REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

LAIKIPIA COUNTY FISCAL STRATEGY PAPER

2019

FEBRUARY 2019

COUNTY VISION AND MISSION

Vision

THE GREATEST COUNTY WITH THE BEST QUALITY OF LIFE

Mission

TO ENABLE EVERY HOUSEHOLD IN LAIKIPIA COUNTY LEAD A PROSPEROUS LIFE

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The Laikipia County Fiscal Strategy Paper for the year 2019 is a key policy document of the government that indicates how the Government intends to raise revenue, and prioritize allocation of resources to implement programs and projects in the approved annual development plan (ADP). In preparing this document, a number of factors are considered.

First, this paper reviews the budget performance for the 2017/18 financial year and the first half of the current financial year (2018/19) to establish whether the revenue and expenditure estimates were realistic based on the actual performance. In outlining the revenue sources, the Government utilizes the proposed allocations from equitable share and conditional grants outlined in the budget policy statement issued by the Cabinet Secretary to the National Treasury & Planning in February of each year, projections of own revenue sources (OSR) and debt where approval has been granted by the National Treasury.

Second, the paper outlines the legislative and executive actions the County Government will undertake to grow the economy by at least 10% annually, raise revenues and manage expenditure to achieve a balanced budget in compliance with the PFM Act.

Third, based on the strategic priorities, the paper allocates resources to line departments and County Owned entities (semi-autonomous county government agencies), commonly referred to as ceilings. After approval of the CFSP, the line departments and County semi-autonomous agencies are then expected to generate budget estimates based on the programs/projects in the ADP for presentation to the County Assembly.

In preparing this Fiscal Paper, we get good baseline from the just released Gross County Product data, that places Laikipia as 3rd fastest growing county in Kenya with a growth rate of 8.6%, against our target of 10%, and a per capita of

I confirm that the strategic priorities reflect objectives of the County Integrated Development Plan (CIDP 2018-2022), the county medium term framework for achieving fiscal balance and growing the Gross County Product by at least 10%, and the National Government's medium term framework captured 2019 Budget Policy Statement (BPS) theme: **"Harnessing "The Big Four" Plan for Job Creation and Shared Prosperity".**

In this paper, the government intends to improve the Human Development Index for the people of Laikipia through below by:

a) Improving access and quality to and of our health facilities and pay great emphasis on preventive measures – ultimately providing long and healthy life.

b) Setting enough resources for infrastructure. This will in turn spur economic growth through access to markets, movement of people, produce and goods, provision of water and ultimately improve the GCP per capita and give a decent standard of life.

c) Supporting the entities created by law (LCDB, LCRB and the LCPSB) to bring in proper corporate governance for sustained efficiency, enhance autonomy and cultivate accountability for better service delivery and lastly,

d) Sharing of knowledge will also be key. The county will make deliberate moves to harness innovation with the aim of incubating industries and supporting manufacturing. This will be done within our VTI and establish Industrial park for the same. Further, more ICT hubs will be set for the youth to access information.

In compiling this CFSP, we benefitted from the wise counsel and guidance of H.E The Governor, H.E The Deputy Governor and Hon. Speaker. The Finance, Planning, Budgeting and Appropriation Committees of the County Assembly of Laikipia played a critical role by providing oversight to the process. Equally, we received support and contributions from my CECM colleagues, and the Executive office of Governor's Economic Affairs Unit. We also consulted a wide range of stakeholders and the general public in line with the requirements of the Public Finance Management (PFM) Act and the Constitution.

Murungi Ndai
County Executive Committee Member
Finance, Economic Planning and County Development

ACKNOWLEDGEMENTS

This County Fiscal Strategy Paper 2019 has been prepared in accordance with the Public Finance Management (PFM) Act, 2012. It outlines the current state of the economy and outlook over the medium term, broad macroeconomic issues and the medium term fiscal framework, resource envelope and criteria for resource allocation, key strategic priorities and policy goals and a summary of the Government's spending plans as a basis for the FY 2019/20 budget. The CFSP is expected to improve the public's understanding of public finances in Laikipia and guide development and implementation of government programs.

The preparation of the Laikipia County Fiscal Strategy Paper 2018 was a collaborative effort supported by individuals, government agencies and entities. The County Executive Committee Members played a key role by providing departmental support towards the finalization of this paper.

I recognise the leadership role provided by CECM for Finance and Economic Planning and his guidance in the entire process. I also thank the other county government departments and Agencies for providing necessary information and technical assistance in the preparation of CFSP. We are highly indebted to the County officers for conducting very successful and insightful CFSP public participation forums across the county at the sub location level.

In addition, I am grateful to the core team in the County Treasury, Economic Planning Unit, Budget Supplies and County Revenue Board which spent a significant amount of time putting together this CFSP.

Finally, I thank the Ward administrators, ward level technical staff and members of public who prepared the ground, mobilised and participated at the sub location level forums whose views greatly enhanced the County Fiscal Strategy Paper 2019.

Paul Waweru Njenga,
Ag. Chief Officer, Finance and Economic Planning

ABBREVIATIONS AND ACRONYMS

AIA	Appropriation in Aid
BPS	Budget Policy Statement
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CRA	Commission on Revenue Allocation
COMS	County Operations Management Systems
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development Education
FY	Financial Year
GDP	Gross Domestic Product
GCP	Gross County Product
HFIF	Hospital Facility Improvement Fund
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
Ksh/KES	Kenya Shilling
LCDB	Laikipia County Development Board/Authority
LCPSB	Laikipia County Public Service Board
LCRB	Laikipia County Revenue Board
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NSE	Nairobi Stock Exchange
PFMA	Public Finance Management Act
PPP	Public Private Partnership

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EXECUTIVE SUMMARY

The fiscal strategy of Laikipia County Government for the year 2019/2020 is set out in this paper. The CFSP is prepared in accordance to PFM Act section 117 which states that, the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper (CFSP) for approval and then shall submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.

The contents of the CFSP are largely informed by the PFM Act section 117(2) which provides for the aligning of the CFSP with the national objectives in the Budget Policy Statement. The CFSP serves as the basis for the preparation of the annual estimates of revenue and expenditure for the County Budget FY 2019/2020. The county fiscal strategy paper has five chapters, as outlined below:

Chapter I- Introduction to county fiscal strategy paper. This chapter outlines legal basis for the preparation of the county fiscal strategy paper, fiscal responsibility principles and the strategic objective of the County Government.

Chapter 2 - Recent global, national and county economic developments. This chapter highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

Chapter 3 - Macro-economic policy framework and medium term outlook. This chapter explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term**.** Further, the chapter includes the County's medium term framework, outlining the strategic legislative and executive actions that Government will undertake to accelerate economic growth, raise additional own-source revenue and costs management. In addition, analysis of budget performance and significant internal risks to the outlook are highlighted.

Chapter 4 - Fiscal framework and structural measures for 2019/20 and the medium term. This chapter highlights the projections for county revenue, recurrent and development expenditure. It sets out a framework for sustainable public finances management, while managing vulnerability to economic and fiscal risks.

Chapter 5 - Resource envelope and criteria for resource allocation. This chapter highlights the resource envelope, sector ceilings and spending priorities for FY 2019/20, MTEF budget and the medium term. This is informed by the national objectives and goals as outlined in the 2019 Budget Policy Statement and the set out resource sharing guidelines.

CHAPTER ONE
INTRODUCTION

1.1 Introduction

Kenya has continued to implement the two-tier system of government comprising of national and county governments as stipulated in the Constitution of Kenya, 2010. The county governments are responsible for spearheading development in their respective areas of jurisdiction. They are to achieve this through a participatory process that links planning and budgeting as provided for in Section 102 of the County Government Act, 2012.

The Public Finance Management Act, 2012 provides guidelines on the budgeting process. Towards ensuring a comprehensive budget process, the county governments are expected to prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by 28th February of each year.

1.2 Legal Basis for the Preparation of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is prepared in accordance with Section 117 of the Public Finance Management (PFM) Act. The law states that:

- The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- 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.
- The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- The County Treasury shall seek and take into account the views of the Commission on Revenue Allocation (CRA), the public, any interested persons or groups and any other forum that is established by legislation.
- It further states that the County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- 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 Fiscal Responsibility Principles for the County Government

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107(1-2) of Public Finance Management Act states that; in managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

- The County government's recurrent expenditure shall not exceed the county government's total revenue.
- Over the medium term a minimum of 30% of the County government's budget shall be allocated to the development expenditure.

- The County government's expenditure on wages and benefits for public officers shall not exceed 35% of the County government's total revenue as provided by PFM Act 2015 regulations.
- Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- The County debt shall be maintained at a sustainable level as approved by County Assembly.
- Fiscal risks shall be managed prudently
- A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking in to account any tax reforms that may be made in the future.

1.4: Strategic Objectives of the County Government

To achieve the County Government's development goals and transformative agenda, this County Fiscal Strategy Paper targets to raise the share of development budget, building a world class public service and improving the business climate to retain current businesses and attract new large investors. The expected outcomes in the medium term will include;

- Increased access to clean and consistent water supply to households, businesses and farming;
- Increased access and provision of quality health services through sustaining payments to NHIF effective and effective performance management of staff and facilities.
- Higher on-farm individual income to KES 600/day through raising farm productivity, reducing post-harvest losses, access to markets, and processing through contract farming and feedlots programs.
- Growth of jobs with improvement of the business climate and infrastructure, strategic support to micro & small businesses with innovative financing & linkages with large businesses, and attracting new investments;
- Raising the literacy rates, business and technical skills (technical and entrepreneurship) of the youth.

CHAPTER TWO

RECENT GLOBAL, NATIONAL AND COUNTY ECONOMIC DEVELOPMENT

2.1 Introduction

Global and national economic variability affect both directly and indirectly our county fiscal decisions and operations. This section therefore highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

2.2 Macroeconomic Environment

Kenya’s economy grew by 5.8 percent, 6.2 percent and 6.0 percent in the first, second and third quarters of 2018 respectively, up from 4.7 percent in similar quarters in 2017. Growth for the first three quarters of 2018 averaged 6.0 percent and is projected to grow by 6.0 percent in 2018 up from 4.9 percent in 2017.

This growth is supported by a strong rebound in agricultural output, steadily recovering industrial activity, and robust performance in the services sector. Seasonally adjusted gross domestic product, which compares consecutive quarters, grew by 0.9 per cent in the third quarter of 2018 compared to 1.3 per cent recorded in the second quarter of 2018. Favorable weather conditions and a stable macroeconomic environment created a conducive environment for the growth during the period under review (third quarter, 2018).

Over the medium term, economic growth is expected to rise gradually to 7.0 percent per annum due to investments in strategic areas under the “Big Four” Plan that aim to increase job creation through the manufacturing sector, ensure food security and improved nutrition, achieve universal health coverage and provide affordable houses to Kenyans. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

Kenya continues to be ranked favorably in the ease of doing business and as a top investment destination. In the 2019 World Bank’s Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017.

The average inflation rate in the first half of 2018 was 4.24 per cent representing decrease of 5.54 percent compared to the same period in 2017 as prices slowed primarily for food, housing & utilities and transport.

Inflationary pressures rose in the second half of 2018 with an average record of 5.15 percent. The increase was mostly attributed to rise in the cost of fuel and electricity resulting into increase in cost of production and thus rise in prices of goods and services. Notably was increase in prices of food staff, charcoal, timber, clothing, domestic flights, and transport and non-alcoholic beverages. The rise in prices was also attributed to high demands of goods and services especially during the festive season.

The biggest reprieve for Kenyans in 2018 was the dramatic fall in the price of maize flour, owing to wide-ranging interventions by the government aimed at cushioning poor households from high prices of the main staple.

In January 2019 inflation fell to 4.7% from 5.71 % recorded in December 2018. A fall in the international oil price and lower food prices were behind the notable drop in January.

The overall consumer index for January 2019 was 194.18 representing an increase of 0.67 percent from what was recorded in December 2018. This Index increased by 0.97 per cent from 192.25 in November 2018 to 193.51 in December 2018. The upward pressure came mostly from increases in prices of foodstuffs, electricity, charcoal, petrol, diesel and kerosene.

The overall producer prices increased by 0.44 per cent from September 2018 to December 2018 while the 'year on year' inflation was 1.47 per cent. Over the last one year, the highest increase was on manufacture of wood and wood products which rose by 36.72 per cent followed by a growth of 8.26 per cent in manufacture of paper and paper products. However, during the same period, the producer price for electricity and manufacture of non-metallic mineral products declined by 6.75 per cent and 3.02 per cent, respectively.

The Kenya Shilling exchange rate demonstrated mixed performance against major international currencies. The currency appreciated against the US dollar to with the currency being stable over the 12 months of 2018 at an average of Ksh 101.33 and an average of Ksh 101.39 second half of 2018 indicating a slight weakening of the shilling against the dollar. Against the Euro the Ksh averaged at 119.70 over the 12 months of 2018 and an average of Ksh. 116.75 indicating a gradual strengthening of the shilling against the euro in the same period. Similarly, the yen averaged at 91.77 for the 12 months of 2018 however the same was at 90.35 for the last 6- months of 2018 indicating a gradual strengthening of the shilling against the yen

2.3 County Economic Performance

Laikipia County's main economic activities are agriculture (43.7%), construction (7%), wholesale and retail trade inclusive of repair of motor vehicles (8.8%), transport and storage (7.3%) financial and insurance activities (7.7%) and lastly public administration and defense (7.4%). The rest of the economic activities including mining and quarrying, manufacturing, electricity supply, water supply and waste collection, information and communication, real estate activities, professional technical and support services, education, human health and social work activities and other social activities contributed a combined 18.1 % of the GCP.

In 2017, the County had a Gross County Product of KSh 81.095 Billion at current prices and KSh 38.864 billion at 2009 prices representing 1.1 % of the National GDP. The economic performance represented a growth rate of 11.26 per cent from 2016. Analysis of the data from KNBS in tables 1 & 2 below further indicates that the 2013 to 2017 real Gross County Product growth rate was an average of 20.9% per annum at current prices and 8.6% per annum at constant (2009) prices.

Table 1: GCP Average Annual Growth rate by economic activity 2013-2017 (Current prices)

GCP by Economic Activity (Current	2013	2014	2015	2016	2017	Average

Prices)						annual growth rate (%)
Agriculture, forestry and fishing	10,034	11,889	20,581	32,358	35,489	39.6
Mining and quarrying	81	90	109	118	117	9.8
Manufacturing	554	589	644	714	706	6.4
Electricity supply	192	165	427	733	723	53.7
Water supply; waste collection	579	623	656	681	755	6.9
Construction	2,682	3,279	3,827	4,478	5,606	20.3
Wholesale and retail trade; repair of motor vehicles	4,300	4,884	5,330	5,972	7,132	13.5
Transport and storage	3,888	4,837	5,263	5,599	5,904	11.3
Accommodation and food service activities	633	882	441	463	512	1.2
Information and communication	538	506	747	864	916	15.9
Financial and insurance activities	3,174	3,707	4,337	5,190	6,275	18.6
Real estate activities	3,255	3,617	4,086	4,551	4,913	10.9
Professional, technical and support services	466	499	528	568	605	6.7
Public administration and defence	3,777	4,406	4,741	5,535	6,006	12.4
Education	2,802	3,073	3,426	3,391	3,489	5.8
Human health and social work activities	1,090	996	1,146	1,412	1,697	12.5
Other service activities	676	768	864	932	1,014	10.7
Financial services indirectly measured	-501	-465	-530	-669	-763	11.8
Total	**38,221**	**44,345**	**56,623**	**72,890**	**81,096**	**20.9**

Table 2: GCP Average Annual Growth rate by economic activity 2013-2017 (Constant prices)

GCP by Economic Activity (Constant Prices)	**2013**	**2014**	**2015**	**2016**	**2017**	**Average annual growth rate (%)**
Agriculture, forestry and fishing	6,444	6,617	9,305	12,442	10,856	16.1
Mining and quarrying	65	74	83	91	97	10.7
Manufacturing	441	453	469	481	482	2.2
Electricity supply	204	184	327	418	412	23.6
Water supply; waste collection	425	456	443	449	462	2.2
Construction	2,063	2,325	2,635	2,882	3,126	11.0
Wholesale and retail trade; repair of motor vehicles	3,092	3,307	3,486	3,650	3,898	6.0
Transport and storage	2,183	2,328	2,488	2,627	2,675	5.2
Accommodation and food service activities	587	851	383	436	489	4.0
Information and communication	1,079	1,252	1,351	1,489	1,659	11.4
Financial and insurance activities	2,181	2,374	2,609	2,789	2,869	7.1
Real estate activities	2,556	2,695	2,875	3,102	3,284	6.5
Professional, technical and support services	385	397	407	427	444	3.6
Public administration and defence	2,573	2,717	2,796	3,094	3,180	5.5

Education	2,784	2,983	3,172	3,320	3,535	6.2
Human health and social work activity	918	735	776	906	1,101	6.0
Other service activities	521	547	573	596	626	4.7
Financial services indirectly measured	-351	-334	-356	-374	-332	-1.1
Total	**28,148**	**29,962**	**33,823**	**38,826**	**38,863**	**8.6**

The main sources of growth were agriculture, with an average growth rate of 39.6% over the period, although the fastest growth was recorded in electricity with an average of 53.7% over the same period. Other major growths were recorded in Construction and Financial and Insurance activities with an average growth rate of 20.3% and 18.6% respectively at current prices.

The per capita GCP for 2017 stood at KShs 154,840 at current prices and Kshs 74,205 on constant (2009) prices. This represented an increase of 7.4% and a decrease of 3.34 % on current and constant prices respectively. This is translated in table 3 below as having a steady growth in the daily personal income as measured in current prices from Ksh. 233 in the year 2013 to Ksh. 430 in the year 2017. The aim of the County government is to increase the growth rate in this income so as to hit Ksh. 600 by the year 2021.

Table 3: Per capital data for daily personal income in Laikipia

Year	Nominal(Ksh)	Real(Ksh. No=2009)
2013	233	172
2014	261	176
2015	322	192
2016	400	213
2017	430	206

In the Outlook for 2019, the March-April-May (MAM) 2019 weather forecast is for normal to below normal rainfall, that’s expected to delay until the last week of March or first week of April. This may decelerate agricultural growth.

These effects will be mitigated by the increased irrigation from small dams and individual farm level water pans and adoption of climate smart agriculture technologies and practices. In addition, the construction of three grain warehouses is expected to have a positive impact in the maize value chain. The continued promotion of feedlots and fodder production, as well as improvements in the slaughter houses is expected to create growth in the livestock value chain.

Construction activity has a positive outlook for 2019, reinforced by the Smart Towns initiative as activities will start in Naibor, Wiyumiririe, OlJabet, and increased roads and public works in Nanyuki, Nyahururu, Rumuruti and Dol Dol. Electricity growth will remain steady as the last mile program reaches previously undiscovered areas in Laikipia West, and Laikipia North districts. Improved security collaboration with National Government, implementation of the Cooperation for Peace & Development (CPD) initiatives, and intensified promotion drive with partners such as Kenya Airways will result in a rebound of the accommodation and food services activities, which had suffered a contraction in the 2013 to 2017 period.

2.4 Raising agricultural productivity

There's wide scope for raising agricultural productivity when we compare performance of the sector in Laikipia County and Nyandarua County, as illustrated in table 4 below. In 2018, the sector was valued KES 35 billion and contributed 44% to Laikipia. In Nyandarua County, the value was KES205 billion and contributed 85% to the GCP. What is noteworthy is that the output value per square kilometer of arable land in Laikipia was 13.8 million, while the same size of land yielded KES 95.1 million in Nyandarua. Therefore, Nyandarua's agricultural output per square kilometer of arable (cultivated land) was seven times.

Table 4: Comparing value of agricultural output between Laikipia & Nyandarua Counties

Laikipia County		Nyandarua County	
Gross County product -GCP , 2017 (KES)	81,095,000,000		245,203,000,000
Value of agriculture, fishing and forestry (KSHS) - 2017	35,489,000,000		209,519,000,000
Value of agriculture et.al/GCP	44%		85%
	Size of land by potential/utilization		
arable land (sq.km)	1,984.00	cultivated land (sq.km)	1582
		natural pasture (sq.km	276
forestry (sq.km)	580.00	forestry (sq.km)	347
Total (sq.km)	2,564.00		2,205.00
Agriculture et.al yield/sq.km	13,841,263.65		95,019,954.65
Output ratio per sq.km-Nyandarua/Laikipia (times)			**7**
Sources: KNBS, Nyandarua County & Laikipia County CIDPs, 2017-2022			

We have selected Nyandarua for comparison because the climatic conditions among the arable area and agricultural products are similar. The Government has a number of initiatives such as contract farming and feedlots program, supported by the resources equitable share, conditional grants, an expected KCB Foundation grant, and technical assistance from IFC to raise productivity. LCDA in partnership with the Departments of Agriculture and Trade have been tasked with advising the producers on appropriate crops and breeds, developing an effective inputs market with local aggregators such as agrovets and cooperatives, structured off-take for the produce, and promotion of manufacturing.

2.4 Budget performance at the County Level

In the financial year 2018/19 the county expects to receive revenue of Ksh.4, 913,400,000 comprising of Ksh 4,113,400,000 from equitable share of the national revenue and estimated Ksh. 800,000,000 from local collections. In addition, extra budgetary (balances bf) provisions of Ksh 467,255,507 and a total of Ksh. 970,789,487 as conditional grants and loans are to be received. The conditional grants comprise of: Ksh. 41,121,027 Kenya Devolution Support Programme (KDSP) for Capacity building, Ksh. 111,140,605 Kenya Devolution Support Programme (KDSP) for Investment, Ksh. 9,968,208 Users Fee

Forgone, Ksh. 67,077,728 Transforming Health Care Systems for Universal Care Project (THSUCP), Ksh. 15,086,250 Universal Health in Devolved Systems Programme – DANIDA, Ksh. 20,000,000 UNICEF primary health care grant, Ksh. 25,000,000 World bank primary health care grant, Ksh. 200,000,000 Medical Equipment Leasing, Ksh. 109,128,974 County Roads Maintenance- Fuel Levy Fund 201819 allocation, Ksh. 91,200,000 Kenya Urban Support Project, Ksh. 90,000,000 EU-IDEAS LED, Ksh. 117,000,000 Climate Smart Agriculture, Ksh. 19,398,638 ASDSP- Agricultural Sector Development Support Programme, Ksh. 28,525,000 Vocational Training Centres Development, Ksh. 26,143,057 County Roads Maintenance- Fuel Levy Fund's FY 17/18 balance.

From July 2018 to January 2019 the county had collected Ksh 375,198,025 from local sources representing 46.7 percent of the annual local revenue target. This is attributed largely to high collections in November and December. However, the largest collections are expected to be realized between January-March due to business permit renewals.

For the period of July 2018 to mid-February 2019 the total exchequer releases were Ksh. 3,046,853,600.90 (conditional grants included) representing 51.3 percent of the total budget. Exchequer releases on development expenditure were Ksh. 781,119,884.00 and Ksh 2,265,733,716.90 on recurrent expenditure.

The development expenditure as at December (midyear) 2018 was Ksh. 498,157,983 representing 44.06 per cent absorption rate on development vote while recurrent expenditure was Ksh. 1,693,762,701 representing 49.0 per cent absorption rate on the recurrent vote.

On financial management, the county treasury has streamlined service delivery and its now taking an average of 61 days for invoices to be paid. This is according to analysis of a sample of 179 payments, for KES 327.2 million made over the last 12 months. Even though this is way above the proposed turnaround time of 14-days upon presentation of the invoices, the top management is committed to ensure suppliers are paid on time.

The county treasury aims to achieve and sustain the proposed 14 days' as turn-around-time (TAT), through inception and complete adoption of procure to pay (P2P), the complete implementation of the supplier management in the COMS system, continuous procurement officers capacity building and implementation of the supplier development program.

In addition, the County treasury has embraced the end to end procurement cycle through the IFMIS and the payment process is expected to be ingrained into COMS system. The County treasury has also issued guidelines on the handling of purchase orders and invoices to all the accounting officers and contractors in order to ensure efficiency in service delivery.

In addition, the supplier development program has been conducted so as to sensitize the county suppliers first, the procurement procedures and guidelines as laid down in the PPDA (2015), second, the e-Procurement and the role they need to play to make this system a success, third, to build confidence with the financial institutions like banks to partner in trade finance products and lastly the need to focus on expanding and diversifying their businesses.

CHAPTER THREE
MACRO-ECONOMIC POLICY FRAMEWORK AND MEDIUM TERM OUTLOOK

3.1 Introduction

This section explores the global and national macro-economic development outlook and how they will impact on the county's economic outlook and fiscal performance in the medium term**.** In addition, analysis on significant internal risks to the outlook is highlighted.

3.2 National Government Economic Prospects

Kenya's economic growth prospects for the FY 2019/20 and over the medium term take into account the global and sub-Saharan Africa growth prospects, the emerging global challenges and the domestic risks. The projections accommodate the strategic objectives of the national government as outlined in the Third Medium Term Plan (2018-2022) of Vision 2030 which is prioritizing implementation of the "Big Four" initiatives. These priorities are

- Increase the manufacturing share of GDP from 9.2% to 15 % and agro-processing to at least 50 % of total agricultural output;
- Provide affordable housing by building 500,000 affordable houses in five years across the country;
- Enhance Food and Nutrition Security (FNS) through construction of large-scale multi-purpose and smaller dams for irrigation projects, construction of food storage facilities and implementation of high impact nutritional interventions and other FNS initiatives;
- Achieve 100% universal health coverage.

The economic growth is expected to build on the recent trend both within the sub Saharan region and the global level with growth projected at 3.8 per cent and 3.7 per cent respectively in 2019/20. Real GDP is projected to grow by 6.0 percent in FY 2018/2019, 6.2 percent in FY 2019/2020, 6.4 percent in FY 2020/21 and 7.0 percent by FY 2022/23 This growth will be supported by a recovery in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

Inflation is currently within the Government's target range of 5 +/-2.5 largely due to lower food prices and muted demand-driven inflationary pressures. It is expected to remain within target in the medium term mainly due to expected lower food prices reflecting favorable weather conditions, the decline in international oil prices, and the recent downward revision in electricity tariffs. The recent excise tax adjustment on voice calls and internet services is expected to have a marginal impact on inflation. Interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions, and the proposed fiscal consolidation.

Kenya's external position is projected to strengthen over the medium term supported by a narrower current account deficit. The narrowing of the current account deficit is largely due to expected increased exports of tea and horticulture, increased diaspora remittances, strong receipts from tourism, increased foreign direct investment in infrastructure and lower imports of food and SGR-related equipment relative to 2017. It is expected to narrow further to 5.2 percent of GDP in 2018 from 6.3 percent in 2017.

3.3 Laikipia County Medium Term Framework

In the next three years, the Government will build on the reforms momentum to raise additional funds for development, generate higher value for money, and manage costs to attain fiscal balance. The Government intends to accelerate reforms already underway such as the modernization of public service, revenue administration, expanded cost recovery through user fees and insurance, goodwill by donors and private sector, and prudent financial management. In this section, we highlight the proposed legislative and executive actions that the Government will undertake to attain fiscal balance and grow the economy by 10% annually.

3.3.1 Fiscal balance & economic growth target

The County Government's objective within the medium term (2019/20-22) is to create the fiscal balance as contemplated in the Public Finance Management Act (2012) and Public Finance Management (County Governments) Regulations, 2015. We target to raise the development vote share to 30% from 22% in 2018/19. The 2019/20 CFSP incorporates Gross County Product data not previously available, and draws on the 2018 Statistical Abstract to provide a sound basis of various growth estimates. The Government will hold an economic symposium on May 30th -31st 2019, alongside the innovation fair, under the theme of 'innovations for raising economic productivity'.

Specifically, we aim for GCP growth of 10% in the 2019-21 period, based on:

a. Sustained agriculture & livestock growth driven by irrigated agriculture, mechanization, diversification (more crops), fodder production, feedlots, contract farming, logistics and value addition;
b. Sustained construction growth of urbanization driven by the Smart Towns Initiative; increased road construction & public works, completion of physical planning for small and emerging market centers, updating the physical plans of Nanyuki, Nyahururu & Rumuti, update the valuation rating rolls, and completion of the 40,000 titles initiative.
c. Improved manufacturing performance driven by the Laikipia Innovation Program and development of serviced industrial parks in polytechnics and towns/commercial centres in partnership with private sector;
d. Launching of 'Product of Laikipia' brands platform, and preferential procurement of 'Made in Laikipia' products and services;
e. Recovery and growth of accommodation and food service activities driven by improved security, Destination Laikipia, and sustained promotion of tourism, including product diversification.
f. Start of significant mining activities starting with iron and titanium;

g. Enhanced allocation to the development budget, beginning with an increase of KSh 382 million in 2019/20 from the employee restructuring.
h. Continuous automation of revenue collection, expansion of the tax base and alignment of rates to market trends and cost of delivery. Doing business reforms to improve the business climate to retain and grow existing businesses, and to attract new investments.

3.4 Structural reforms to support growth

In this section, we highlight the key structural reforms and initiatives that the Government will undertake through executive and legislative actions to raise revenue and manage expenditure to sustainable levels.

3.4.1 Modernizing the public service

The Government has embarked on creating a word class public service to eliminate waste and corruption, and enable the private sector create jobs and household wealth. The Government introduced spot awards, and is in the final stages of implementing a results-based framework to raise staff productivity and meritocracy. A few changes are worth mentioning. For the first time, this Government has deployed a performance appraisal system where all staff have created workplans that are uploaded online. The staff is now filling time sheets, applying for leave and claims online. Two, there has been a series of training for staff across all levels, including a leadership program for directors and acting chief officers, as well as senior staff from the County Assembly. These senior managers have been assigned projects that they will implement as teams at the end of the course. Third, a new County Public Service Board was inaugurated in November 2018, and has been tasked with deepening and accelerating the service's modernization program. Among key changes include:

- Aligning the structure to create results teams for better coordination of service delivery, job enrichment and ensuring the right skill sets are available, and that promotions and remuneration are based on merit.
- The creation of results teams to ensure seamless collaboration across departments to implement flagship initiatives and end the 'silo' culture
- Development of a performance-based pay that will yield a 13th salary for exceptional performance. This will build up on the spot awards granted each quarter;
- Cascading authority and accountability for results to directors and section heads by assigning them authority to incur expenditure (AIE) to fast-track the project designs, procurement, implementation and supervision.
- Operational autonomy of public owned entities such as the County Revenue Board, Laikipia County Development Authority and the County Enterprise fund to deliver effectively.

3.4.2 Staff right-sizing and rationalization

There has been a gradual increase in the growth of the total proportion of personnel emoluments expenditure to the current 56% of the budget. In order to bring the personal emoluments to comply with the legal prescription for development vote allocations, the following key steps will be undertaken:

a) The overall target for wages & salaries is capped at Ksh 2.4 and 2.3 billion for the fiscal years 2019/20, and 2020/21 respectively.
b) Kshs 182 million will be allocated to support early retirement and redundancy in the 2019/20 fiscal year. This will allow development budget to increase with Ksh 200 million in that and subsequent fiscal years. Subsequent allocations to support early retirement and redundancy will be made as necessary for 2020/21.
c) A radical review of Human Resources will be instituted in Quarter 4 of 2018/19 fiscal year. This includes human resource planning aimed at both rationalization and rightsizing of the county staff.
d) Moving forward there will be a greater emphasis on technology and systems to achieve efficiencies in service delivery and continued automation so as to achieve revenue growth. This business process re-engineering will be useful for achieving efficiency, effectiveness and economical service delivery.

3.4.3 Revenue collection

The current revenue target of KSh 800m represents about 1% of Gross County Product. In the medium term, we aim to reach 2% of GCP. To sustain the revenue growth, the County Revenue Board will complete takeover of all revenue collection from line departments, accelerate automation, broaden of the tax base and update the records and valuation rolls for all towns.

3.4.4 Cost-recovery in the health sector

Following intensified campaign to citizens to enroll for NHIF by the Government since October 2017, more than 60% of our people are now enrolled with the insurance scheme, translating to 325,191 members. Sustained efforts to reduce defaults and capitating the contributors to our public health facilities will see hospital revenues rising. Currently 60% of hospital revenues, equivalent to Kshs 180 million is generated from NHIF. The number of capitated households rose to 20,523 in December 2018 from from 12,345HH in December 2017. Of the KES 180m, capitation for outpatient for the two hospitals generated Kshs 62,406,000 while the balance was through inpatient services and Linda mama program.

This revenue from NHIF can be grown further through by offering a stipend to community health volunteers, deployment of technology to monitor and follow-up payment of the subscriptions, and enhancement of quality service delivery at our health facilities. These efforts will ensure that 70% of the NHIF members are capitated raising Kshs 227,664,000 in capitation fees. The Government plans to subsidize 12, 638 families in FY19 through a targeted scheme, generating an estimated 60,000 (5 people per household) more NHIF members, that will be capitated to our public hospitals, raising an additionalKshs 60,000,000.

To sustain revenue growth, there will be further investments to improve quality of service, reduce congestion, provide more specialized care like CT scans, Renal Units, ICU and HDU, Oncology units, Orthopedic units. These investments will ensure that Nanyuki and Nyahururu County Referral Hospitals attain level 5 status, while Rumuruti, Doldol, Ndindika, Kimanjo and Lamuria Attain level 4 status, and the other 39 accredited health facilities attain level 3 health status. NHIF has special packages for renal @ Ksh 9,000 per session for 2 sessions per week, CT scans at Ksh 9,000 per scan, Special Surgical packages and special Rates for ICU and HDU. These services are high revenue generation points versus outpatient capitation. The department will explore appointment of the level 4 & 5 hospitals as service providers by private insurance companies through establishing semi-private or private facilities within the hospitals. There's an opportunity to pilot the concept by utilizing the 120 Bed units are currently under construction.

3.4.5 Water & sanitation sector improvements

The Government held a water conference in April 2018 that attracted diverse partners in public sector, donors and private sector. The department has deepened collaboration with the water sector fund. The highlight of this collaboration is the proposed Solio water project expected to cost KES150 million and whose implementation is underway. Moving forward, the Department of water and environment will increase cost recovery for services such as garbage collection in collaboration with the Nanyuki & Nyahururu Water & Sanitation companies. Enactment of the proposed Laikipia County Water bill 2019 will make community water schemes self-sustaining, thereby lowering the operations and maintenance costs incurred by Government. These reforms are expected to save KES 43 million annually. Further, the department will seek private investors to establish waste recycling ventures, and re-use of water from sewer ponds for agriculture.

3.4. 6 Improving the standard of financial governance, management and reporting

The Government targets to attain an unqualified audit opinion beginning with FY2018/19. The benefits of compliance includes granting the citizens value for money, raising the confidence of suppliers, lenders and investors to bridge the funding deficit. The Government will continue implementing e-procurement, lowering the payable days to a target of 14 days, and link the performance management system with IFMIS for timely reporting. Further the Government will strengthen the audit department to undertake its functions effectively. Cost management measures will be deployed to establish opportunities for savings in procurement of works, goods and services. In quarter 1 of 2019/20, a detailed, itemized analysis of the recurrent expenditure will be conducted to identify areas of potential savings.

3.4.7 Alternative financing mechanisms

The Government will continue exploring alternative financing mechanisms in line with the PFM Act, the Public Procurement and Assets Disposal Act (PPAD) and the Public Private Partnerships (PPP) Act. Key financing mechanisms underway includes operating leases and PPPs. A few highlights:

- The Government will table the Laikipia Assets Leasing Bill 2019 to address the default risks ('commitment to pay') expressed by banks that have stalled the funding of the committed lease contracts for vehicles and construction equipment. Construction of roads and dams with leased equipment will lower unit costs by up to 40%.
- The Government will accelerate identification of investors for the Nanyuki bulk water project PPP that has already been approved by the National PPP Committee;
- To accelerate the PPP pipeline, Laikipia County Development Authority (LCDA) will be strengthened with sufficient budget allocation annually for the three-year period (2019/20, 2020/21 and 2021/22) beginning 2019/20 to Khs300 million in

total to build transaction advisory capacity to actualize public private partnerships and make catalytic investments to spur investments in agricultural aggregators development and finance, farm mechanization, post-harvest management and manufacturing. In addition, the Government will strengthen the LCDA's balance sheet through assignment of high value assets in order to have capacity to raise funds in the market – this will make LCDA self-sustaining.

- The Government intends to issue an infrastructure bond of up to Khs 5 billion to fund revenue earning infrastructure projects, serviced industrial parks, hospitals etc. In this respect, the Government will seek credit rating in the current fiscal year. At present, LCDA Board has been directed to generate the project pipeline for the bond, while the department of finance and economic planning is implementing financial governance and management reforms to attain an unqualified audit opinion for FY2019.

3.4.8 Improving the business (operating) environment

Laikipia targets to be the number one County on the doing business index by making it easy for existing businesses to operate and new ones to start or expand into the territory. Our target is to be above Kenya's ranking on doing business. Among the key actions are the formalization of sector working groups by the LCDA for structured discussions on the reform agenda, analysis of the service delivery processes and touch points to eliminate the unnecessary steps and costs, establishment of county service centres at ward levels, and automation of service delivery (e-government). The Government has been exploring collaboration with the huduma centres services, and also offered office space to the Commission on Administration of Justice (office of Ombudsman. We expect implementation of e-government and collaboration with the office of ombudsman to enhance service delivery and resolution of complaints. In the upcoming finance Bill, the government will present a simplified and comprehensive schedule of fees and rates items. Further, the Cooperation for Peace and Development (CPD) is operational following the signing of the MoU by three counties, namely, Laikipia, Baringo and Isiolo. CPD is attracting significant goodwill from National Government agencies, donors and civil society organizations to become a go-to platform for prevention and management of resource-based conflicts. The Government is deploying the Climate smart agriculture grant to match the funding by pledged by KCB Foundation early 2018 in order to begin implementing the priorities agreed under CPD. The CPD's MoU provides for the establishment of the County Assemblies Summit to consider and support of the programs proposed by the Governing Council, and to be the forum for dialogue among leaders to defuse tension, arbitrate disputes and advance common goals. We target to convene the inaugural Governing Council & County Assembly Summit ii Q4, FY19.

3.4.9 Supporting small business development & manufacturing

Small businesses are the engine of growth. The Kenya National Bureau of Statistics (KNBS) survey of 2016 estimated that Laikipia had 68,000 informal and formal micro & small businesses. The revenue database has 24,000 licensed businesses, and we expect the automation of single business permits to yield updated data at the end of March, 2019. A number of initiatives have been undertaken to better understand the structure and needs of the micro and small businesses. These initiatives include launching of the innovation program and department of industrialization, a survey in November 2018 to that captured 9,600 businesses, digitizing the records of pre-qualified suppliers, and appointment of the Enterprise fund and cooperative revolving fund boards. Moving forward, the following actions are underway to strengthen the support to small businesses;

- Additional staff will be allocated to the Department of Trade, Tourism and Cooperatives. The next phase is launch of business development services in collaboration with institutions such as Laikipia University to deploy their business students;
- Expansion of intermediaries for the Enterprise fund and the Cooperative revolving fund to fast-track appraisal, disbursement and recovery of funds. The Government targets to partner with the Laikipia Cooperatives and Sacco Societies Forum (LACOSSOF) to co-fund automation of their member's operations in order to offer full visibility to Enterprise fund and Cooperative revolving funds boards, and the department of cooperatives for effective supervision. LACOSSOF has submitted a grant proposal for the system to LCDA that is under review.
- To accelerate the growth of manufacturing, LCDA will develop a risk capital fund in partnership with fund managers to co-invest in innovative SMEs. The fund will also include pre-investment ad post-investment advisory services.
- To transform polytechnics as centres of manufacturing, the Government will designate industrial/business zones within the polytechnics for establishing maker spaces for design & prototyping services to industry, and to act as 'residence parks' for early stage businesses for a maximum period of three years prior to re-location to commercial premises.
- In line with the on-going supplier development program, the Government will offer preferential procurement to businesses initiated and or co-located with the polytechnics and designated industrial/business parks.

3.4.10 Making farming a profitable business

As outlined in chapter two, the 2019 Gross County Product report indicated that Laikipia's agricultural productivity is 14% of Nyandarua. Increasing agricultural productivity will raise the people's income and have a ripple effect on growth of revenues as more businesses are established, demand for goods rises due to higher incomes, more families pay for NHIF and exit subsidy – and these resources will then have deployed to development. Analysis by the African Development Bank in the World Economic Forum's Africa Competitiveness Report 2015 titled, 'Transforming Africa's Agriculture to Improve Competitiveness' identifies eight factors that will boost farrm productivity. These factors are developing high-yield crops; boosting irrigation; increase the use of fertilizers Improving market access, regulations, and governance; making better use of information technology; adoption of genetically modified (GM) crops; reforming land ownership with productivity and inclusiveness in mind; and stepping up integration into Agricultural Value Chains (AVCs).

In the last 18 months, the Government has rolled out contract farming and feedlots establishment as the platforms for raising crops and livestock productivity respectively wirh mixed results Both levels of Government continue to invest in construction of water pans and dams. While citizens are enthusiastic to participate in these programs, our execution has not been successful due to among other factors failure of the inputs markets and ineffective route-to-market coordination. A case in point is the low utilization of the two milk cooling units at Matanya and Wiyumiririe inspite of reasonable milk production in their catchment areas. To execute the contract farming and feedlots program effectively, the Government, in partnership with private sector and development partners will undertake the following:

- Launch a business development service to enable development and finance of aggregators such as agrovets, farmer's groups and cooperatives, who can then contract with off-takers (traders and processors). The aggregators will then manage inputs finance and supply as well as the post-harvest logistics (transport, grading, storage, sale etc). We target to support establish 50 aggregators and 50 small-medium feedlots by June 30th, 2019.
- Promote climate-smart agriculture practices and technologies for production, post-harvest management and processing as part of the Laikipia innovation program.
- Utilize the UHC system being procured by the Department of Health to identify the farmers that merit subsidy, and expand its functionalities for use by BDS providers and extension services.
- Appoint aggregators as Government agents for supply inputs for households identified to be meriting subsidy.
- Offer land to investors for establishing agro-industrial parks, and promote preferential purchase of products made in Laikipia by public institutions, merchants and households. These parks will be established in production areas such as dams or river basins, former outspans and commercial centres/towns.
- LCDA will assist the Matanya & Wiyumirie Dairy Cooperatives, and the two Maize storage projects underway at Kinamba and Mutanga to develop viable business models.

3.4.11Smart, competitive towns and commercial centres

Kenya is urbanizing rapidly but is under-urbanized, meaning that it still can leverage the benefits of urbanization and attain its goal of becoming an upper middle-income country by 2030, with 50 of the population expected to be living in cities by 2050. A World Bank (2016) analysis entitled, 'Republic of Kenya Kenya Urbanization Review' states that Kenya still has an opportunity to leverage urbanization to drive economic through a "system of-cities" approach, where devolution empowers counties to develop strong urban centers. According to this report, evidence worldwide indicates is a strong positive relationship between urbanization and economic growth.

Likewise, Laikipia is urbanizing, where commercial enterprises and housing are located in land that's not yet zoned as commercial. Smart towns initiative is Laikipia's model for the 'system of cities' approach, that will have multiple impacts on the economy, including freeing agricultural land for production. The Government targets to implement the smart towns program in 15 rural centres and towns. Key components are infrastructure development, street addressing system, lighting, improved sanitation. The objective is to increase the level of business activity by incentivizing plot owners to develop these plots and thereby raise revenues from land transactions, development approvals and additional businesses. Adhoc evidence indicates that land values have risen in the three pilot sites of Naibor, Wiyumiririe and Ol Jabet. In the major towns, roads, pavings and lighting are being improved to enhance mobility and security, thereby enabling businesses to operate for longer hours. The Department of Infrastructure, Lands, Housing and Urban Development will undertake the following actions to raise additional revenue through the smart cities program:

- Streamline approval of construction works to reduce approvals to Rwanda standard;
- Collaborate with LCDA to develop affordable housing schemes on receipt of the feasibility study sponsored by World Bank;
- Collaborate with Kenya National Highways Authority (KENHA) is streamlining licensing of billborads and signboards, and beautification of the roads crossing Nanyuki and Nyahururu towns with pavements and cyclist’s paths;
- Create physical plans for all commercial centres with at least 1000 people;
- Update the physical plans and Zoning of Nanyuki and Nyahururu towns to include the new growth corridors;
- Provide additional resources in FY 2020-21 to complete another 10-12 smart towns across the County, with the lessons drawn from the three pilot sites of Wiyumiririe, ol Jabet and Naibor;
- Develop the County Spatial Plan in line with the County Government Act, 2012.
- Roll out performance-based contracts for maintenance of infrastructure, lighting etc, being the current practice adopted by the road agencies.

3.5 Budget Allocations and Revenue Enhancement

The 2019 Draft Budget Policy Statement provides a total county allocation of Ksh. 4.651 billion in 2019/20 comprising of Ksh 4.061 as equitable share and 0.59 billion as conditional grants in compensation for user fees foregone, rehabilitation of village polytechnics, road maintenance levy fund, leasing of medical equipment, loans and grants. This records a downward trend of Ksh 0.132 billion from Ksh. 4.783 billion in the previous financial year 2018/19. In the medium term, the allocations are expected to be steady growth based on revenue growth adjustments. In addition, focus on conditional grants is anticipated to remain steady in the health services, polytechnics and roads infrastructure sectors. The county equitable allocations continue to be based on the formula which uses the six parameters weighted as follows: population size (45 percent); equal share (26 percent); poverty index (18 percent); land area (8 percent); fiscal responsibility (2 percent) and development factor (1 percent). The current formula was passed by a resolution of the National Assembly on 21st June 2016, pursuant to article 217 of the constitution, to form the basis of revenue sharing among the counties for FY 2016/17, 2017/18 and 2018/19. However, the Commission for Revenue Allocation is now seeking public views on the proposed third basis for allocating resources before tabling it in Parliament for consideration.

The County Government will focus on enhancing the revenue base and efficiency in tax administration. This will ensure that targets on all local revenue streams are fully realized.

In the year 2019/20, total local collections are expected at Ksh. 880,000,000 up from Ksh. 800,000,000 in 2018/19. In addition, the County Government will initiate resource mobilization strategies from external sources under the auspices of the Laikipia County Development Authority (LCDA) to complement the county government revenues.

3.6 Public-Private Partnership

Taking into account limited public resources, the County Government will fast track the participation of the private sector in infrastructure development in the medium term. The Public Private Partnerships Amendment Act of 2017, provides for the participation of the private sector in the financing, construction, development, operation, or maintenance of infrastructure or development projects of both the National and County governments through concession or other contractual arrangements.

It also provides for establishment of Public Private Partnerships Committees and County PPPs nodes to coordinate with the National PPP Unit. Laikipia Government has designated LCDA as the County PPP Node.

The participation of the private sector is critical in meeting the economy's resource requirements while developing the appropriate market environment to promote efficiency. All this is premised on a macroeconomic stability, deeper structural reforms, cordial intergovernmental relations, robust policy framework and enactment of enabling legislations/regulations. In addition, the implementation of the Companies Act, 2015 is expected to provide further incentives in trade and investment at the national level impacting positively at the county.

3.7 Risks to the Outlook

A number of risks associated to the outlook may pose uncertainties thus influencing key decisions on increase or decrease of the fiscal forecasts. The risks to the economic outlook for 2019/20 and the medium-term include:

a) National Macro Economic Stability

Uncertainties in the global financial markets particularly with regard to the U.S. economic and trade policies, normalization of monetary policy in the advanced economies and the prolonged uncertain Brexit outcome are likely to weigh down global growth with negative impact on trade and financial flows. This may contribute towards negative variances on the performance of the economic growth and hence lead to lower local revenue collections and increased expenditure. However, the national government in collaboration with county governments will monitor the above risks and take appropriate measures to safeguard macroeconomic stability.

b) Seasonal Weather Patterns

Depressed weather patterns are expected in 2019 as well as the medium term. Laikipia County is dominantly rural with a significant population in the agriculture sector and associated linkages. Instability of the weather patterns poses adverse effects on livelihoods dependent on the agricultural related occupations. The short rains season during October to December 2018 were evenly distributed both in time and space. However, March-April-May long rain season 2019 are expected to be generally near normal over most of the places hence improved agricultural production. Periodic weather monitoring will be undertaken to ensure contingency plans are activated to minimize the effects of the shocks whenever bad weather will be predicted.

c) Geopolitics and Security

The National Government initiative to enhance domestic tourism has continued to have positive bearings on the county. Laikipia County being part of the northern circuit receives a large number of tourists due to its attraction sites such as scenic view of Mt. Kenya peaks, Thompson Falls in Nyahururu, proximity to Mt Kenya Game Park, expansive savannah landscape, game lodges and restaurants, conservancies and a rich Maa culture. In addition, the county government has put measures in place towards promotion of tourism activities and marketing of Laikipia as a leading wildlife tourism destination.

The large numbers of tourists and positive performance of this sector will be predicated on regional and global stability with no security concerns and issuance of travel advisories by major tourists' source countries.

d) Budget Allocations and Revenue Enhancement

A stable economic performance will translate to increased revenues for the county as the law requires the division of revenues between the Counties and the National Government to be at least 15 per cent of the audited financial position of the country. However, public expenditure pressures, especially recurrent expenditures, continue to pose fiscal risk to the County Governments. Looking ahead, the county government will continue mitigating internal risks. These risks include delays in passage of the finance related bills, labour unrest by the unionized members, court cases on revenue collections, weak implementation of large development projects and competing political environment which would adversely affect the outcomes of development expenditures. On the recurrent expenditures, consistent cost management and increased efficiency will be nurtured to facilitate service delivery. Expenditure management will be strengthened with enhanced use of the Integrated Financial Management Information System (IFMIS), automated revenue collection systems and e-procurement across the county.

CHAPTER FOUR
FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2019/20 AND THE MEDIUM-TERM

4.1 Introduction

This section highlights the projections for county revenue, recurrent expenditure and development expenditure. It also describes the overall deficit and its financing, the underlying risks, structural measures and strategic interventions.

4.2 County Revenues

In the financial year 2018/19 the county revenue was estimated at Ksh. 5,884,189,487.00 comprising of Ksh. 4,113,400,000 from equitable share of the national revenue, Ksh 800,000,000 from local revenue collections, conditional grants of Ksh. 970,789,487. In addition, there is an opening balance of Ksh. 467,255,507 and lease deposit refund of Ksh. 110,000,000.

The 2019 Draft Budget Policy Statement prepared according to Section 190 of the PFM Act sets out the division of county governments' share of revenue among the counties for the FY 2019/20. From these allocations, Laikipia County will get an equitable share of Ksh. 4,061,000,000. In addition, the County government will get a conditional allocation of; Ksh 9,968,208. for compensation of user fees foregone; Ksh 131,914,894 for lease of medical equipment; Ksh. 117,691,219 for road levy; Ksh 28,525,000 for rehabilitation of village polytechnics; and other loans and grants amounting to Ksh 302,578,964. The total conditional grants amounts to Ksh. 590,678,284. This makes the revenues expected from the national government for the FY 2019/20 amount to Ksh. 4,651,678,284. Revenue from local sources is projected at Ksh. 880,000,000. Therefore, total expected revenue for F/Y 2019/20 is Ksh. 5,531,678,284.

Table 5: Summary of County Revenues in 2016/17-2019/20

Type of Revenue	2016/17 (Ksh)	2017/18(Ksh)	2018/19(Ksh)	2019/20(Ksh)
Equitable share	3,722,107,267	4,499,800,000	4,113,400,000	4,061,000,000
Local Revenue	468,756,513	608,463,784	800,000,000*	1,006,875,000*
Total	4,190,863,780	5,108,263,784	4,913,400,000	5,067,875,000

NB: Exclusive of Conditional Grants

* indicates projections

4.3 County Expenditure

Notwithstanding the limited resources facing the County Government, departmental funding requirements will have to be in line with the county and national goals and objectives as outlined in the County Fiscal Strategy Paper (CFSP) 2019 and the County Integrated Development Plan (2018-2022). In this regard, departments will have to rationalize and prioritize their expenditure programs in the FY 2019/20 and medium term to focus only on the strategic interventions and projects that are captured in these planning frameworks. The expenditure has to be geared towards enhanced service delivery that supports social development, economic growth and transformation in the County.

In 2019/20, County overall expenditures at the County are projected at Ksh 5,658,553,284 compared to the budget allocations in 2018/19 of Ksh. 5,884,189,487 following significant reduction in conditional grants.

4.4 Development Expenditure

In 2019/20, development expenditures from shareable revenue across departments are projected at Ksh. 1,351,368,408. This will be complemented by conditional funds estimated at Ksh. 580,710,077. Overall development votes will represent 34% of the estimated revenues. Development spending in 2019/20 will focus on health services facilities, water infrastructure, roads improvement, smart town initiative, agricultural infrastructure, market infrastructure, security services, school infrastructure, and land-based resource management. The major spending departments include: Health, Water and Infrastructure. Overall development spending in 2018/19 of Ksh. 1,128,762,500 was mainly on health facilities upgrading, water dams, roads improvement, urban parking, health supplies, wildlife fences, and security support infrastructure.

4.5 Recurrent Expenditure

The estimated amount for recurrent expenditure in 2019/20 is projected at Ksh. 3,716,506,592 of sharable revenue from 3,534,637,500 in 2018/19. Salaries and wage bill in 2019/20 have been estimated at Ksh. 2,400,000,000 compared to budget level of Ksh. 2,728,037,500 in 2018/19. The overall vote for the recurrent expenditure will be 66 %. This spending item is expected to stabilize over the medium term following staff rationalization at the county and national level in matching of skills and functions. The major spending departments include; Health services, County Assembly, County Administration, Agriculture, Finance and Planning Services.

4.6 County Fiscal Policy Statement

Strategies for sustainable economic activities are critical in order to provide fiscal space for priority expenditures. Wage adjustments for government departments are expected to be met within the departmental ceilings. With respect to goods and services, expenditure ceilings for sectors/departments are determined by the funding allocation for goods and services in the previous year budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in 2019/20 and then an adjustment factor is applied to take into account the growth in revenues.

The expenditure on wages and benefits for public officers' stand at 43.4 % while that provided by the PFM Act stands prescribes a global standard of 35%.

Consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure (health, water, roads, trade, education and agriculture), the uptake of development expenditures including funding from development partners is to be maintained at 34.0% and recurrent expenditure at 66.0%. Most of the outlays are expected to support critical infrastructure that will encourage private sector investment as well as critical interventions to remove constraints to accelerated growth. With improvement in procurement planning, the absorption capacity of project funds is expected to increase resulting in a higher investment level in infrastructure activities.

In view of challenges of climate change and unforeseen shocks, Emergency Fund provision will be provided for in the 2019/2020 budget in line with the Emergency Fund requirements of up to 2% of total government revenue as per Section 113 of the PFM Act. To boost revenue, the county will implement revenue enhancement initiatives through the County Revenue Board, this will complement the other sources of revenues that the county has little or no control of.

4.7 Overall Deficit and Financing

To ensure fiscal discipline, the 2019 BPS encourages the County governments not to include deficits in their budgets in 2019/20 and medium term without a clear and realistic plan of how the deficit will be funded. It is in this regard that the County Government allocated resources for spending that are commensurate to the revenues expected in the 2019/20 and the medium term.

During the 2019/20 fiscal year, the county budget shall be financed through transfers from the national government, grants from partners and revenue collected from local sources such as fees and charges, rates, among others as allowed by the governing Acts. The 2019/20 fiscal framework is therefore fully financed.

CHAPTER FIVE

RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

5.1 Introduction

This section provides for the available resources in terms of revenue and deficit finance vis-à-vis budgetary requirements. This is informed by the national objectives and goals as outlined in the 2019 Budget Policy Statement and the set out resource sharing guidelines.

According to Articles 201, 202 and 203 of the Constitution, revenue raised nationally is shared equitably among the two levels of governments and among county governments to enable them provide services and perform the functions assigned to them under the Fourth Schedule of the Constitution. The equitable division of revenue between the two levels of government takes into account the criteria specified in Article 203 of the Constitution. It is a requirement that, not less than 15% of all revenue collected by the national government be allocated to the county governments as sharable revenue. The County Governments' equitable revenue share allocation for FY 2019/20 is based on the current formula which uses six parameters. Each additional conditional allocation is distributed based on its objectives, criteria for selecting beneficiary Counties and distribution formula.

Laikipia County will receive Ksh 4,061,000,000 translating to 1.31 % of the County Governments' equitable share allocation. In addition, the County will receive conditional grants totaling Ksh. 590,678,285 in support of key areas including; leasing of medical equipment, road maintenance, vocational training centres infrastructure and compensation for user fees forgone.

5.2 Sector Priorities and Ceilings

This section provides the sector ceilings for the MTEF period ensuring continuity in resource allocation from the last financial year consistent with the MTEF budgeting approach. The ceilings include the strategic interventions, details of sector ceilings that will continue to be informed by programmes defined in the CIDP 2018-2022 and expected outputs.

5.2.1 Public Service and County Administration

Operations across all administrative units will be strengthened up to the ward levels and the staff motivated towards effective delivery of devolved functions. Initiatives in improving governance will be prioritized including: operationalization of Town Committees, government e-services, community leaders' meetings and citizen forums. Towards ensuring a peaceful county, prioritized initiatives include; street lighting, community policing and opening of security roads.

Disaster risk reduction strategies will also be promoted towards increased resilience of the local communities. The County Public Service Board will also ensure that staff rationalisation is undertaken; employees maintain high standards of skills, knowledge, competence and attitudes in serving the citizenry. The Department will closely work with National Government agencies in enhancing service delivery. Inter and intra-county government relations will also be supported across departments. The department also shoulders the insurance and other regulatory requirements for the county. Further, the legal department and the office of the governor are also housed in this department.

In order to realize the prioritized programmes in the sector, a total of Ksh. 804,402,233 is allocated in 2019/20 with Ksh. 483,862,887 being recurrent expenditure, Ksh. 40,642,860 as development expenditure. Within the recurrent allocation, the department will spend Kshs 190,000,000 for staff rationalization, among other expenses. The wages allocation to be administered by this department for the entire County executive is Ksh. 2,206,275,000.

It is worth noting that the Laikipia County Public Service Board will also be operating as an entity with its recurrent and development votes being managed by the entities secretary as the accounting officer.

LCPSB will therefore be allocated a total of 25,000,000 a recurrent of Ksh 14,500,000 and development of Ksh. 10,500,000.

5.2.2 Finance and Economic Planning

The CIDP 2018-2022 programmes will continue to guide public financial management in supporting strategic interventions. Continued strengthening of IFMIS in procurement, payrolls, budgeting and financial management in the Treasury operations will receive significant support. Support to integrated planning, budgeting, audit, sectoral planning, and monitoring and evaluation is also key in the department's expenditure. To promote economic growth in the county, the government will continue funding strategic flagship projects through Laikipia County Development Authority. This Authority will however no longer be funded by the department but rather have its own financial books of accounts including the balance sheet. The department is geared towards having unqualified audit opinion. For this reason, the department will beef-up its internal audit department by supporting capacity and continuous compliance assessment. This will also involve taking into account conducting regular audits in all the departments and the county entities. Asset management is also a task bestowed within the department with close working with the administration. The department will be tasked to develop, maintain and continuously update the asset register. The department will further be expected to continue conducting the supplier development program that will see improved procurement processes and procedures.

This sector is allocated a total of Ksh. 216,374,701 in 2019/20 with Ksh. 106,628,122 being recurrent expenditure and Ksh. 109,746,090 as development expenditure.

5.2.3 Laikipia County Development Authority

The authority was formed through Laikipia County Development Authority Act (2014), establishing an institutional framework for coordination and promotion of county development and for connected purposes. The LCDA/B has been tasked to creating an attractive investment environment and has further developed five pillars to anchor its operations as below,

a) Brand Laikipia
b) Competitive Business Environment
c) Flagship investment projects
d) Flagship social investment projects
e) Organizational effectiveness

To this end, the government will support the entity in its agenda by initially supporting its development and operations budget. The entity is however expected to self-finance after three years of operations.

The county government has allocated a total of Ksh 22,500,000 of which Ksh 10,500,000 as recurrent and Ksh 12,000,000 as development to help the entity build on its balance sheet for sustainability.

5.2.4 Laikipia County Revenue Board

The County government envisages an independent revenue collecting body as stipulated in the Laikipia County Revenue Board Act, 2014. This is intended to streamline the operations of the Board in order to ensure effectiveness and efficiency in revenue administration.

Section 4(2) states that the Board shall be a body corporate with perpetual succession and a common seal and shall in its corporate name be capable of;

a) Taking, purchasing or otherwise acquiring, holding, charging of disposing of movable and property
b) Borrowing money or making investments
c) Entering into contracts and
d) Doing or performing all other acts or things for the proper performance of its functions under the Act.

In order to maximize on revenue collection, support will be accorded in enhancing local sources of revenue through integration of ICT in revenue collection, staff facilitation and training and other use of goods and services. Further, the entity will continue to digitize its operations including erecting more digital weighbridges. In 2019/20 this sector is allocated a total of Ksh. 71,600,000 in 2019/20 with Ksh. 39,000,000 being recurrent expenditure and Ksh. 32,600,000 as development expenditure.

5.2.5 Medical Services and Public Health

The health sector aims at attaining the highest possible health standards in a manner responsive to the population needs by supporting provision of equitable, affordable and quality health and related services at the highest attainable standards. Prioritized programmes are geared towards improved scope of health service delivery at all levels, essential medical supplies and healthcare infrastructure. Priority is also factored for increased health insurance coverage (universal health coverage - UHC), introduction of tele-medicine, referral and ambulance services and expansion of KMTC services in guiding the allocation of resources in this sector. The the FY2019/20, sector will not prioritize construction of infrastructure but rather concentrate in equipping all levels of health facilities, consistent supply of required commodities, quality certifications of level 5 & level 4 hospitals, digitizing service procedures and services, culture change, capacity building of health workers up to community levels, and additional staffing.

Others include improving reproductive, maternal, neonatal, child and adolescent Health (RMNCAH) through increased immunization, improved nutrition, increased access to family planning services and improved quality of health services; ending AIDS, TB, Malaria and NCDs as a public health threat by 2030 through cost effective and transformative prevention interventions. Collaboration with the national government and development partners will also be enhanced on infrastructure for referral hospitals, specialized equipment and technical support.

To realize the prioritized programmes, the sector is allocated a total of Ksh. 367,164,205 in 2019/20 with Ksh. 273,489,094 being recurrent expenditure and Ksh. 93,675,111 as development expenditure.

5.2.6 Agriculture, Livestock, Irrigation and Fisheries Development Sector

This is a major sector in supporting livelihoods and accelerating economic growth through enhancing food security; income generation; employment and wealth creation. The sector also contributes significantly to socioeconomic growth and development through forward and backward linkages with other priority sectors. The County Government prioritizes food security, market access and value addition initiatives through enhanced production mechanisms targeting: postharvest management & facilities (warehouses, coolers) cereals, disease control and surveillance, breed improvement, fodder production and storage, subsidized farm inputs, contract farming, vector control, farm water harvesting, expansion of irrigation dams, enhanced extension services, water and soil conservation and fisheries.

To realize the prioritized programmes, the sector is allocated a total of Ksh. 80,006,620 in 2019/20 with Ksh. 18,708,016 being recurrent expenditure and Ksh. 61,298,304 as development expenditure.

5.2.7 Lands, Housing and Urban Development

This sector aims at sustaining and expanding cost-effective public utility infrastructure facilities and services in the areas of road transport infrastructure, roads maintenance, spatial planning, survey and mapping, town planning, land governance management and urban development. Implementation of programs under this sector will greatly enhance the commercial and productive activities in the dominant rural areas of the county. Smart towns initiative targeting parking lots, pedestrian paths, and bus parks pavements have also been factored in for urban areas in Naibor, Wiyumiririe and Oljabet. Collaboration with the national government and development partners will also be enhanced on road infrastructure improvement, urban development, land governance, energy distribution and housing development. The government further, recognizes the role infrastructure has in accessing social amenities like health centres, schools, markets among others. For this reason, the government will deliberately invest heavily in infrastructure to bring services closer to people. This ultimately will play a great role in improving the Human Development Index – access to information, health and markets.

In order to realize the prioritized programs, the sector is allocated a total of Ksh. 533,251,870 in 2019/20 with Ksh. 18,036,268 being recurrent expenditure and Ksh. 515,215,602 as development expenditure.

5.2.8 Education, Information Communication Technology and Social Services

Education and training is instrumental for transformative development. Expansion of access to education and training is at the heart of the Government's commitment to our children's future. In this regard, increased resources will be geared towards priority programs on: school infrastructural development at ECDE Centres and vocational training centres. Capacity building of ECDE teachers and vocational trainers have been factored. In addition, provision of specialized equipment, training materials and increased water access has been factored. Scholarships and bursaries have been factored to ensure seamless transition of primary to secondary education and beyond. To ensure sustainable livelihood business incubation and innovation project will be initiated in vocational centres. In sports and talent promotion, training facilities have been factored to be developed, rehabilitated, renovated as well as creating partnership to enhance and promote talent amongst youths. To enhance social protection, the sector will embark on empowerment support services to persons living with disabilities and infrastructural support at children rehabilitation and rescue centres. Annual socio-cultural events, youth and women empowerment programs will be supported in collaboration with the national government agencies.

Towards realizing the prioritized programmes, the sector is allocated a total of Ksh. 161,155,883 in 2019/20 with Ksh. 61,177,793 being recurrent expenditure and Ksh. 100,374,090 as development expenditure.

5.2.9 Trade, Tourism, Enterprise Development and Co-operative Sector

This sector aims at creating employment opportunities and wealth creation for poverty reduction, through creating an enabling environment for business, mobilization of resources for investments, and promotion of sustainable tourism. The county government prioritizes strengthening Enterprise and Co-operative revolving funds, construction and expansion of market structures and business parks, boosting the business capacity of co-operative societies, expanding financial inclusion through SACCOs, marketing of Laikipia as a tourist destination and promoting investments in the County. Improved funding of priority projects under these programmes in 2019/20 will foster employment creation and support the productive sectors in the County. Major also into its assignment, the department is expected to put more effort in promoting industrialization through harnessing innovation. This will drive the economy towards value addition into agro products and coming up with brand products Laikipia beef and leather among others. Additionally, slaughter houses and the livestock markets should be housed within the department under value add (industrialization) and Trade (markets).

The sector is allocated a total of Ksh. 128,814,590 in 2019/20 with Ksh. 16,534,823 being recurrent expenditure and Ksh. 112,279,767 as development expenditure.

5.2.10 Water, Environment and Natural Resources Sector

A master plan for water enhancement will guide the short term, medium term and long term needs in the county spending. Dominant rural areas have been prioritized through rehabilitation of water supply sources (dams, boreholes, springs, storage tanks) as well as establishment of new water schemes in identified clusters. Wildlife-human conflict mitigation initiatives will be addressed through electric fences, community patrols and strengthening resource user associations. Solid waste and drainage management will also get increased funding to address the existing gaps towards ensuring a safe and a secure environment through acquisition of dumpsites, cemeteries and garbage collection trucks. Interventions on climate change adaptation and mitigation, disaster reduction, increasing community resilience and livelihoods will also be addressed in 2019/20 and medium term. Collaboration with the national government and development partners will also be enhanced on rangeland, wetland and forestry protection activities, establishing mega dams and irrigation schemes.

Towards realizing the prioritized programs, the sector is allocated a total of Ksh. 221,056,173 in 2019/20 with Ksh. 18,019,589 being recurrent expenditure and Ksh. 203,036,584 as development expenditure.

5.2.11 Legislative Services

The legislative services and oversight roles shall continue to be the main spending items as well as promotion of issue based transformative agenda. The County Assembly is allocated a total of Ksh. 509,775,000 with Ksh. 256,050,000 being recurrent expenditure, Ksh. 60,000,000 as development expenditure and Ksh. 193,725,000 for staff emoluments.

5.3 Challenges to be Addressed

The following challenges and respective recommendations are highlighted:

Revenues collected locally fell short of targeted amounts in the first 7 months of 2018/19 recording 88.1% of the cumulative targets. Enhancement of local revenue collection across main streams will be supported as well as strengthening of automation of revenue collection systems. External resource mobilization through partnerships and collaborations with MDAs, development partners and Public Private Partnerships will be embraced towards an increased county resource envelope. Spending pressures have persisted mainly on staff recruitment, working space, working tools and equipment. County departments shall ensure fast-tracking of the completion of headquarters offices in Rumuruti and acquisition of more equipment, vehicles and working tools.

The economic outlook for 2019 may face unpredictable weather variations whose effects if not adequately mitigated; the county may record a poor economic performance. To mitigate adverse effects, information from Early Warning Systems, building resilience through climate smart technologies and practices, and timely emergency assistance.

Delays in exchequer releases, expenditure arrears, back logs of utility payments and pending bills have been shown to greatly affect budget implementation. County departments through the Treasury shall ensure there are timely submissions of exchequer requests and allocation of funds to prioritized programs in short term and medium term.

Procurement processes have been cited as delaying most of the projects, leading to upward revision of costs. Adherence to Public Procurement and Disposal Act, 2015 amendments will ensure timely implementation of programs. In addition, adherence to Annual Procurement Plans and e-procurement requirements will ensure consistent and timely implementation of departmental priorities.

Low staff mobility has been seen to affect efficient service delivery. The County government will ensure improved staff mobility for efficient service delivery through enhanced fleet management. The requirements on public participation in governance and development have received improved performance. Nevertheless, there is need to embrace and document best practices in broadening citizenry inputs in policies, budget making and implementation of programs /projects.

Table 6: Summary of Resource Allocations

DETAILS	2018/19 (Ksh)	2019/20 (Ksh)	2020/21 (Ksh)	2021/22 (Ksh)
Personal Emoluments Executive	2,543,537,500	2,206,275,000	2,095,961,250	1,991,163,188
Staff Rationalisation		190,000,000		
Personal Emoluments Assembly	184,500,000	193,725,000	184,038,750	204,379,876
Operations and Maintenance Executive	525,100,000	1,060,457,592	862,750,404	949,025,444
Operations and Maintenance Assembly	281,500,000	256,050,000	300,355,000	330,390,500

Total Recurrent Expenditure	**3,534,637,500**	**3,716,506,592**	**3,443,105,404**	**3,474,959,007**
Development- Executive	1,123,762,500	1,291,368,408	1,603,810,792	1,764,191,871
Development- Assembly	5,000,000	60,000,000	19,586,250	20,091,938
Total Development Expenditure	**1,128,762,500**	**1,351,368,408**	**1,623,397,042**	**1,784,283,809**
Total Budget	**4,663,400,000**	**5,067,875,000**	**5,066,502,446**	**5,259,242,816**

NB: The figures exclusive of conditional grants and pending bills

Table 7: Sector Allocations in 2018/19 (Ksh)

Sector	Total Allocation	Personnel Emoluments	Recurrent Allocation	Development Allocation
County Assembly	471,000,000	184,500,000	281,500,000	5,000,000
Public Service and County Administration	483,762,438	222,762,438	192,100,000	68,900,000
Finance and Economic Planning	500,802,396	252,939,896	132,500,000	115,362,500
Health	1,700,750,406	1,371,650,406	33,600,000	295,500,000
Agriculture	447,075,463	320,675,463	23,900,000	102,500,000
Land, Housing and Urban Development	258,476,047	87,676,047	25,800,000	145,000,000
Education, ICT and Social Services	258,736,919	125,236,919	78,500,000	55,000,000
Trade, Tourism ,Enterprise Devp & co-ops	186,197,567	34,697,567	16,500,000	135,000,000
Water, Environment and Natural Resources	356,598,764	127,898,764	22,200,000	206,500,000
Total	**4,663,400,000**	**2,728,037,500**	**806,600,000**	**1,128,762,500**

Table 8: Sector Ceilings in 2019/20 and Medium Term

Sector	2019/2020 Total Projections	2019/2020 Personnel Emoluments	2019/2020 Projections Recurrent	2019/2020 Projections Development
County Assembly	509,775,000	193,725,000	256,050,000	60,000,000
Public Service and County Administration	778,402,224	253,896,477	483,862,887	40,642,860
County Public Service board	25,000,000		14,500,000	10,500,000
Finance and Economic Planning	381,053,823	164,679,611	106,628,122	109,746,090
Laikipia County Revenue Board	71,600,000		39,000,000	32,600,000
Laikipia County Development Authority	22,500,000		10,500,000	12,000,000
Health	1,627,195,326	1,260,031,121	273,489,094	93,675,111
Agriculture	275,262,716	195,256,396	18,708,016	61,298,304
Land, Housing and Urban Development	696,182,131	162,930,261	18,036,268	515,215,602
Education and Social Services	229,026,314	67,474,431	61,177,793	100,374,090
Trade, Tourism, Enterprise and Co-operatives	153,868,485	25,053,895	16,534,823	112,279,767
Water, Environment and Natural Resources	298,008,981	76,952,808	18,019,589	203,036,584
Total	**5,067,875,000**	**2,400,000,000**	**1,316,506,592**	**1,351,368,408**

NB: Conditional Grants not included in the 2019/2020 Sector Ceilings

Table 9: Sector Ceilings in 2020/21 (Kshs)

Sector	2020/2021 Total Projections	2020/2021 Personnel Emoluments	2020/2021 Projections Recurrent	2020/2021 Projections Development
County Assembly	503,980,000	184,038,750	300,355,000	19,586,250
Public Service and County Administration	645,636,138	241,201,653	338982339	47,068,459

County Public Service board			10,295,000	8,088,687
Finance and Economic Planning	285,857,264	156,445,630	70,540,915	47,320,700
Laikipia County Revenue Board	59,950,000		41,800,000	18,150,000
Laikipia County Development Authority	91,550,018		11,550,018	80,000,000
Health	1,536,010,190	1,197,029,565	245,838,003	93,142,622
Agriculture	278,010,528	185,493,576	20,578,818	71,938,134
Land, Housing and Urban Development	746,841,004	154,783,748	19,839,895	572,217,361
Education, ICT and Social Services	237,545,280	64,100,709	62,565,572	110,878,999
Trade, Tourism ,Enterprise and Co-operatives	228,497,049	23,801,200	18,188,305	186,507,544
Water, Environment and Natural Resources	464,174,991	73,105,168	22,571,538	368,498,285
Total	**5,066,502,445**	**2,280,000,000**	**1,163,105,404**	**1,623,397,041**

NB: Conditional Grants not included in the 2020/2021 Sector Ceilings

Table 10: Sector Ceilings in 2021/22(Ksh)

Sector	2021/2022 Total Projections	2021/2022 Personnel Emoluments	2021/2022 Projections Recurrent	2021/2022 Projections Development
County Assembly	525,319,250	174,836,813	330,390,500	10,890,000
Public Service and County Administration	652,079,371	229,141,570	372,691,535	50,246,266
County Public Service board	21,940,133.5		11,513,537	10.426,595.9
Finance and Economic Planning	263,976,147	148,623,349	75,300,028	40,052,770
Laikipia County Revenue Board	65,945,000		45,980,000	19,965,000
Laikipia County Development Authority	115,000,000		15,000,000	100,000,000
Health	1,510,056,774	1,137,178,087	270,421,803	102,456,884
Agriculture	277,987,544	176,218,897	22,636,699	79,131,948
Land, Housing and Urban Development	798,307,543	147,044,561	21,823,885	629,439,097
Education, ICT and Social Services	251,684,702	60,895,674	68,822,129	121,966,899
Trade, Tourism ,Enterprise and Co-operatives	247,776,574	22,611,140	20,007,135	150,158,298
Water, Environment and Natural Resources	499,626,714	69,449,909	24,828,691	259,226,267
Total	**5,229,699,753**	**2,166,000,000**	**1,279,415,943**	**1,573,960,025**

NB: Conditional Grants not included in the 2021/2022 Sector Ceilings

Table 11:Conditional Grants 18/19and 19/20

Name	Sector	2018/19 Ksh.			2019/20 Ksh.		
		Total	Recurrent	Development	Total	Recurrent	Development
Medical Equipment Leasing	Health	200,000,000	0	200,000,000	131,914,894	0	131,914,894
Vocational Training Centres Development	Education ICT and Social Services	28,525,000	0	28,525,000	28,525,000	0	28,525,000
Users Fee Forgone	Health	9,968,208	9,968,208	0	9,968,208	9,968,208	0
Loans and Conditional Grants	Finance and Economic Planning	380,285,005	0	380,285,005	302,578,964	0	302,578,964
County Roads Maintenance-Fuel Levy Fund	Lands, Housing And Urban Development	109,128,974	0	109,128,974	117,691,219	0	117,691,219
Total		**347,622,182**	**9,968,208**	**337,653,974**	**590,678,285**	**9,968,208**	**580,710,077**

Table 12: Emerging Grants

Name	Sector	2018/19 Ksh.			2019/20 Ksh.		
		Total	Recurrent	Development	Total	Recurrent	Development
KDSP Capacity building 1819	Finance and Planning	41,121,027	41,121,027	0			
KDSP Investment	Finance and Planning	111,140,605	0	111,140,605			
Transforming Health for Universal Access TUC-World Bank	Health	67,077,728	67,077,728	0			
Universal Health in Devolved Systems Programme –DANIDA	Health	15,086,250	0	15,086,250			
UNICEF / primary health care grant	Health	20,000,000	0	20,000,000			
Primary Health Care-World Bank	Health	25,000,000	0	25,000,000			
Kenya Urban Support Project	Lands, Housing And Urban Development	91,200,000	41,200,000	50,000,000			
EU-IDEAS LED	Agriculture Livestock and Fisheries	90,000,000	0	90,000,000			
Climate Smart Agriculture		117,000,000	0	117,000,000			
ASDSP		19,398,638	19,398,638	0			
County Roads Maintenance- Fuel Levy Fund 1718 balance	Lands, Housing And Urban Development	26,143,057	0	26,143,057			
Total		**623,167,305**	**168,797,393**	**454,369,912**			

Table 13: County Projected Local Revenue(Ksh)

Year	**F/Y 2017/18**	**F/Y 2018/19**	**F/Y 2019/20**
Local Collections(Ksh)	**700,000,000**	**800,000,000**	**880,000,000**

NB: Projections as per the CIDP 2018-2022

ANNEXES

Annex 1(a): Summary of Actual County Revenues in 2016/17-2019/20

Type of Revenue	2016/17 (Ksh)	2017/18(Ksh)	2018/19 (Ksh)	2019/20(Ksh)
Equitable share	3,722,107,267	3,972,232,877	4,113,400,000	4,061,000,000
Local Revenue	468,756,513	608,463,784	800,000,000*	1,006,875,000*
Total	**4,190,863,780**	**4,580,696,661**	**4,913,400,000**	**5,067,875,000**

*shows projections

Annex 1(b): County Projected Local Revenue (Ksh)

Year	F/Y 2016/17	F/Y 2017/18	F/Y 2018/19	F/Y 2019/20
Local Collections (Ksh)	**670,000,000**	**700,000,000**	**800,000,000**	1,006,875,000
Total	**670,000,000**	**700,000,000**	**800,000,000**	**1,006,875,000**

Annex 1(c): Local Revenue Performance Report 2017/18-1819 (Ksh)

Month	Actual 2017/2018	Budget 2018/19	Actual 2018/19	Achievement %
July	13,079,867	35,000,000	26,081,143	75
August	12,351,483	40,000,000	27,663,408	69
September	20,987,184	40,000,000	23,091,358	58
October	17,718,159	40,000,000	42,133,039	105
November	17,797,214	40,000,000	27,553,468	69
December	20,139,596	35,000,000	24,036,782	69
January	32,919,786	50,000,000	47,680,432	95
February	34,823,600	50,000,000		-
March	62,988,775	70,000,000		-
April	47,170,974	60,000,000		-
May	36,925,065	50,000,000		-
June	33,056,576	40,000,000		-
Hospital Revenue	258,505,505	250,000,000	152,078,391	61
TOTAL	**608,463,784**	**800,000,000**	**370,318,021**	

Annex 2: Conditional Grants 16/17, 17/18 and 18/19

Conditional Grant	F/Y 2016/17 (Ksh.)	F/Y2017/18 (Ksh.)	F/Y 2018/19 (Ksh.)
Road Maintenance Levy Fund 1819	57, 190,153	104,737,500	109,128,974
Road Maintenance Levy Fund 1718			26,143,057
Lease of Medical Equipment	95,744,641	95,744,681	200,000,000
Loans and Grants	65,814,676	131,968,384	0
Free Maternal Healthcare	63,640,000	63,610,400	0
Compensation for User Fees Foregone	9,305,967	9,305,967	9,968,208
KDSP Capacity building 1819	0	0	41,121,027
KDSP Investment	0	0	111,140,605
Transforming Health Care Systems for Universal Care Proje(THSUCP)	0	0	67,077,728
Universal Health in Devolved Systems Programme -DANIDA	0	0	15,086,250
UNICEF / primary health care grant	0	0	20,000,000
World bank primary health care grant	0	0	25,000,000
Kenya Urban Support Project	0	0	91,200,000
EU-IDEAS LED	0	0	90,000,000
Climate Smart Agriculture	0	0	117,000,000
ASDSP- Agricultural Sector Development Support Programme	0	0	19,398,638
Vocational Training Centres Development	0	0	28,525,000
Total	**234,505,284**	**565,366,932**	**970,789,487**

Annex 3: Personnel Emoluments Projections (Extracts from ADP 2019/20)

Sector/Department	Estimated Cost (Ksh)	Percentage Costing
Public Service and County Administration	222,762,438	8.2
Finance and Economic Planning	252,939,896	9.3
Health	1,371,650,406	50.6
Agriculture , Livestock and Fisheries	320,675,463	11.8
Education, ICT and Social Services	125,236,919	4.6
Lands, Housing and Urban Development	87,676,047	3.2
Trade Tourism and Co-operatives	34,697,567	1.3
Water, Environment and Natural Resources	127,898,764	4.7
Total	2,709,587,500	100

Annex 4: 2018/19Budget Exchequer Releases

(a)Recurrent Vote (Ksh)

Department	Budgeted Amount	Exchequer Releases July-5th February2019
County Administration	2,735,637,500	1,805,071,220
Finance and Economic Planning	310,621,028	196,017,849
Health	315,763,978	194,312,259
Agriculture and Livestock Development	41,900,000	19,438,360
Infrastructure Housing and Urban Development	65,800,000	16,126,657
Education Sports and Social Services	78,500,000	14,351,353
Trade and Tourism	16,500,000	7,488,289
Water	22,200,000	12,927,729
Assembly	466,000,000	259,900,000
Total	**4,052,922,506**	**2,525,633,716**

(b)Development Vote (Ksh)

Department	Budgeted Amount	Releases By 5th February 2019	Conditional Grants
County Administration	68,900,000	-	
Finance and Economic Planning	815,362,500	447,911,150	
Health	555,468,208	63,711,753	Unicef,Danida
Agriculture and Livestock Development	309,500,000	127,313,669	Eu-Ideas, Kcsap
Infrastructure Housing and Urban Development	304,128,974	102,287,979	Urban Support
Education Sports and Social Services	83,525,000	28,525,100	
Trade and Tourism	135,000,000	10,000,000	
Water	206,500,000	1,370,333-	
Assembly	5,000,000	-	
Total	**2,533,970,716**	**781,119,884**	