COUNTY GOVERNMENT OF UASIN GISHU

THE COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER
(C-FSP)

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FORWARD

The 2014 County Fiscal Strategy Paper (CFSP) set policy priorities for the County Government over a three year period. The five pillar strategy aimed at transforming Uasin Gishu County economy included: (i) investing in agricultural transformation and food security and creating conducive business environment in order to increase food supply, improve farmers' income, support agro-processing industries and attract investments to the county; (ii) Investing in infrastructure development to reduce cost of doing business and link farmers to markets; (iii) investing in quality and accessible healthcare services in order to have a healthy and productive population; (iv) investing in quality education so as to lay good foundation for children and equip youths with necessary skills to enable them enter the labour market; and (v) Governance and innovation for efficient service delivery to improve efficiency and effectiveness of public service delivery. As a county we have made progress in most sectors outlined in the five pillars resulting to improved economic performance of the county. This translates to increased incomes to the residents and better services.

The 2015 County Fiscal Strategy Paper (CFSP) was prepared against the backdrop of improved performance in all sectors of the county's economy. In order to maintain this momentum, we shall build on the achievements made so far in most sectors of our economy and through the policies set out in this CFSP we will double our efforts in order to address the existing as well as emerging challenges. Specifically, we shall continue to invest heavily in the productive areas of our economy namely infrastructure and agriculture. More resources will be devoted to health and education to develop our human capital. In addition, structural reforms will be pursued to make our county competitive and attractive to investors.

The fiscal policy set out in this paper will support economic activity within a context of sustainable public financing. We will adopt a balanced budget in the FY 2015/16 budget and MTEF. Expenditures will be guided by sector objectives as captured in the County Integrated Development Plan (CIDP). We will institute measures to expand revenue base and eliminate revenue collection leakages through automation, and re-orient spending from non-essential to productive areas.

Therefore the 2015 CFSP reviews progress made in the five thematic strategies spelt out in the 2014 CFSP. In addition, we acknowledge the economic transformative policy adopted in the 2014 as a basis to decisively deal with challenges of poor roads, access to portable water, farming, and access to quality health, among others. Through this policy we shall lay a firm foundation for enhanced economic transformation for shared socio-economic development. As a result, we will accelerate our economy towards a prosperous and attractive county as envisaged in our vision.

MR. SHADRACK SAMBAI
COUNTY EXECUTIVE COMMITTEE MEMBER OF FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

This is the second county fiscal strategy paper to be prepared and presented to the county assembly and under the Public Finance Management Act, 2012, and the devolve system of government. The CFSP outlines the broad strategic objectives of the county government and the fiscal frameworks. It also gives a summary of county government spending plans, as a basis of 2015/16 budget and the Medium Term Expenditure Frameworks (MTEF). The document is expected to enhance public understanding of county public finances management and guide public participation on program and project identification, implementation and sustainability.

The preparation of the CFSP 2015 was a highly participatory and collaborative effort. The information on this report was obtained from the Ministries and other Government Departments and Agencies and the citizens of the county. We are grateful for their inputs. We are grateful to the County Executive Committee Members for their invaluable support and overall leadership and in the process. Much gratitude goes to the Chief Officers of the various ministries for their sector support and guidance.

The preparation of this CFSP was made possible by a special team at the County Treasury. Special gratitude goes to Mr. Shadrack Sambai (CEC member for Finance and Economic Planning) whose leadership and insightful comments made the preparation of this paper possible. I extend special thanks to the technical team that put together this paper. Many thanks to Ms. Millicent Okonjo (head of budget) for her role in facilitating information used to prepare the CFSP. We give special thanks to the technical sub- Committee composed of Mr. Charles Rutto (Economist), Mr. Michael Ndolo (Economist), Mr. Martin Mutai (budget officer), and Mr. Kirwa Lelei Ng'eny (Economist KIPPRA) who put in significant time and sacrifice in preparing the CFSP.

Finally, I would like to thank all members of staff of various Ministries Departments and Agencies for their dedication and commitment to public service.

MR. SIMEON CHEPLEL
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LIST OF TABLES

TABLE OF CONTENTS

I. ENHANCING ECONOMIC TRANSFORMATION FOR SHARED SOCIO-ECONOMIC DEVELOPMENT

Overview

1. The 2015 County Fiscal Strategy Paper (C-FSP) is the Uasin Gishu County's second developed under the current system of devolved government. Public Financial Management Act, 2012 section 117 requires the County Treasury to prepare the County Fiscal Strategy Paper. The section and Regulations 26, 27 and 28 of the Act require that the content of CFSP must be aligned with the national objectives contained in the Budget Policy Statement, and apply fiscal responsibility principles given in section 107 of PFM Act 2012.

2. The CFSP 2015 reaffirms the broad policies and strategic interventions outlined in the CFSP 2014, under the five pillar transformational agenda: (a.) investing in agricultural transformation and food security; (b.) investing in infrastructural development; (c.) investing in quality and accessible healthcare services and quality education; (d.) ensuring conducive business environment; and (e.) governance and innovation for efficient service delivery.

3. The implementation of the policies and strategic interventions under the five pillars is expected to yield to increased productivity and efficiency in the county, thereby accelerating and sustaining growth, creating job opportunities and securing livelihoods of all residents in the county.

4. The CFSP is developed against a backdrop of strong growth prospects and general economic resilience at the national level. Inflation has been contained at single digit, interest rates are trending downwards and exchange rate is broadly stable, public debt remains sustainable and both fiscal and external buffers have been strengthened, despite the downside risks associated with the sluggish global recovery. The resilience built over the year on account of sound macroeconomic management has helped to sustain growth. As a result, the economy rebounded from 0.2 percent in 2008 to 8.4 percent in 2010, before slowing down to 6.1 percent and 4.5 percent in 2011 and 2012 respectively. In 2013, the economy grew by 5.7 percent and is now expected to expand by 5.3 percent in 2014, rising to 6.9 percent in 2015 and 7.0 percent over the medium term.

5. In Sub-Saharan Africa, growth is expected to remain strong, at about 5 percent in 2014 and 5¾ percent in 2015, driven by sustained infrastructure investment, buoyant services sectors, and strong agricultural production, even as oil-related activities provide less support for the oil producers. In a few countries, economic activities are facing headwinds from the recent Ebola outbreak (Guinea, Liberia and Sierra Leon), inappropriate domestic policies (South Africa), and more recently, macroeconomic imbalances (Ghana and Zambia).

6. Global economy experiences uneven and sluggish global recovery. World economic output is expected to strengthen gradually from 3.3 percent growth in 2014 to 3.8 percent in 2015, driven mainly by growth in advanced economies. Although the euro area has exited recession, growth remains anaemic, hampered by high unemployment, large debt stocks, and tight private sector borrowing conditions. Despite deceleration in 2014, growth in emerging markets and developing economies is projected to increase modestly in 2015, supported by stronger domestic demand and some recovery in global demand.

7. Uasin-Gishu County has strong growth potential. This is strengthened by its strategic economic, geographical and social positioning, first as an epicenter for agricultural productivity in Kenya, second as a transit point into western Kenya and Eastern Africa region and third, as a highly cosmopolitan region in which the county government can invest in, build and leverage on the social diversity that it represents. This therefore, requires implementation of policies of inclusion which promote national values for shared growth.

8. The county is regarded as the indisputable athletics epicenter. In the medium term, the CFSP envisages investment in athletics infrastructure and diversification of talents potential to include other sports and arts in order to consolidate and strengthen its position as a sports hub. The county in collaboration with the Central Government intends to build and equip one talent center/academy over the medium term.

9. Uasin Gishu County's economy has largely been driven by agricultural expansion, real estate and inflows from sports, especially athletics, among others. The county expects to accelerate growth of its economy by investing in growth potential sectors notably agriculture, physical infrastructure, and healthcare provision.

10. The county has road network of 309.6 Km of Bitumen, 549 Km of murram and 377.2 Km of earth surface. It has a railway line passing through it, and an international airport. There is also an inland container depot. This makes the county the region's transport and service hub.

11. The county has a branch of Central Bank and several other financial institutions, which position ensures financial deepening and growth. Manufacturing is still limited but with great potential. Manufacturing industries operating in the county include: Rivatex; Ken knit; Raiply; Coca Cola Bottlers; and Unga Group Millers, among others. Manufacturing is essential towards moving agriculture up the value chain through value addition. It is through value addition in agriculture that the county will be able to diversify and grow its exports, at the same time ensuring growth and creating employment.

12. The county has fairly well developed educational facilities. There are two public universities, Moi University and University of Eldoret, campuses of several other public and private universities, and tertiary institutions (Eldoret Polytechnic, Rift Valley Technical

Training Institute, among others). These educational institutions facilitate development process of the county by developing human resources capacity and research.

13. The county is characterized by arable and fertile land and favourable weather necessary to support agricultural production The County has 85,525 hectares under food crops, 40,786.2 hectares on cash crops, and 62 hectares under horticulture. A total of 29,801.92 hectares is under forest cover (gazetted forest).

14. However, growth potential of the county is only set to be realized if inherent challenges are addressed. The county is vulnerable to external and internal shocks that are experienced at the national level, particularly relating to drought and other weather-related shocks, and the frequency of their occurrence, given the prevalence of rain-fed agriculture and high dependency on hydro-power generation. Drought experienced across Kenya has always led to high power cost with the resultant increased cost of production. Erratic rainfall experienced recently also affected agricultural production.

15. Kenya's opportunity lies in its well integration with the world economy so that as global prospects improve, the positive developments are likely to have positive impact on our economy. However, the growing integration to global markets, while creating new financing opportunities, exposes the economy to more vulnerability, especially due to changes in global risk sentiments. The county is also expected to be exposed to these vulnerabilities.

16. Productivity in the agricultural and manufacturing sectors in the county has significantly declined due to inadequate investment and inappropriate incentive structure. These challenges have been compounded by poor conditions of transport and logistics, limiting and high cost of power and non-conducive business climate, including insecurity. The emerging high and unsustainable recurrent expenditure, weak budget execution and fiscal related challenges are also likely to constrain the county from achieving its full potential and be a limiting factor to the economic transformation agenda in the medium term.

17. With the priority economic policies, structural reforms and sector-specific expenditure programs under this CFSP 2015, the County Government is determined to address these challenges, bolster resilience to shock and foster sustained growth. This County Fiscal Strategy Paper therefore, articulates priority economic policies and structural reforms as well as sector-specific expenditure programs to be implemented under the Medium Term Expenditure Framework for the FY periods of 2015/2016-2017/2018 in order to achieve the County Government's goal of ***Enhancing Economic Transformation for Shared Socio-Economic Development.***

Pillar 1: Creating a Conducive Business Environment for Employment Creation

18. In the 2014 CFSP the objective of Pillar 1 is to create conducive environment through deepening structural and governance reforms and collaboration with national government

to improve security in order to encourage innovation, investment, growth and expansion of economic and employment opportunities in the county. It further stated the ease of setting up business through simplifying issuance of licenses and establishment of one-stop shop for issuance of all the necessary licenses and permits, and registration.

<u>Structural Reforms to Facilitate Business</u>

19. Structural reforms are essential in improving efficiency and increasing productivity which is needed to accelerate and sustain high inclusive growth. A number of structural reforms were initiated in the first year of 2014 CFSP with the aim of creating conducive environment for doing business and improving efficiency and effectiveness of public service delivery to facilitate private sector growth.

20. Governance – the county has made progress to entrench good governance and zero-tolerance to corruption. As such, efforts have been made by the county government towards sensitizing staff on corruption prevention and deployment of an integrity officer to help curb the vice. In 2015, the county will develop and make operational a framework allowing residents to report corruption cases.

21. Cost of doing business – reducing the cost of doing business and encouraging private sector participation in entrepreneurship is important for a strong and sustained growth and poverty reduction. Initiated reforms by County Government on licensing, issuance of permits and registration/starting of business will remain the focus for 2015. In addition, the County Government through the Ministry responsible for trade will seek ways to make the county attractive to investors, including making credit accessible and organizing investment forums.

22. Expenditure management – 2014 CFSP puts emphasis on efficiency on service delivery. More needed to be done to improve efficiency and effectiveness in public resource utilization and budget execution to facilitate economic transformation. The strategy will be to fully embrace use of Integrated Financial Management Information System (IFMIS) in all financial transactions including e-procurement; adopt Program Based Budgeting in budgeting process; build capacity of staff on public finance management.

23. Revenue reforms – progress been made to broaden revenue base and improve local revenue collection. However, sustenance of this performance will be pegged on full operationalization of the county's Finance Act 2014. Going forward, the county government will institute measures to further expand revenue base and eliminate revenue collection leakages. Specifically, the strategic focus will be on:
    - Review of the valuation roll
    - Automation of revenue collection
    - Minimization of cash handling through direct bankings
    - Use of technological innovations such as Mpesa to make revenue collections in satellite collection points

- Rapid Results Initiative (RRI) for revenue collection.

24. As outlined in 2014 CFSP, enhancement of security in collaboration with the national government is key for investments in the county. While acknowledging recent security challenges and building on the ongoing security reforms, the County Government will support national government efforts on security to secure the county.

Pillar II: Agricultural Transformation and Food Security

25. Agriculture is the main stay of the county with majority of the population dependent on agriculture. Therefore increasing agricultural productivity in the county would translate into increased incomes for farmers. With improved incomes farmers will be encouraged to produce more; and increased food supply will reduce food related prices and bring down the cost of living.

26. As outlined in the 2014 CFSP, the county over this period made substantial progress towards improving agricultural productivity through research and extension services, soil testing and wide application of appropriate technology and mechanization of agriculture to achieve the highest level of production. In addition, the county renovated slaughter houses across the county; and development of a hatchery in collaboration with University of Eldoret ongoing. It also focused on establishing markets for farmers' produce.

27. To further unlock agricultural productivity among smallholder and livestock farmers as well as commercial farmers in the county, the strategy for 2015/16 will be investments in: research and extension services; post harvest management by constructing cereal stores, refrigerated stores for horticulture and air rated stores for potatoes; value addition through establishment of agro-processing plants; securing of markets for farmers; soil management; wide application of appropriate technology and mechanization to achieve the highest level of production ; formation and strengthening of farmer cooperative societies to enable them reach economies of scale. In addition, the county will provide transportation of fertilizer to the nearest centres for ease of access by farmers.

28. To tap the huge potential the county has in livestock, dairy and poultry farming, the strategy entails value addition by installing milk cooling plants; developing bulking points; constructing milk processing plant; and renovating slaughter houses. In addition, AI services and embryo transfer technology will be promoted. Further, extension services will be up scaled.

29. To build on achievements made in fish farming, the County Government will seek to enhance farmers support through extension services and better farming methods by constructing demonstration pond, and providing pond liners and fishing gears; secure markets for fish products by establishing Aqua shops in all the sub counties.

30. Similarly, to utilize Eldoret International Airport for export of horticulture and flowers, amongst other produce, the County Government in collaboration with other stakeholders will seek ways to develop cold storage facilities at the airport to handle horticulture.

Pillar III: Investing in Infrastructure Development

31. To support sustained agricultural transformation and, encourage expansion of commerce, grow export of goods and services and expand economic opportunity for employment, modern infrastructure is key. Investment in infrastructure will reduce cost of doing business; enhancing competitiveness; transforming the county into a regional hub; and achieve the twin objective of food security and market linkage. The progress so far is; 876km of Roads were graded, 77km graveled and 10km of new roads opened. Kimathi Street approx. 1.85 km rehabilitated. Eight (8) bridges and one box culvert commissioned and others underway. 5 Km Upgraded to bitumen standard.

32. This will be achieved through roads infrastructure development, management and maintenance, upgrading existing roads from earth to bitumen, road grading and gravelling of county roads, construction of bridges and culverts, construction of street lights and construction of a fire station. This is expected to reduce the cost of doing business and therefore enhance high returns and reduce poverty in the county. Street lighting will improve security and facilitate the 24-hour economy envisaged by the county government.

33. The county intends to improve water and natural resources development through dam construction and desilting, solid waste management, public and community water projects, school greening programme and sustainable exploitation of natural resources. This will enhance access to water serves and environmental protection. The county also intends to conserve water catchment areas by protecting water sheds and water bodies. The progress so far is; Kipkabus Water Project rehabilitated; upgrading and maintenance of water supplies (Turbo and Burnt forest); improved solid waste management; and procuring and planting 240,000 tree seedlings in public schools (the greening project). Safe drinking water and sanitation also complemented efforts towards improved primary health care and productivity of labour force. Further, the county is in the process of expanding access to clean and portable water in the whole county and targeting rural areas.

34. ICT development in the county will provide a conducive environment for a Knowledge Based Economy. This will be achieved through: Automation of revenue collection and management (cashless operations, online HR management); Development of a program for empowering youth using ICT platform for participating in e-agriculture, e-revenue and e-tendering; Creation of county spatial development platform; and enhancing access of public services through ICT by members of the public.

Pillar IV: Access to Quality Social Services

35. As stated in 2014 CFSP, a healthy and educated population is essential for higher productivity and sustained long term development of the county. This strategy is to ensure

all residents are healthy, educated and equipped with necessary skills, and that they are able to meaningfully participate in the development of the county.

Building a Healthier County

36. Much progress has been made over the recent past to improve access to quality and affordable healthcare services across the county. Three health centres (Moiben, Burnt Forest and Turbo) are being upgraded while all health facilities across the county are being renovated in the current period. In addition, an acquisition of four ambulances by the county is ongoing.

37. Going forward, the County Government strategy on health care will continue to focus on expansion and equipping of all health facilities, and stocking of all health facilities with requisite drugs. We will also collaborate with the national government and other development partners to train healthcare workers so as to equip them with necessary skills for provision of quality health care services. The county government is also geared towards improving the community functional units.

Towards Quality Education for all residents

38. As outlined in the 2014 CFSP, the strategy was to develop and expand ECDE centres across the county; build capacity of ECDE teachers and equip youths with necessary skills to enable them participate in the labour market. Tremendous progress has been achieved over the period in realizing these strategies. 90 ECDE centres are currently under construction for the 2013/14 period while an additional 90 are to be build under the current period. Ksh.90M was disbursed as bursary to needy students in the county. Similarly, Ksh.60M for TIVET programme has been disbursed over the period. In addition, 8 youth polytechnics have been renovated and equipped within the same period.

39. In 2015/16 period, the county will retain the same strategy by focusing on development and expansion of ECDE infrastructure across the county; investment in capacity building of ECDE teachers; equip the youths with skills necessary to enable them enter the labour market through renovation/construction and equipping of Youth Polytechnics and the TIVET programme.

Pillar V: Governance and Innovation for Better Service Delivery

40. Uasin Gishu County continues to receive its shareable and enhanced revenue. This is a clear indication that that devolution is achieving its 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 achieved with prudent fiscal discipline, accountability, and transparency in the use of devolved resources coupled with stable macroeconomic environment. The county will develop joint work plans and approval mechanisms with other devolved funds such as CDF, rural electrification, KeRRA, KURA, among others to avoid duplication and wastage of resources.

41. The county intends to establish liaison office to be domiciled in the governor's office. The office will manage intergovernmental and external relations including diaspora who contribute substantially to the development in the county through inflows. The office will also be tasked with branding and marketing the county to woo potential investors, tourists, and development partners.

42. The county intends to devolve services further to the sub county and ward level. This will be achieved through construction of offices in all the sub-counties, and further facilitating them with vehicles to ease coordination of service delivery. Further, the county will create village administrative units.

43. The county will also institute governance and structural reforms aimed at improving efficiency and effectiveness of public service delivery. Staff rationalization is ongoing to establish optimal staffing levels. There will also be automation of human resource management (staff records). The county will enhance communication among if staff.

Outline of the 2015 Budget Policy Statement

Recent Economic Developments and Policy Outlook

44. Section II outlines the economic context in which the 2015/16 MTEF budget is prepared. It provides an overview of the recent economic developments and the macroeconomic outlook covering the global and national scene.

Fiscal Policy and Budget Framework

45. Section III outlines the fiscal framework that is supportive of growth over the medium-term, while continuing to provide adequate resources to facilitate the transformation of the county as envisaged in the CIDP.

Medium-Term Expenditure Framework

46. Section IV presents the resource envelope and spending priorities for the proposed 2015/16 MTEF Budget and the Medium Term. Sector achievements and priorities are also reviewed for the 2015/16 MTEF period.

Conclusion

47. Section V concludes by highlighting salient features of the policy document.

II. RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

Overview of Recent Economic Performance

48. The Kenya National Bureau of Statistics (KNBS) completed the process of rebasing and revising of the National Accounts Statistics (NAS) in September 2014, with the rebased GDP estimates in nominal terms for 2013 being Ksh 4,757.5 billion representing 25.3 percent increase from the previous estimates. This translates to US$ 1,269 in GDP per capita in 2013 up from US$ 994 in 2013, positioning Kenya at lower middle income economy. Kenya's economy is now ranked as the 9th largest in Africa and 4th largest in SSA.

49. This CFSP is prepared at a time the national economy is growing. The economy grew by 5.7 percent in 2013, up from 4.5 percent growth in 2012. This growth was supported by improved activities in agriculture, forestry and fishing (5.1 percent), manufacturing (5.9 percent), wholesale and retail trade (9.2 percent), financial and insurance activities (9.3 percent) and information and communication (13.5 percent). In the first three quarters of 2014 the economy expanded by 5.2 percent on average compared with 6.6 percent in the same period in 2013. The fourth quarter growth and growth of 2014 are projected to be 5.5 percent and 5.3 percent respectively.

50. The economy is estimated to have expanded by 5.5 percent in the third quarter of 2014 compared to a revised estimate of 6.2 percent in the same period of 2013. The growth was mainly supported by robust growths in construction (11.0 percent), finance and insurance (9.9 percent), wholesale and retail trade (7.2 percent); information and communication (6.6 per cent); and agriculture and forestry (6.2 per cent). All the sectors of the economy recorded positive growths except accommodation and food services (hotels and restaurants) which have consistently been on the decline since last year.

51. The national growth outlook is promising due to continued implementation of bold economic policies and structural reforms as well as sound economic management. The economy is projected to grow by 5.3, percent 6.9 percent and 7.0 percent in 2014, 2015 and over the medium term. This level of growth will be underpinned by the continued good performance in agriculture, forestry and fishing, manufacturing, real estate, wholesale and retail trade, financial and insurance activities and information and communication.

52. Growth in broad money supply, M3, increased to 17.3 percent in the year to November 2014 from a growth of 12.2 percent in the year to November 2013. The improvement in M3 was attributed to an increased growth in both the net foreign assets (NFA) and the net domestic assets (NDA) of the banking system.

53. Growth of the NDA of the banking system increased to 17.7 percent in the year to November 2014 from a growth of 16.1 percent over a similar period in 2013. The improved growth in NDA in 2014 was due to the increase in both the domestic credit and other assets net of the banking system.

54. Annual growth of the NFA of the banking system increased by 15.4 percent in the year to November 2014 from a contraction in growth of 2.0 percent over a similar period in 2013 mainly due to the improvement in the official foreign assets of the Central Bank by Ksh 107.3 billion that more than offset the decline in the foreign assets of the banking institutions.

55. Net credit to Government contracted by 38.0 percent in the year to November 2014 compared with a growth of 10.3 percent in a corresponding period in 2013. Bank credit to the private sector amounted to Ksh 1,857.3 billion in November 2014 from 1,519.3 billion in November 2013, representing an increased growth of 22.2 percent in November 2014 from 20.0 percent growth in the same period in 2013. The private sector credit flow was mainly to productive sectors though a pick up is also noted in sectors with consumption bias such as private households.

56. Overall month on month inflation declined further to 6.0 percent in December 2014 from 6.1 percent in November 2014 and 6.4 percent in October 2014. On average, the annual inflation rate was 6.9 percent in December 2014 compared to 5.7 percent in December 2013.

57. The decline in overall inflation in December 2014 was largely attributed to lower fuel inflation. Fuel inflation eased from 6.4 percent in November 2014 to 6.0 percent in December 2014 reflecting a fall in the retail price of kerosene, diesel and petrol. Non-food non-fuel inflation also eased from 3.8 percent in November 2014 to 3.7 percent in December 2014.

58. Food inflation however, rose from 7.4 percent in November 2014 to 7.5 percent in December 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which rose from 7.5 percent in November 2014 to 7.7 percent in December 2014.

59. The Central Bank Rate remained at 8.5 percent in December 2014 and the short term interest rates oscillated around the CBR. The average interbank rate averaged 6.9 percent in December and November 2014 from 6.8 percent in October 2014.

60. The 91-day Treasury bill rate declined to 8.6 percent in December 2014 from 8.7 percent in November 2014 and 8.7 percent in October 2014. The 182 day Treasury bill increased to 9.6 percent in December 2014 from 9.2 percent in November 2014 and 8.9 percent in October 2014 while the 364 day Treasury bill rate averaged at 10.5 percent in December and November 2014 from 10.3 percent in October 2014.

61. The Kenya Bank's Reference Rate (KBRR) remained at 9.13 percent. Commercial banks average lending declined to 15.9 percent in November 2014 compared with 17.0 percent in November 2013 while the deposit rate increased to 6.7 percent from 6.6 percent over the same period. This narrowed interest rate spread from 10.3 percent in November 2013 to 9.2 percent in November 2014 reflecting mainly a decline in the lending rate.

62. Overall balance of payments position recorded a surplus of US$ 1,507 million in the year to October 2014 from a surplus of US$ 607 million in the year to October 2013. The improved surplus reflected an increase in the capital and financial account that more than offset the increasing deficit in the current account.

63. The current account deficit increased by 7.6 percent to US$ 5,422 million in the year to October 2014 from US$ 5,041 million in the year to October 2013. As a share to GDP, current account deficit amounted to 9.8 percent from 10.0 percent over the same period. This was largely attributed to the widening of the merchandise account by US$ 980 million to US$ 12,272 million in the year to October 2014 that more than offset the improvement in the value of service account by 9.6 percent. The widening of the merchandise account was as a result of the increasing imports as the exports remained fairly stable.

64. The surplus in the capital and financial account improved to US$ 6,929 million in the year to October 2014 from US$ 5,647 million in the year to October 2013. The improved surplus was recorded in both the financial account and the Capital account. The financial account increased by US$ 1,223.7 million in October 2014 following increased short term flows including errors and omissions in recorded transactions, and a drawdown on commercial banks deposits held abroad.

65. The gross foreign exchange holdings of the banking system increased by 19.6 percent from US$ 7,859 million in October 2013 to US$ 9,400 million in October 2014. Gross Official reserves held by the Central Bank increased to US$ 7,839 million (5.06 months of import cover) in October 2014, an improvement from US$ 6,263 million (4.32 months of import cover) in October 2013 due to purchases from the interbank money market and receipt of proceeds from the sovereign bond issuance.

66. The Kenya Shilling exchange rate demonstrated mixed performance against major international currencies. The currency depreciated against the US dollar to Ksh 90.5 in December 2014 from Ksh 90.0 in November 2014 and Ksh 89.2 in October 2014.

67. Against the sterling pound, the shilling appreciated to Ksh 141.4 in December 2014 from Ksh 142.0 in November 2014 and Ksh 143.7 in October 2014 and against the Euro it appreciated to Ksh 111.5 in December 2014 from Ksh 112.3 in November 2014 and Ksh 113.2 in October 2014. Diaspora remittances, increased foreign investor participation in the NSE and enhanced confidence following successful issuance of the sovereign bond continues to support the Kenya shilling exchange.

68. Activity in the stock market remained vibrant in the year to December 2014. The NSE 20 share index improved to 5,113 points in December 2014 from 4,927 points in December 2013, representing an increase of 3.8 percent. Market capitalization that measures shareholders' wealth improved from Ksh 1,901 billion in December 2013 to Ksh 2,300 billion in December 2014 representing an increase of 21.0 percent.

69. Equity Market turnover for the month of December 2014 stood at Ksh 28.6 billion from Ksh 17.1 billion in November 2014 representing a 67.3 percent increase. December 2014 bond turnover stood at Ksh 40.7 billion, 22.6 percent lower than the Ksh 52.6 billion recorded in November 2014.

Impact of National Macroeconomic Variables on County Development

70. The broad national parameters outlined have implications on the development process of the county. The prevailing macroeconomic stability in the country is necessary to create conducive environment for private sector investments as a basis for sustained economic growth, and ultimately, expanded economic opportunities and poverty reduction in the county.

71. The growth of the size of the economy releases resources for development activities in the county. The County Government has been able to receive enhanced portion of the shareable revenue from the National Government, thus enabling increased allocations to the various development programs. This will be enhanced by the new formula for determining revenue allocation to counties, specifically the wage bill and development factor.

72. The contraction of credit to the National Government coupled with the general reduction of interest rate implies that more credit is available to the private sector for growth and development at reduced cost. This has a bearing on job creation and growth of the county. In addition, easing of inflation rates due to falling of oil prices is expected to reduce the cost farm inputs and other food-related commodities, hence resulting in reduction in cost of living, increased agricultural productivity and poverty reduction.

Update on Fiscal Performance and Emerging Challenges

73. Preparation of the CFSP takes into account consequential assumptions underlying its fiscal strategy both in the short and medium term. Consequently, the fiscal framework is anchored on the following assumptions: strong local revenue collection; the county's equal share from the National Treasury; a commitment to sound expenditure controls; and a commitment to maintaining sound balance between development and recurrent spending. Equally underscored is the need to eliminate non-essential expenditures, inefficient spending and leakages.

74. Public expenditure productivity in the county will be critical in fiscal adjustment and sustainability in the face of limited resources. Besides focusing on revenue side, the county strategy will train itself on increasing productivity as a viable alternative to reducing deficits, particularly in the future.

75. The 2014/2015 total expenditures were budgeted at Kshs. 7,119,862,504. Out of this amount Kshs. 3,704,117,338 was allocated for recurrent expenditure and Kshs. 3,415,745,166 for development expenditure. Revenue sources to finance this budget were Kshs. 4,419,574,966 from the county's equal share of National Transfer, Kshs. 1,193,041,710 from local revenue collection, Kshs. 1,491,948,909 unspent at closing of FY 30th June 2014 and grants of Kshs. 14,940,000 and Kshs. 29,824,140 from DANIDA World Bank respectively.

Implementation Progress and Emerging Fiscal Challenges

<u>Revenue Collection</u>

76. Revenue collection for the first half of FY 2014/2015 (Jul-Dec 2014) amounted to Kshs. 376,743,078.60 against a target of Kshs. 455,174,925.00. The shortfall of Kshs. 78,431,846.40 (17 percent) was largely attributed to not having in place surveillance team. Despite local revenue collection registering a shortfall, it grew by 118 percent compared to the same period in the previous financial year (2013/2014).

<u>Expenditure performance</u>

77. County Government expenditure during the first half of the financial year amounted to Kshs. 1,787,632,424. Out of this amount, recurrent expenditure took Kshs. 1,300,068,117 while development expenditure amounted to Kshs. 487,564,307. This expenditure was a shortfall of 58 percent of the expected expenditure in the same period. This shortfall was occasioned by irregular and delays in disbursement from National Treasury as well as procurement challenges.

<u>Revised Estimates</u>

78. However, after passing supplementary appropriation, the expenditures were projected to be Kshs. 7,259,814,568.00, with Kshs. 3,789,205,262.00 going to recurrent expenditure and Kshs. 3,470,609,306.00 to development expenditure. This figure was revised upwards because the National Treasury transfer allocation to the county was raised by CARA to Kshs. 4,529,662,890 from the initially budgeted figure of Kshs. 4,419,574,966.

Table 2.1: Revised Budget

Vote Head	Previous	Revised
Recurrent	3,704,117,338.00	3,789,205,262.00
Development	3,415,745,166.00	3,470,609,306.00
Totals	7,119,862,504.00	7,259,814,568.00

Credit Facilities and grants

79. In the current financial year there are undertakings by DANIDA and World Bank to provide grants of Kshs. 14,940,000 and Kshs. 29,824,140 respectively which been factored in the budget. Mobilization of resources to support county development programs for enhanced growth and development is a County Government commitment. Therefore, the county government, in its medium term resource envelope strategy, intends to increase revenue inflows from external sources to at least 10 percent of gross county government allocation on development spending. The inflows will be channeled to the productive priority sectors with greater reach and impact to the residence of Uasin Gishu County.

Economic Policy and Outlook

National Growth Prospects

80. The national macroeconomic forecasts are cautious considering the mixed performance of global growth and SSA growth and the continued downside risks for emerging market economies. Real GDP is therefore projected to expand by 5.3 percent in 2014 from an earlier forecast of 5.8 percent, 6.9 percent in 2015 and 7.0 percent in 2018. In terms of fiscal years, the projections translate to 5.5 percent in 2013/14, 6.1 percent in 2014/15, 7.0 percent in 2015/16 and 7.3 percent in 2018/19. The economic growth outlook is underpinned by continued good performance across all sectors of the economy. The projected growth assumes normal weather pattern in 2015 and the medium term. Inflation is expected to be maintained at a single digit level and near the 5 percent target reflecting implementation of a prudent monetary policy and easing of both food and oil prices, and stability of the shilling exchange rate to the major international currencies

81. This level of growth will be supported by increased production in agriculture following the interventions being put to revamp the sector together, continued investment in infrastructure projects, expansion of activities in other sectors of the economy such as building and construction, manufacturing, retail and wholesale and financial intermediation, among others. The growth will also benefit from increased investments and domestic demand, following investor confidence and the on-going initiatives to deepen regional integration.

82. As the issues suppressing growth are being addressed, the growth is expected to accelerate in the outer years. These issues include: infrastructure development; removal of obstacles that includes cost of energy by increased geothermal generation; successful integration; financing access; opportunities for the SMEs; and the development of the oil and gas sector.

83. The national policies identified in BPS 2014 and reaffirmed in BPS 2015 will accelerate the pace of economic growth and enable the country achieve the growth rates envisaged in the Vision 2030. Further, resources from the extractive industry especially mining and oil will enhance economic growth once full scale exploitation of these resources commence. It is expected therefore that economic growth by 2018 will be relatively higher than the current estimates due to the impact from this sector as well as the Standard Gauge Railway.

The County's Economic Policy Outlook

84. The CFSP 2015 is prepared against the backdrop of positive growth prospects for the country. The national growth outlook is underpinned by maintained inflation at single digit (nearing 5 percent) and stability of shilling exchange rate. This growth will be supported by increased agricultural production, investment in infrastructure, expansion of activities in building and construction, manufacturing, retail and wholesale and financial intermediation. It will also be supported by increased investment and domestic demand, following investor confidence and the on-going initiatives to deepen regional integration.

85. The underlying economic outlooks at global, regional and national level may bode well for the county's development yet others may stifle policy and strategic objectives. However, the national outlook as it is portends well for the county's development process, and therefore requires the county to develop adequate and accurate economic policies as a response to the outlook.

86. The county government is committed, in the medium term, to implementing policies as set out in the CIDP and which have been elaborated in this CFSP. The focus will be to increase investment in infrastructure as a basis for enhanced growth and development in the county. Infrastructure expansion is expected to enhance efficiency, hence expansion of commerce, enhanced productivity and competitiveness in the private sector activities.

87. Policy focus is also on transformation of agriculture with the intention of increasing productivity and commercializing agriculture, with value addition as a component. Infrastructure development will support sustained agricultural transformation and, encourage and expand economic opportunity for employment.

88. Key sectoral growth is predictably high in the medium term. Injecting capital spending in agriculture through upgrading of roads is expected to simulate investment in agricultural value addition and quicker access to markets. With sound budgetary management, growth in agriculture, value addition industry, trade, and infrastructure is expected to be enhanced.

89. The county government will focus on increased revenue inflows and shift focus to public expenditure productivity that will form a viable alternative to reducing deficits. These inflows include increased investment spending by private sector players in agriculture and real estate. Increasing efficiency will involve exploring new competitive sources of private

finance including PPP arrangements. In the medium term, it is also expected that revenue inflows in form grants from external sources will be mobilized to support policy implementation across sectors.

Risks to the Outlook

90. Outlook of the proposed budget (2015/2016 will be constrained by certain risks both in the short and medium term. Geopolitical uncertainty on the international oil market will slow down the manufacturing sector in the county. Weather related risk including erratic rainfall is likely to interfere with agricultural production, given that the county is agriculture based. In the medium term, systemic risks such as high fuel prices, high food prices and inflation will pose a major challenge to growth as it will constrain consumption and productivity. Other risks include weak transport and logistics, security, and devolution challenges.

91. Fiscal pressure is likely to felt emanating from recurrent expenditure, especially the wage bill inherited from defunct local authorities and from the huge number of devolved staff. This pressure is likely to be compounded by the inadequacy of technical staff which the government is anticipating to address by recruiting additional staff.

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III. FISCAL POLICY AND BUDGET FRAMEWORK

92. The County's 2015 Medium Term Fiscal Policy aims at supporting inclusive growth with the objective of transforming the county into an attractive and prosperous county as envisaged in its vision. Specifically, the Fiscal policy underpinning the FY 2015/16 Budget and MTEF does not envisage any deficit spending. Specifically:
    - Over the medium term, a minimum of 30 percent of the county budget shall be allocated to development expenditure. The County Government is committed to a reduction in the recurrent expenditure to devote more resources to development;
    - The county Government expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
    - Over the medium term, the government borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
    - The fiscal risks shall be managed prudently.

Continuing with Prudent Fiscal Policy

93. Fiscal policy will continue to support economic activity within a context of sustainable public financing. The county has continued to re-orient expenditure towards priority development programmes in infrastructure, education, health and agriculture.

Table 3.1: county government fiscal projections, FY 2013/2014-2017/2018 (Kshs. Millions)

Financial Year	2013/14		2014/15	2015/16	2016/17	2017/18
	Proj.	*Act.*	Rev Budget	*Proj.*	*Proj.*	*Proj.*
Bal B/F			1,491			
Revenue and Grants	4,628	4,462	7,259	6,465	7112	7823
Revenue	4,628	4,462	7,259	6,465	7112	7823
Local Revenue	831	665	1,192	1,310	1441	1585
National Transfers	3,797	3,510	4,529	5,155	5,671	6,238
Grants			14.9[1]			
			29.8[2]			
Expenditure	4,628	2,732	7,259	6,465	7112	7823
Recurrent	2,928	2,528	3,819	4,349	4784	5263
% of Total allocation	57.3	86	52.6	67	67	67
Development	1,624	203.7	3,440	2,116	2328	2560
% of Total allocation	36.8	12.5	47.3	33	33	33

Source: UG County Treasury

[1] DANIDA grant
[2] World Bank grant

Fiscal Responsibility Principles

94. In line with the Constitution, the new Public Finance Management (PFM) Act, 2012, and in keeping with the prudence and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles as set out in the statutes as follows:

a. <u>Over the medium term, a minimum of 30% of the County Budget shall be allocated to development expenditure</u>

95. The development budget allocation over the medium term is above 30 percent, the minimum set out in law. In FY 2013/14 the County Government allocated 36.8 percent to development. However as shown in Table 3.2, the preliminary outcome indicates that actual spending in capital projects stood at 7.5 percent of total County Government expenditure due to slow pace of work plan execution by county ministries and departments. Over the medium term development expenditure is projected to expand to 47.3 percent in FY 2014/15 as shown in table 3.1 attributed to unspent development funds brought forward from FY 2013/14 and around 33 percent in FY 2017/18.

Table 3.2: Revenues and Expenditures (Kshs. Millions)

Financial Year	2013/14 *Act.*	2014/15	2015/16	2016/17	2017/18
1.0 Total Expenditures	4,462	5,508	6,465	7,112	7,823
1.1 Total County Govt. Expenses	4,462	5,508	6,465	7,112	7,823
Total Ministerial Recurrent	1,488	1,145	1,790	1969	2166
Personnel Emolument	1,629	2,643	2,559	2,815	3096
As % of CG Revenues	36.5	48	39.5	39.5	39.5
Development	203.7	1,967	2,116	2328	2560
As % of CG Expenditures	7.5	36	32.7	32.7	32.7
2.0 Total Revenue	4,462	5,508	6,465	7,112	7,823

Source: UG County Treasury

b. <u>The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly</u>

96. Wages and benefits shall be at 39.5 percent in 2015/2016 and is projected to remain at the same level over the medium term. Table 3.2 shows personnel emoluments (PE) declining from Kshs. 2,643 Million in 2014/2015 to Kshs. 2,559 Million in 2015/2016. This overstatement of PE is explained by transition challenges where the county government had not established its payroll; there were challenges determining the payroll.

c. Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure

97. Any borrowing by the County Government will be channeled to development expenditure only and not to recurrent expenditure. Borrowing framework at National and Sub-national has been adopted by IBEC and to be forwarded to Parliament. Borrowing will be in line with the Constitution of Kenya, Public Finance Management Act 2012 and the borrowing framework. Over the medium term, the County Government anticipates no borrowing unless it is due to unforeseen budgetary needs.

d. The fiscal risks shall be managed prudently

98. The County Government takes into account fiscal risks associated with challenges in revenue performance and pressure on wage expenditures. Further, each year a Contingency provision not exceeding 2 percent of total county government revenue of the previous year's audited financial statements is factored in the budget to cater for emergent and unforeseen expenditures.

Fiscal Structural Reforms

99. The County's Fiscal Policy for the FY 2015/16 Budget and MTEF aims at increasing revenues by 10 percent each year over the medium term and containing growth of total expenditure. Further, the policy aims at shifting more public resources from recurrent to capital investment so as to promote sustainable and inclusive growth. The fiscal policy will undertake reforms on the following areas:
   a. Enhancing revenue collection – the county government will institute measures to further expand revenue base and eliminate revenue collection leakages. Revenue administration capacity will be strengthened through organizational and modernization reforms. Automation of revenue will remain a priority in order to enhance revenue collection.
   b. Expenditure will be guided by sector objectives as captured in the CIDP. Expenditure cuts will be targeted on non-productive areas.
   c. County Government will fully embrace use of Integrated Financial Management Information System (IFMIS) in all financial transactions including e-procurement.

100. Ongoing revenue efforts will seek to simplify and modernize compliance in revenue collection and is expected to yield more revenue when completed. More specifically, the revenue strategy for 2015/16 and over the medium term will focus on:
   - Review of the valuation roll;
   - Automation of revenue collection;
   - Minimization of cash handling through direct banking;
   - Use of IT platforms such as M-pesa to collect revenue in satellite collection points;
   - Implementation of Rapid Results Initiative (RRI) for revenue collection;
   - Strengthening enforcement in revenue collection.

101. On the expenditure front, the county government will eliminate non-essential expenditures, inefficient spending and wastages. In addition, introduction of e-procurement through IFMIS and adoption of the same by the county government will improve transparency, accountability and prudent use of public resources as well as absorption capacity in development projects.

2015/16 Budget Framework

102. The fiscal framework for FY 2015/16 and over the medium term is set based on macro-fiscal framework set out above. The overall budget is expected to increase by 10 percent in FY 2015/16 underpinned by improved performance in all sectors of the economy.

Revenue Projections

103. The FY 2015/16 budget targets total revenue of KES. 6,465 Million (Local Revenue KES. 1,310 Million; National Transfer KES. 5,155 Million). However, realization of this performance will be pegged on Operationalization of the county's Finance Act 2014 and ongoing efforts to increase allocations to the counties. The county government is also expected to institute measures to expand revenue base and eliminate revenue collection leakages. In addition, AIA from devolved functions and the automation of revenue collection is expected to enhance the revenue yield.

Expenditure Forecasts

104. The key policy document guiding the Government funding allocation decisions is the CIDP and the county's administration strategic interventions. In FY 2015/2016, overall expenditure is projected at KES. 6,465 Million, a decline of 15 percent from the FY 2014/2015, largely attributed to balance brought forward on development vote from FY 2013/2014 (Kshs. 1,491 million). In addition, the wage bill for the County Government in FY 2015/16 is projected at 39.5 percent of the total revenue.

105. FY 2015/16 expenditure ceilings on goods and services for county's MDAs reflect the County Government's policy priorities as captured in the CIDP. It takes cognizance of spending levels of current programmes; levels of own revenue; each sector growth potential; county leadership aspirations, among other considerations.

Overall Budget Financing

106. The county government will adopt a balanced budget for FY 2015/16 as a yearly operating and capital plan. The general policy therefore is to pay for all recurring expenditures with recurring revenues and use non-recurring revenues for non-recurring expenditures. If a deficit seems forthcoming, the government will reduce appropriations or increase revenues.

Summary

107. As outlined in this CFSP, the fiscal policy aims at improving revenue efforts as well as containing total expenditures. This will be achieved through efforts aimed at enhancing resource mobilization, improving efficiency in government expenditure and reducing wastage . The created fiscal space will avail resources to scale up investments in the county's priority areas of infrastructure, health and education as captured in the CIDP.

IV. MEDIUM TERM EXPENDITURE FRAMEWORK

108. The county resources available for allocation among the ministries will be based on the updated medium term fiscal framework which is outlined in Section III. The national allocation will finance 90 percent of the budget, while domestic resources will finance 10 percent (tax revenue, excise taxes). Recurrent expenditure stands at a maximum of 70 percent of the total expenditure, while development expenditure takes the remainder of at least 30 percent. The county will strive to reduce recurrent expenditure by 10 percent, while enhance development expenditure by the same percentage. This will be achieved through restrained growth in wage payments to free resources for development purposes. It is therefore widely anticipated that the national government's move to contain expansion of wage bill through rationalization and trimming of the civil service both at national and county level will have a desirable effect at the county, boosting efficiency and service delivery.

Key Priorities for the 2015/16 Medium Term Budget

109. The MTEF budget process will strive to remove non- priority expenditures and shift the savings to the priority programmes. The CIDP together with the priorities of the sectors will guide resource allocation. The county will strive to promote budgetary transparency, accountability and effective management of the county as envisaged by the Constitution and the PFM Act (2012). On top of these, the county will aim at eliminating inefficient and wasteful public spending at all levels in order to promote public trust in public spending.

110. The ongoing process of MTEF Budget (FY2015/16), expenditures will be geared towards identifying priority programmes for the county. The critical areas will continue to receive the bulk of budgetary resources; these are infrastructure, education and health sectors.

Medium-Term Expenditure Estimates

Table 4.1: Medium Term Sector Ceilings, 2014/15 - 2017/18 (Kshs)

Sector	MDAs	Estimates		Ceiling		Projections			
		2014/15		2015/16		2016/17		2017/18	
Items		Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross	Rec. Gross	Dev. Gross
PUBLIC ADMIN.	Governor	110,187,569	0	111,206,326	0	122,326,958	0	134,559,654	0
	% of Total Expenditure	3.11	0	2.56	0	2.56	0	2.56	0
	Finance	459,166,330	148,316,000	635,419,375	135,722,143	698,961,313	149,294,357	768,857,444	164,223,792
	% of Total Expenditure	12.97	7.54	14.61	6.41	14.61	6.41	14.61	6.41
	PSM	462,785,405	59,960,000	485,380,921	64,276,860	533,919,013	70,704,546	587,310,914	77,775,000
	% of Total Expenditure	13.07	3.05	11.16	3.04	11.16	3.04	11.16	3.04
	PSB	34,870,280	3,732,000	35,175,583	0	38,693,141	0	42,562,455	0
	% of Total Expenditure	0.98	0.19	0.81	-	0.81	-	0.81	-
	CA	333,447,534	56,000,000	489,000,000	63,280,000	537,900,000	69,608,000	591,690,000	76,568,800
	% of Total Expenditure	9.42	2.85	11.24	2.99	11.24	2.99	11.24	2.99
	Sub-Totals	**1,400,457,118**	**268,008,000**	**1,756,182,205**	**263,279,002**	**1,931,800,425**	**289,606,903**	**2,124,980,468**	**318,567,593**
	% of Total Expenditure	**20**	**5**	**27%**	**4%**	**27%**	**4%**	**27%**	**4%**
ARD	Agriculture	349,392,980	157,850,000	369,643,209	299,192,479	406,607,530	329,111,727	447,268,283	362,022,900
	% of Total Expenditure	9.87	8.02	8.50	14.14	8.50	14.14	8.50	14.14
	Trade	82,195,655	151,290,000	90,095,840	201,327,550	99,105,424	221,460,305	109,015,966	243,606,336

	% of Total Expenditure	2.32	7.69	2.07	9.51	2.07	9.51	2.07	9.51
	Lands	145,312,143	93,573,000	140,322,028	95,664,995	154,354,231	105,231,494	169,789,654	115,754,644
	% of Total Expenditure	4.10	4.76	3.23	4.52	3.23	4.52	3.23	4.52
	Sub-Totals	**576,900,778**	**402,713,000**	**600,061,077**	**511,185,025**	**599,049,936**	**562,303,527**	**658,954,929**	**618,533,880**
	% of Total Expenditure	8	7	9%	8%	8%	8%	8%	8%
I&ICT	Roads	270,107,609	632,790,000	356,268,465	600,000,000	391,895,312	660,000,000	431,084,843	726,000,000
	% of Total Expenditure	7.63	32.16	8.19	28.35	8.19	28.35	8.19	28.35
	Water	204,135,011	111,960,000	210,811,342	114,694,768	231,892,476	126,164,245	255,081,724	138,780,670
	% of Total Expenditure	5.77	5.69	4.85	5.42	4.85	5.42	4.85	5.42
	ICT & e-govt.	33,983,360	63,692,000	32,833,830	63,867,623	36,117,213	70,254,385	39,728,934	77,279,824
	% of Total Expenditure	0.96	3.24	0.75	3.02	0.75	3.02	0.75	3.02
	Sub-Totals	**508,225,980**	**808,442,000**	**599,913,637**	**778,562,391**	**659,905,001**	**856,418,631**	**725,895,501**	**942,060,494**
	% of Total Expenditure	7	15	9%	12%	9%	12%	9%	12%
Health	Health Services	795,832,282	224,590,000	1,120,673,917	262,956,872	1,232,741,309	289,252,559	1,356,015,440	318,177,815
	Sub-Totals	**795,832,282**	**224,590,000**	**1,120,673,917**	**262,956,872**	**1,232,741,309**	**289,252,559**	**1,356,015,440**	**318,177,815**
	% of Total Expenditure	11	4	17%	4%	17%	4%	17%	4%
Education	Education	259,041,035	264,111,000	272,408,644	215,358,543	299,649,508	236,894,398	329,614,459	260,583,837
	Sub-Totals	**259,041,035**	**264,111,000**	**272,408,644**	**215,358,543**	**299,649,508**	**236,894,398**	**329,614,459**	**260,583,837**

% of Total Expenditure	4	5	4%	3%	4%	3%	4%	3%
Grand Totals	**3,540,457,193**	**1,967,864,000**	**4,349,239,483**	**2,116,341,834**	**4,784,163,431**	**2,327,976,017**	**5,262,579,774**	**2,560,773,619**
% of Total Expenditure	64	36	67%	33%	67%	33%	67%	33%

Source: County Treasury 2015

Baseline Ceilings

111. The baseline estimates reflects the current county ministerial spending levels in sector programmes. The recurrent expenditure was Kshs. 3.8 billion. These expenditures are projected to account for about 65 percent of the expected ordinary revenue receipts. Development expenditures are shared out on the basis of the CIDP priorities as well as other strategic interventions.

The following guidelines are used:

a. On-going projects

112. Emphasis is given to completion of on-going projects and in particular infrastructure projects and other projects with high impact on poverty reduction and equity, employment and wealth creation.

b. Strategic policy interventions

113. Priority is also given to policy interventions covering the county, social equity/inclusive growth and environmental conservation and priorities of the county Government.

Finalization of Spending Plans

114. As shown earlier, the finalization of the preparation of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to policy priority and programs. The county will utilize these resources for key strategic priorities. Specifically, the following will receive priority:

Table 4.2: Priority Areas of Consideration for Additional Resources

	Priority Areas of Consideration for Additional Resources
1	Intervention identified during the stakeholders consultation for 2015 MTEF budget
3	Strategic intervention in the area of infrastructure, education, health, agriculture.
4	Specific consideration to job creation for the youth based on sound initiatives identified within and outside the normal budget preparation.

Details of Sector Priorities

115. The medium term expenditure framework for 2015/16 – 2017/18 ensures continuity in resource allocation based on prioritized programmes aligned to CIDP and other policy documents to accelerate growth, employment creation and poverty reduction. The recent achievements and key priority targets for each sector are based on the reports from the Sector Working Groups (SWG)

Agriculture, Rural and Urban Development (ARD) Sector

116. The department seeks to improve the livelihoods of residents of the county by promoting competitive farming as a business. The key policy objectives of the sector include: raising agricultural productivity through value addition, increasing market access and adoption of new technologies; exploiting irrigation potential; increased commercialization of the sector activities; creating an enabling policy and legal framework, improving efficiency and effectiveness of sector institutions and sustainable management of resources in the sector.

117. During the 2011/12 - 2013/14 MTEF Period, the Sector achieved the following; Supplied adequate subsidized fertilizer; construction of 12 charcoal coolers, 12 grading sheds and 2 diffuse light stores; distribution of 4,000 grafted avocado seedlings and passion fruit across the county; and distribution of 10,000 tissue culture bananas plantlets; Soil fertility testing; Smallholder Dairy Commercialization Programme; Promoting Dairy Programme through sourcing of milk coolers for the communities; Rehabilitation of Eldoret slaughter house; Development of planning standards to guide urban and rural development; Dissemination of new housing technologies; Rehabilitation of cattle dips across the county; Establishment of revolving fund; revival of dormant cooperative societies; formation and registration of new cooperative societies; financial empowerment; and betting control.

118. During the 2015/16-2017/18 MTEF period, focus will be directed to the following priority areas: increasing agricultural production and productivity through input subsidy programme, mechanized agriculture, irrigated agriculture, improved animal genetics through artificial insemination and promotion of fish farming. The Sector will also seek to improve market access through establishment of rural market facilities, renovation of grain collection and distribution centres; Reduce post-harvest loses in cereals through the construction of high capacity cereals stores and purchase of mobile cereal driers; improving livestock production through revamping and strengthening of extension services, promotion of quality breeding stocks and establishment of livestock demonstration centres; promote extension services on veterinary issues; improve fish farming. Enhancement of community conservancy; creation of recreation and nature trails; creation of enterprise fund; construction of cereal milling plant; installation of cooling plant; development of commercial centres; develop ultra- modern shopping mall in Eldoret; wayside shopping centres; Uasin Gishu joint loans board scheme; development of business innovation centres; and construction of metrological laboratory.

119. The sector faced with a number of challenges during the implementation of its programmes. These include; High cost & Inaccessibility to farm inputs-fertilizer and certified seeds; High incidence of pests and diseases; Post- harvest losses; Animal pests and diseases; Low quality genetics Artificial Insemination (AI) and embryo transfer technologies; Weak linkages between livestock research, extension services and farmers; inadequate value addition; poor Market Access.

120. To achieve the above, the sector will require Ksh 1,111 million for the FY 2015/16, out of which Ksh 600 million is for Recurrent and Ksh 511 million for Development programmes.

Infrastructure, Information, Communication and Technology Sector

121. Infrastructure and Information, Communication and Technology are a key sector for sustained economic growth and social economic development. This sector is vested with the responsibility of providing a holistic and integrated transport system within the county as well as operating and maintaining an efficient, safe and cost effective transport system.

122. During the 2011/12 - 2013/14 MTEF Period, the key notable achievements in the sector were; purchase of machinery for both routine and development of roads in the county; Drainage works done; 876km of Roads were graded, 77km graveled and 10km of new roads opened; Eight (9) bridges and one box culvert commissioned; Upgrading of graveled roads to bitumen standard and Rehabilitation of important link roads has been finalized totaling 5 Kms; construction of Eldoret Hawkers Market; enhancement of fighting, rescue and disaster management; Infrastructure expansion in progress (Kipkabus Water Project); Upgrading and maintenance of water supplies (Turbo and Burnt forest); Improved solid waste management; and Procuring and planting 240,000 tree seedlings in public schools; Online Recruitment System (jobs.uasingishu.go.ke); E-Staff Management Adoption (GHRIS); Health management information system (HMIS); Online Capture of Budget and accurate reports; integrated to programme based budget; Automation of health care services; and Automation of revenue and service delivery.

123. During the 2015/16 – 2017/18 MTEF period, the focus will be construction of roads to bitumen standard; road grading and gravelling; construction of bridges and culverts; street lighting; and construction of county headquarters. Construction, rehabilitation and de-silting of dams; borehole drilling; spring protection and promotion of roof water catchment/harvesting; enhancement of electrification; solid waste management; and parks and garden management.

124. During the previous MTEF period the sector was faced with the following challenges; Inadequate Machinery; Traffic Congestion in CBD; Encroachment of wetlands and riparian zones; inadequate funding for development of new projects and maintenance of existing projects; inadequate financial resources; lengthy procurement processes; environmental challenges such as climate change; and waste management and pollution control.

125. To achieve the above, the sector will require Ksh 1,377 million for the FY 2015/16, out of which Ksh 599 million is for Recurrent and Ksh 778 million for Development programmes.

Education, Culture, Youth Affairs, Sports and Social Services Sector

126. The sector is mandated to address the provision of Early Childhood Education (ECD) and Youth Polytechnics. . During the 2011/12 – 2013/14 MTEF Period the sector achieved the following; 1000 ECDE teachers employed; 90 ECDE classrooms constructed; Vetting of TVET Loan Scheme applicants; Construction and repair of Youth Polytechnic; A total of 345 children were rescued from the streets and repatriated and reintegrated with their families or guardians; Kipchoge Keino Stadium rehabilitation and face lift;

127. The sector priority programmes to be implemented during the 2015/16 to 2017/18 MTEF Period are: building of 90 classroom and toilets; purchase of land and construction of a complex cultural centre; construction of music production studio; building of additional youth polytechnics; home craft centres; construction of social hall and education headquarters offices; rehabilitation of Kipchoge stadium; and improvement and upgrading of 64 stadium.

128. The sector faced a number of challenges during the implementation of its programmes. These include; Poor linkages between service providers in ECDE; Unclear legal framework on ECD education and provision; Poor transition from ECD to primary; Limited access to sporting and recreational facilities; Lack of home based sports programs; poor and inadequate facilities; slow pace of ICT integration; and inadequacies of legal, policy and institutional frameworks; and limited capital investments in sports, film and music industries; inadequate policy, legal, regulatory and institutional framework; inadequate infrastructure.

129. To achieve the above, the sector will require Ksh 487 million for the FY 2015/16, out of which Ksh 272 million is for Recurrent and Ksh 215 million for Development programmes.

Health Services Sector

130. The mandate of the sector is to build a progressive, responsive and sustainable technologically-driven, evidence-based and client-centred health system for accelerated attainment of the highest standard of health to all citizens of the county. During the 2011/12 – 2013/14 MTEF Period the sector achieved the following; The county government improved a number of immunization coverage from 66% to 70%; Delivery of expectant mothers by skilled attendants increased from 28% to 52% ; Family planning coverage improved 32% to 48%; PMTCT uptake from 18% to 48%, HIV counseling and testing from 22.3% to 56.8% and latrine coverage from 73% to 78%; enactment of Alcoholic Drinks Control Act; 30 nurses from 21 health facilities trained in management of sexual and gender based violence; county government procured and distributed to public health facilities essential medicine and diagnostic reagents to the tune of Ksh. 40 million; To improve quality of care, the county government is in the process of acquiring modern equipment including digital X-ray Machines, Ultrasound

scanners and Theatre equipment. Similarly, additional ambulances will also be purchased to strengthen referral services across the county.

131. The sector priority programmes to be implemented during the 2015/16 to 2017/18 MTEF Period are; construction of sub county hospitals; construction of drug store; construction of paediatric hospital; procurement of equipment and sub-county vehicles.

132. The sector faced a number of challenges during the implementation of its programmes. These include; there were cases of children not completing full immunization schedule (defaulters) thus affecting immunization coverage; lack of adequate capacity to handle non-communicable diseases; Burden of injuries arising from road accidents and gender-based violence; Health workers to population ratio. - The numbers of health workers has not kept pace with population growth.

133. To achieve the above, the sector will require Ksh 1,382 million for the FY 2015/16, out of which Ksh 1,120 million is for Recurrent and Ksh 262 million for Development programmes.

Public Administration and International Relations Sector

134. The sector plays a key role in enhancing public service delivery, organization and coordination of Government business through planning, mobilization of financial and human resources in the public sector. In addition, the sector links all other sectors with the rest of the world on matters of international treaties, agreements, cooperation and resource mobilization.

135. During the MTEF period 2011/12 - 2013/14, the Sector achieved the following; Implementation of the headcount report; Implementation of the devolved payroll and payroll clean up; Participatory decision making through engagement of local citizens in public participation as well as those in diaspora; The county integrated development plan (CIDP) was completed and approved by the county assembly; The county fiscal strategy paper was prepared and submitted to the county assembly by 28th February 2014 as required by PFMA 2012; County Budget for the year 2014/2015 was prepared and approved by the County Assembly; The County Executive approved 100% waiver on payment of land rates which realized Kshs 90 million; The operational Expenditure was 99.9% achieved; Reports and Submissions to Budget Controller were up to date; Funds were made available at the time required; The supplementary budget was approved and implemented; The County Budget and Economic Forum held the scheduled meeting; Revenue improved due to waiver on land rates penalties and engagement of National Youth Service; Assembly has established ward offices in all the County wards; The county assembly passed the following bills; The Uasin Gishu County Assembly Standing Order Bill No.1 of 2013, The Uasin Gishu Appropriation Bill No.2 of 2013, The Uasin Gishu County Ward Offices Bill No.3 of 2013, The Uasin Gishu County Public Appointment (County Assembly) Approval Bill No.4 of 2013, The Uasin Gishu County Supplementary

Appropriation Bill No.5 of 2013, The Uasin Gishu County Finance Bill No.6 of 2013, The Uasin Gishu County Appropriation Bill No.7 of 2013, The Uasin Gishu County Alcoholic Drinks Bill No.8 of 2013, The Uasin Gishu County Flag-Emblems and Names Bill No.9 of 2013, The Uasin Gishu County Bursary and Skills Development Support Fund Disbursement Bill No.10 of 2014, The Uasin Gishu County Way Leave Bill No.11 of 2014, The Uasin Gishu County Corporations Bill No.12 of 2013, The Uasin Gishu County Cooperative Enterprise Development Fund Bill No.13 of 2014, The Uasin Gishu County Trade Licensing Bill No.14 of 2014, The Uasin Gishu County Project Implementation and Management Bill No.15 of 2014, The Uasin Gishu County Revolving Fund Bill No.16 of 2014, The Uasin Gishu County appropriation Bill No.17 of 2014, The Uasin Gishu County Fourth Supplementary Appropriation Bill No.18 of 2014, The Uasin Gishu County Trade and Markets Bill No.19 of 2014.(PENDING), The Uasin Gishu County Supplementary Appropriation Bill No 20 of 2014.

136. The programs that will be financed during 2015/16 - 2017/18 MTEF period include; construction of county headquarters and ward offices; land purchase; purchase of motor vehicles; branding and marketing of the county; set up of ward development fund; establishment of governors library and liaison office; mid-term review of CIDP; valuation of assets; enhancing county assembly through, construction of office complex, construction of a modern assembly hall and purchase of vehicles.

137. The sector faced a number of challenges during the implementation of its programmes. These include; Late disbursement of funds by the national government; failure to complete the development projects forcing the county government to re-budget the same in the 2014/2015 Financial Year budget; and the challenge of revenue collection the outskirts of the town.

138. To achieve the above, the sector will require Ksh 2,019 million for the FY 2015/16, out of which Ksh 1,756 million is for Recurrent and Ksh 263 million for Development programmes.

V. CONCLUSION

139. This CFSP reaffirms the broad policies and strategic interventions prescribed in the previous CFSP 2014, geared towards achieving the goal of enhancing the economic transformation agenda of the county. The policy outlook of the county leverages on the potentials as provided by the national economy

140. The budget framework provides for enhanced revenue collection while pursuing increased public expenditure productivity as a viable alternative to budget deficits in the future. It emphasizes on non utilization of resources on non essential expenditure.

141. This CFSP forms the basis for resource allocation in the FY 2015/2016. It will inform the decision on how resources will be allocated to programs in the development process of the financial year.