ARTS | 47,266,946 | 74,890,000 | 1,150,600 | 60,000,000 | 183,307,546 | 2.3 |
| EDUCATION AND VOCATIONAL TRAINING | 389,767,216 | 148,330,400 | 1,300,000 | 188,000,000 | 727,397,616 | 9.2 |
| LANDS, ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE | 80,459,526 | 25,670,000 | 3,780,000 | 205,000,000 | 314,909,526 | 4.0 |
| ROADS TRANSPORT AND INFRASTRUCTURE | 83,601,348 | 18,980,400 | 75,000,000 | 314,918,761 | 492,500,509 | 6.2 |
| TRADE, INVESTMENT AND INDUSRIAL DEVELOPMENT | 43,456,955 | 27,000,000 | 2,500,000 | 172,000,000 | 244,956,955 | 3.1 |
| PUBLIC SERVICE AND LABOUR | 35,269,637 | 15,350,000 | 1,500,000 | - | 52,119,637 | 0.7 |
| COUNTY ASSEMBLY | 384,097,589 | 260,500,000 | 9,250,000 | 100,000,000 | 753,847,589 | 9.5 |
| **TOTALS** | **3,918,836,196** | **1,648,359,559** | **205,680,600** | **2,139,318,761** | **7,912,195,116** | **100** |
| **Percentage Allocation** | **49.5** | **20.8** | **2.6** | **27.0** | **100** | |

# CONCLUSION

The set of policies outlined in this CFSP aim at striking a balance between priorities which keep changing and the emerging issues that are broadly in line with the CIDP and the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the national strategic objectives which set a basis for County Government allocation of public resources.

Details of these strategic objectives are contained in the CIDP (2023 – 2027). However, the financial year 2023/2024 is a transition year that shall entail preparation of third generation CIDP,2023-2027. The policies and sector ceilings provided in this document will guide the Departments/Agencies in preparation of the 2023/2024 MTEF budget.

Budgetary resources are usually limited; thus, it is imperative that Departments prioritize their programs within the available resources to ensure that utilization of public funds are in line with County Government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programs.

Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including County Government departments, civil societies, communities, County Assembly and development partners. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable Count