



**REPUBLIC OF KENYA**

**COUNTY GOVERNMENT  
OF NYANDARUA**

**COUNTY FISCAL STRATEGY PAPER(CFSP)**

**FEBRUARY 2014**

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## Foreword

The 2014 County Fiscal Strategy Paper is designed to advance the County Government of Nyandarua's economic growth strategy elaborated in the County Budget Review and Outlook Paper, CBROP. The three main thrusts of this document are;

- (i) Entrenching and supporting economic growth in the county
- (ii) Striving to achieve equity in the provision of services and reducing poverty and
- (iii) Providing employment opportunities for our citizens.
- (iv) Aligning Nyandarua's development agenda with the National Development Goals

The expenditure policy framework in the medium term aims at ensuring efficiency and effectiveness in the implementation of the development policies identified in the Nyandarua County Integrated Development Plan. As part of efforts to link policy with budgeting, reforms in the expenditure and financial management will be deepened, and growth of non-priority expenditures will be contained in order to free up resources for dedication to key areas such as the social sectors, agriculture and physical infrastructure, which are essential to ensure sustainable economic growth and development.

In pursuit of this, the County Government is committed to addressing the challenges experienced in the implementation of the 2013/14 budget and these include, initiating an early comprehensive effort on costing all existing policies, programs, and projects building links between recurrent and development budget developing a monitoring system to improve the linkage between expenditure and results for Nyandarua County.

In line with the requirements of the Public Finance Management Act, 2012, which stipulates the congruence of the respective County CFSPs with the National Development Goals, the Nyandarua County CFSP draws priorities from the Vision 2030, the 2013 Budget Policy Statement and the Millennium Development Goals (MDGs) and international agreements which our Country is signatory to.

Finally, I would like to express my gratitude to all those who have and continue to participate in this year's budget process including County Assembly Members, the private sector, civil society, NGOs and development partners who at various stages provided valuable comments.



**Hon. Nelson Ngaruiya Njoroge, MBS**

**County Executive Committee Member for Finance and Economic Planning**

## **Acknowledgments**

The 2014 County Fiscal Strategy Paper is the first initiative in the County of Nyandarua to ensure effective linkage between policies, planning and budgeting. It provides a more updated resource envelop after the County Budget Review and Outlook Paper (CBROP) and presents a fiscal framework for the next budget and the medium term. It also sets firm sectoral and programme ceilings in line with indicative ceilings outlined in the CBROP as well as aligning Nyandarua's development goals with the National Development agenda espoused in the Budget Policy Statement

The preparation of the 2014 CFSP was a cooperative effort but a core team in the Ministry of Finance spent a significant amount of time to put together the report under the leadership and guidance of the County Executive Member for Finance, Hon. Nelson Njoroge, MBS. In this regard, we are grateful to the County Director – Economic Planning Mr. Michael Kamau Kuria, Dr. Timothy Njagi – Egerton University, County Budget Officer Mr. Patrick Njoro, County Head of Internal Audit Mr. Ephraim Nduru, Ndaragwa Sub county development Planning Officer, Ms Melody Njeru, Olkalou Sub county development Planning Officer Ms. Virginiah Muthoni and County Budget Controller Mr. Samuel Njihia The team also acknowledges the contribution made by the Members of the public who took time to review the drafts and provide needed input.

## **Abbreviations**

CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CFSP	County Fiscal strategy Paper
CG	County Government
FY	Financial year
PFMA	Public Financial Management Act
TA	Transition Authority
LATF	Local Authority Transfer Fund

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## I. INTRODUCTION

Sections 117 and 118 of the PFMA provides for the preparation of the County Fiscal Strategy Paper (CFSP) and County Budget Review and Outlook Paper (CBROP) respectively, by the County Treasury.

The law requires the CFSP to present the fiscal objectives for the following financial year and to detail the broad strategic priorities and policy goals that will guide the County government in preparing its budget.

On that note this CFSP is in essence a communication to the spending agencies, and other stakeholders on the financial health of the County as well as stipulating the total limits within which Nyandarua County can afford to expend for the 2014/15 financial year. This is founded on the expected flows from the national government as well as the revenues mobilized locally. It is important to note that debt financing isn't an option for the Counties at least for the first three years of their existence as they strive to set up systems that promote and instil fiscal discipline, accountability and ensure the financial health of the respective Counties.

This CFSP promotes fiscal discipline as well as transparent proposed resource allocation criteria which should work towards reducing poverty levels and stimulating employment by re-orienting expenditure to the high impact areas and reducing on non-priority spending.

Significant areas of concern include promotion of early childhood education of which only an average of 16% of the County population have had the pleasure of enjoying as well as providing employment to the youth of the County . This is critical despite the fact that Nyandarua's employment statistics lie slightly above the national figures as the demographic composition of the economically active in the County show that the youth constitute the higher proportion of the unemployed. What this means is that if express measures are not taken to address this, the County may ultimately be faced with an aging workforce as well as a large segment of the population that is economically marginalized

In this regard, the County government should be committed to provide targeted interventions to mitigate the plight of our people while ensuring stable and sustainable economic growth. In pursuit of this, the County must ensure commitment to attainment of

the budgetary targets and to instil the prudent use of resources across the various spending agencies.

## **II. LEGAL BACKGROUND**

The CFSP was prepared by the County treasury in accordance with Section 117 of the PFMA. The Act states that a County Treasury;

- the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and
- the County Treasury shall submit the approved Fiscal Strategy Paper to the County assembly, by the 28th February of each year.

The main objectives of a CFSP are to specify;

- an assessment of the current financial year and the projected state of the economy for the succeeding three years;
- 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 financial outlook with respect to County government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- targets for overall revenues, total aggregate expenditure and domestic and external borrowing for the succeeding financial year and the medium term;
- the total resources to be allocated to individual programmes within a sector for the period identified under paragraph (a) indicating the outputs expected from each such programme during that period;
- the criteria used to allocate or apportion the available public resources among the various programmes;
- forecast financial position for the financial year to which the budget relates and the next two financial years;

In summary, this CFSP is expected to set the tone and financial objectives that will guide the preparation and implementation of the 2014 budget as well as provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance.



### III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

During the period July to December of the Financial year 2013/2014 the County Government expenditure units consisted of the County Assembly, County Executive headquarters and the ten devolved units established by the County Executive of Nyandarua. This is because the 2013/14 financial year was the period that financial procedures for Nyandarua County were established and the County was therefore in a position to able to budget for, approve and implement a budget autonomously.

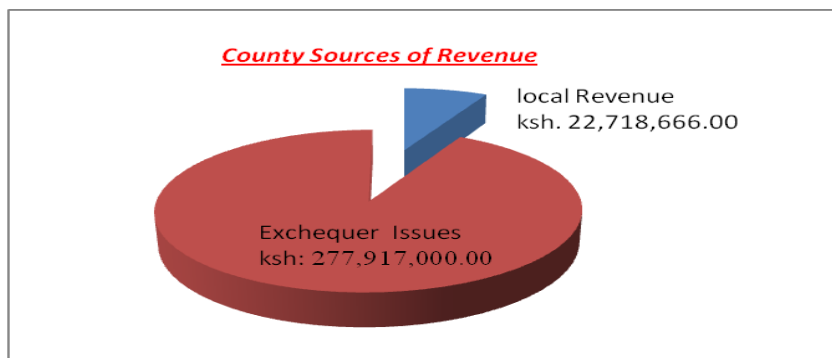
It is important to note that the first three months of the County's existence, i.e. April to June, the budget was implemented as approved by the 10<sup>th</sup> Parliament on behalf of the 47 Counties and was basically to ensure that Counties are operational. This period was examined in detail in the just presented CBROP.

There have been challenges in the implementation of the budget which are examined at the end of this chapter and measures to address them have been and will continue to be taken to ensure that Nyandarua County steers a path to fiscal sustainability and financial prudence in the use of resources.

#### a. Resource Envelope

The resources accruing from the national government for the period July to September 2013 were kshs.267,767,620.00 for August and a similar amount for September; the revenue also collected for the said period was kshs.22,718,666.00. The County requisitioned kshs.90,480,000 from its local collection kitty in the month of August and also 70% of the August National government grant disbursement amounting to ksh.187,437,000 to cater for the County recurrent services

**Figure 1 County Resource envelope**



Source: Nyandarua County Treasury

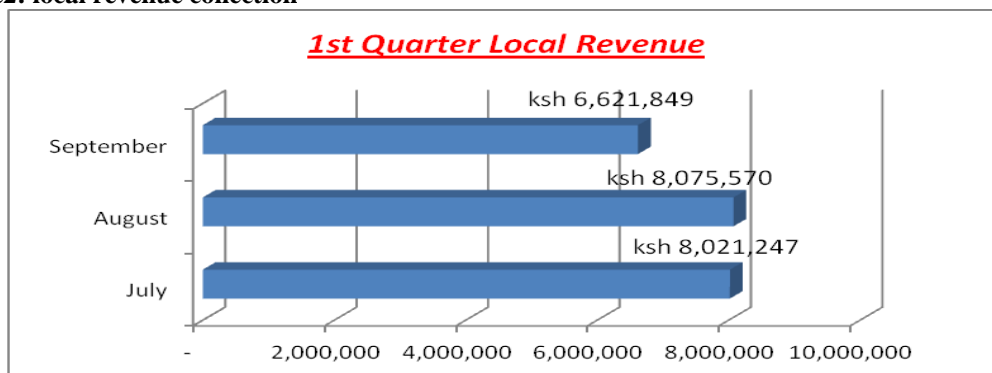
- **Internal revenue collection**

Nyandarua County Government used the former local authorities revenue collection points as their main revenue collectors, both laiforms and manual systems were used to record the revenue collected and deposited into the Nyandarua revenue collection account.

These were preliminary measures taken to have the County as measures to get the public financial management infrastructure in the County take root. The County government is, however, cognizant of inherent revenue gaps and structural inefficiencies in the collection of revenue and intends to design and implement measures to improve on the collection, recording and accounting for all County revenue sources as well as reporting mechanism to bring revenue collection at par with national practice.

From the graph below a total of kshs 22,718,666.00 was collected during the period as compared to Kshs 48,132,509.00 that was collected in the fourth quarter of the financial year 2012/13 showing a 52% drop in revenue collected. This cursive comparison indicates diminishing revenue effort and this is exacerbated in the trend during the first three months of the Financial year. The County government will do its part in striving to meet and supersede the revenue totals met by the defunct local authorities and reduce absolute dependency on the exchequer in providing budgetary support.

**Figure2: local revenue collection**



**Source: Nyandarua County Treasury**

In spite of the apparent receding revenue collection evident from figure 2 and table 1 on a month by month basis for the first quarter of the financial year, it the County government is confident that the revised targets set in the CBROP will be met and/or superseded and thereby provide a platform for self driven expenditure and dissuade any tendency to resort to alternative financing of expenditure in the medium term.

The main reason for this expected surge in revenue is the anticipated renewal of single business permits which should set in during the last quarter of Financial year 2013/14 and therefore ensure that the budget for the financial year is balanced.

The itemised collection of revenue for the first quarter of the 2013/14 Financial year is detailed in table 1 below.

**Table 1: Revenue Collection by Revenue Item.**

<i>Nyandarua County Local Revenue Collection</i>			
<i>Items</i>	<i>July</i>	<i>August</i>	<i>September</i>
SINGLE BUSINESS PERMIT	1,702,870	1,390,540	912,980
SALE OF APPLICATION FORMS	48,980	52,150	40,250
PLOT RATES	236,300	221,465	258,799
IMPOUNDAGE FEES	61,050	123,275	67,590
LAND RATES	147,399	192,827	107,031
MISC INCOME	380,045	269,446	353,756
CATTLE DIPS	48,107	60,743	49,691
A. I. SERVICES	51,550	16,300	50,050
OPEN AIR MARKET FEES	803,023	812,305	764,456
MARKET STALL RENT	114,500	203,350	134,850
GROUND RENT - OTHERS (CHAIRS)	78,260	145,342	104,940
PRODUCE CESS /ROYALTIES	2,102,050	2,055,500	1,699,980
SLAUGHTER FEES	61,940	68,360	61,510
BUS AND MATATU FEES	1,092,440	1,304,890	963,115
REG./RENEWAL OF GROUPS	68,040	51,700	63,300
HOUSE /OFFICE RENT	95,820	83,890	110,850
SUB-DIVISION OF LAND	32,900	74,900	45,500
SITE INDICATION	3,000		960
SURVEY FEES	37,000	5,000	
CHANGE OF USER	40,000	55,000	25,000
APPR OF BUILDING PLANS	158,570	171,704	165,205
APPL FOR APPR OF B/PLANS	3,600	15,500	15,650
WAY LEAVES	20,000	31,000	8,000
CONSERVANCY	6,300		
EXHAUSTER/EXH. MILEAGE	310,600	307,300	323,500
TRANSFER FEES	61,750	67,150	76,700
PARKING FEES	106,850	88,140	61,370
CLEARANCE CERTIFICATES	135,530	192,400	132,000
ADVANCE/IMPREST RECOVERIES	6,460		
WATER FEE	6,313	4,393	3,316
HIRE OF HALL/CHAIRS		6,000	21,500
EXTENSION OF LEASE		5,000	
<b>TOTAL</b>	<b>8,021,247</b>	<b>8,075,570</b>	<b>6,621,849</b>

Source: Nyandarua County Treasury

**Table 2: Revenue Collection by the County and Town councils existing before devolution**

	2009/2010	2010/2011	2011/2012
Total revenues	265,087,482	316,259,177	375,502,877
Local Authority Transfer Fund(LATF)	133,133,156	182,547,186	216,743,097
Road Maintenance Levy Fund (RMLF)	0	3,003,247	3,565,835
CILOR	21,115,341	8,822,054	10,474,658
Property Rates	6,352,980	15,771,925	18,726,423
Single Business Permit	42,496,922	39,734,220	47,177,489
Market fees	8,212,138	8,042,577	9,549,164
Others	53,776,945	58,337,968	69,266,211

Source: Ministry of Local Government, 2010 Annual Report and Review of the Local Authority Financial Performance FY 2009-2010, Government Printer Nairobi.

Table 1 shows that Nyandarua before the advent of devolution was dependent on the National government for a significant part of its revenue and revenues from the central government formed about 60% of the total county revenues. Revenues mobilized within the county ranged between Kshs 110 million and 144 million. The most significant single source of revenue has been the single business permit which is collected during the third quarter of every financial year as licences expire and business seek to have them renewed.

### **b. Expenditure**

The first period of expenditure under review was the tail end of the 2012/13 financial year where the resources were voted on behalf of the County through the Transition County Appropriation Act, 2012 by the National Assembly under the Constitutional Transition provisions. These funds were specifically meant to facilitate operations, provide for personnel emoluments, and enable a limited amount of operation and maintenance while the respective counties prepared their substantive budgets for the financial year 2013/14.

At the end of the 2012/2013 financial year the County government had returned unspent funds to its revenue account at central bank. This was largely due to structural capacity constraints in the administration of finances as well as unfamiliarity with the long and arduous procurement process occasioned by stipulations of the Public Procurement and Disposal Act, 2005 which made absorption of resources below optimum levels.

After the passage of the 2013/14 budget, the County government of Nyandarua had two exchequer requisitions for the period July to September 2013. These funds together with the local revenues collected in the month of July 2013 amounting to ksh.90,480,000 were

requisitioned in the month of August to cater for the County's recurrent services. It is important to note that during this period, the budget of Nyandarua County, as was the case for most counties, was not balanced and the financial health of the County was not secure and this therefore meant that the County could not effectively access development expenditure from the exchequer by way of the controller of budget until the 2013/14 budget was revised. This is shown in table 2 below;

**Table 3: Exchequer releases**

<u>Allocation Quarter</u>	<u>Allocation</u>	<u>Date Approved</u>	<u>Amount Released</u>
July-September 2013		July	KES 90,480,000
	KES 267,767,620	August	
	KES 267,767,620	September	KES 187,437,000

Source: Nyandarua County Treasury

- **Departmental Exchequer releases**

The initial plan of the County government for the Financial year 2013/14 was to deepen and strengthen infrastructural development and the promotion of access to markets for fresh produce in all parts of the county as well as to promote healthcare through the construction of health facilities such as dispensaries, clinics and health centres.

This was intended to promote employment and equitable income generation across the county as well as to improve healthcare beginning with the upgrading of existing health facilities, establishment of health facilities in areas where access is poor and equipping and staffing of these health facilities.

The expenditures shown in table 3, however, show a higher spending on personnel emoluments both in the Finance and Economic Planning Department as well as in the Public Service which were largely to statutory expenditures on the personnel of the defunct local authorities as well as to the personnel that were performing the devolved functions hitherto at national level.

The 2014/15 financial year should experience a re-orientation to productive expenditure as particularly government investment as the fiscal realities set in and capacity to efficiently absorb resources is developed.

**Table 4: Departmental analysis on exchequer releases**

<u>Department</u>	<u>Initial Estimates</u>	<u>Exchequer Releases 1st Quarter</u>	<u>Exchequer %</u>
Finance and Economic Planning Department	479,283,014.00	107,695,000.00	24.93
Agriculture and Fisheries	110,610,233.00	2,222,000.00	1.93
Health Services	486,039,567.00	4,502,460.00	1.08
Education, Youth and Children Affairs	332,292,921.00	4,342,000.00	1.48
Industrialization ,Cooperative Development	102,940,000.00	575,000.00	0.60
Roads Public Works and Transport	1,122,700,000.00	6,012,000.00	0.73
Land Housing and Physical Planning	97,153,754.00	525,000.00	0.66
Water, Environment and Natural Resources	173,300,000.00	190,000.00	0.20
Information, Communication and e- Government	63,600,000.00	-	0.00
Legal and Public Service	427,018,760.00	83,855,000.00	20.54
On- going donor funded projects	284,911,755.00		0.00
County Assembly	628,860,002.00	67,998,540.00	12.43
<b>GRAND TOTAL</b>	<b>4,308,710,006.00</b>	<b>277,917,000.00</b>	<b>7.64</b>

Source: Nyandarua County Treasury

It is important to note the budgeting processes of the of the County government have re-orientated away from present consumption and now are focussed to building capacity, provision of essential services as well as promotion of employment. Table 5 shows the history of the finances for Nyandarua before the advent of the County government which shows that recurrent expenditure, for various reasons, took the lion's share of the expenditures of the County.

While no direct reference is made to these expenditures in the preparation of this CFSP or indeed for resource allocation during the Financial year, 2013/14, they do offer a guide on the service provision infrastructure that the County government is and will continue to improve on to ensure to maximize the utility of the available public resources to our population.

**Table 5: Expenditures by the Municipal and County councils existing before devolution**

	2009/2010	2010/2011	2011/2012
Total Expenditure	249,789,748	303,445,422	360,288,767
Total recurrent expenditure	210,695,314	211,609,066	251,249,035
Civic	39,239,250	39,192,700	46,534,528
Personnel (executive)	72,203,477	75,830,427	90,035,469
Operations (county and executive)	79,087,840	75,653,189	89,825,030
Maintenance	20,164,747	20,932,750	24,854,007
Development expenditure	39,094,434	91,836,356	109,039,732

Source: Ministry of Local Government, 2010 Annual Report and Review of the Local Authority Financial Performance FY 2009-2010, Government Printer Nairobi

### c. Outlook

Most of the expenditures that the County intends to make are necessary for longer-term economic growth in light of the changing economic conditions. For instance, efficiency in the public transport is set to improve with extensive investment in roads; expansion of extension services will ensure that Nyandarua plays its part in bringing food security to a reality while providing employment to the population; and strategic initiatives to cushion the poor with emerging challenges associated with inflation and access to services will seek to bring about equity in the County.

Over the medium term, Government's expenditure on recurrent type of expenditure will need to moderate so as to guard against necessitating debt that will not only pose fiscal risk but also be burdensome to our future generations. In particular, every effort should be made to contain wages and salaries by the executive and other public entities by limiting the size of public service. Pursuing a sustainable level of debt once counties are allowed to borrow is also vital as a means to provide room for the private sector to expand business and create the much needed jobs within an environment of low inflation, and stable interest rates and exchange rate.

In light of apparent fiscal constraints, tough choices are therefore required to ensure that available resources are directed towards those priority programs that have the highest socio-economic impact on our economic development. This is especially more urgent with respect to the public sector wage bill that, if not appropriately managed, will become the main macroeconomic challenge for Nyandarua County.

## IV. FISCAL POLICY AND BUDGET FRAMEWORK

### i. Fiscal Policy

2014/15 – 2017/18 Medium-Term Fiscal Framework for Nyandarua County is targeted at supporting growth and employment to as well as ensuring provision of essential County services. The framework further continues with the fiscal balance that started in 2013/14 revised budget, which ensures a balanced budget while simultaneously ensuring the level of expenditure continues to sustain growth through continued public investment in infrastructure.

The overall budget deficit is therefore expected to remain at zero in the short term as the freeze on county borrowing holds as shown in Table 6. It is, however, possible that the deficit may slightly rise towards the tail end of the medium term in the event that a comprehensive fiscal analysis indicates the necessity of borrowing to fund expanded development expenditure. This will entirely depend on a needs analysis and an assessment of the financial health of the County to ensure that the borrowing is both affordable and sustainable. In the longer term, however, efforts will be made to maintain the budget deficit at less than 5 percent of total expenditure to secure Nyandarua's fiscal sustainability.

**Table 6: Fiscal Framework for the Medium Term**

Nyandarua County Government fiscal projections 2013/14-2016/17 (Kshs.)

	Revised Estimates FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
<b>REVENUE</b>					
National Transfers	3,150,000,000	3,433,500,000	3,742,515,000	4,079,341,350	4,446,482,072
Local Collections	174,674,681	211,656,364	232,892,000	273,182,000	297,234,000
Donor Funds	-	-	-	-	-
<b>TOTAL</b>	<b>3,342,142,149</b>	<b>3,645,156,364</b>	<b>3,975,407,000</b>	<b>4,079,341,350</b>	<b>4,446,779,306</b>
<b>EXPENDITURE</b>					
Recurrent	2,285,806,235	2,491,528,796	2,715,766,388	2,960,185,363	3,226,602,045
Development	1,038,868,446	1,148,366,606	1,234,279,601	1,345,364,765	1,466,447,594
<b>TOTAL</b>	<b>3,324,674,681</b>	<b>3,639,895,402</b>	<b>3,950,045,988</b>	<b>4,305,550,127</b>	<b>4,693,049,639</b>

Source: Nyandarua County Treasury

This policy will be achieved through the County Government's commitment to ensure a strong revenue effort with measures began in the County Finance Act. 2013 which are in line with best practices, in order to help improve compliance in payment, minimize delays, and



strive towards the revenue potential of the County. Efforts will therefore continue to be made to rationalize existing tax incentives, expand the tax base and eliminate the possibility of exemptions.

## **ii. Budget Framework for 2014/15**

The 2014/15 budget framework for Nyandarua County is set against the background of the medium-term macro-fiscal framework set out above and the National Government's national strategic objectives as outlined in the updated Vision 2030 MTP. Real GDP at national level is expected to increase by 4.6 percent in FY 2014/15 and this projected growth assumes normal weather patterns during the year. Inflation is expected to ease to below the 5 percent target during the financial year, reflecting implementation of a prudent monetary policy and easing of both food and oil prices and stabilization of the shilling exchange rate.

Nyandarua County should seek to play its role in complementing and supporting these fundamentals to ensure that the Country as a whole is a better place for its citizens. This should be done in recognition that no County or indeed country is an island and interdependence and is requisite in the fiscal sustainability of all the 47 devolved units of the Country. Indeed the Constitution recognizes this in Article 209 (5) and Nyandarua is committed to ensuring this in the 2014/15 budget framework.

### **a. Recurrent Expenditure**

Recurrent expenditures are expected to remain stable at 68% of total expenditure in the medium term as recruitment in key and essential areas takes place. This will however, not be done at the expense of development expenditure which will remain at 32% of total expenditure in the medium term. The recurrent expenditure will therefore remain stable on account of adjustment of one-off items and conservative growth estimates in both revenue collections as well as equitable allocations from government and should therefore taper off and allow additional allocations to development and capital investment by the County government. This will go a long way in supporting robust economic growth in the County while ensuring prudence and caution in the application of resources.

### **b. Development Expenditure**

Consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure development expenditure will also remain stable at 32% of total expenditure. It is important to note that the fiscal

framework for 2014/15 to the medium term does not take into account debt financing of county functions and therefore all development expenditure is expected to be funded either from local revenue sources or from releases from the exchequer.

## **V. MEDIUM TERM SECTORAL RESOURCE ALLOCATION**

### **i. Criteria for resource allocation**

The key features of sectoral allocation for the 2014/15 Financial year and the medium term are anchored on the need to finance investment and to directly support economic growth and reduce poverty. The key resource allocation mechanism will therefore focus on measures to:

- (i) increase employment especially for the poor in the county
- (ii) improve the quality of life, and
- (iii) improve governance and instil prudent use of resources.

As noted in CBROP 2014, the key features of sectoral resource allocation for 2014/15 will be guided by the emerging priorities, County plans and the principles of PFMA to ensure effective utilization of public finances. The sector allocations are also informed by the County goals and people's aspirations as captured in the County Integrated Development Plan (CIDP) 2013-2017, which is aligned to the goals and the objectives of the second Medium Term Plan 2013-2017 and the Vision 2030 blueprint.

Allocations will be informed by core needs identified through analysis by fiscal experts in the county as well as from insightful and welcome submissions from the county public and submissions by individuals and organizations on the 2014/15 budget proposals. In this regard, the areas that are identified to receive additional funds are the “high impact” areas or chronically neglected, but important, areas of public spending such as increased funding for ambulances, health facilities, and for the provision of extension services for agriculture.

### **ii. Reorienting Expenditures**

- **Agriculture**

Given the need to revitalize agricultural expenditures in the County and to address low agriculture productivity, poverty and unemployment in rural areas, the share of resources

allocated to the agriculture sector is projected to increase sharply from 3.1% to 13% of the total expenditure outlay in the financial years 2013/14 and 2014/15 respectively and these additional resources should specifically be to adequately fund extension services in order to support both crop and livestock production in the medium term. This should be done in collaboration with Kari to ensure that modern farming methods are entrenched to maximize both real output and quality for the Nyandarua Farmer.

- **Health**

In recognition of the challenges affecting the Nyandarua health sector in spite of the investment during the 2013/14 financial year, there is further need to ensure that the health facilities already constructed under the CDF framework are taken up and capacitated by the County government promptly. This will ensure additional support to the existing facilities and provide access to the population within a minimum of 5 kilometres to every facility. It is for this reason that the resources accruing to the Human resources sector are set to increase slightly from 21.4 to 23.1% of the total expenditure outlay in the financial years 2013/14 and 2014/15 respectively. With these additional resources the County should expect to have a smoothly running health system with the requisite construction /renovation of the county hospitals and health centers as well as the introduction paediatric wings in county health facilities.

- **Industry Cooperatives and Tourism**

The resources for the productive sector are set to increase from 5 to 9.3 percent of the total expenditure outlay in the financial years 2013/14 and 2014/15 respectively and the additional resources are targeted for urgent investment in cooling plants to ensure the preservation of fresh produce and secure market prices for the farmers. This is to address the plight of the Nyandarua farmer which is the poor pricing of produce at the producer level owing to the perishability of produce and impeded access to markets. This is also targeted to extend to marketing for products from fish & potato farming, bee keeping and milk coolants.

- iii. **Expenditure rationalization**

As explained in the CBROP, there are several common non-core expenditures in the budget for 2013/14 financial which were necessary to have the county government up and running

such as the purchases of vehicles and equipment, construction of buildings, recruitment and remuneration of staff, among others.

These expenditures were largely one-off and therefore may not need to be provided for in the near future and as a result, the outlook for 2013/14 promotes a reorientation of expenditure focus to poverty reduction as well as employment creation.

In pursuit of this, significant efforts have been taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to key areas and the result is expenditure reductions for items such as printing, routine maintenance of vehicles, hospitality supplies, among others without crippling the targeted ministries or spending units and re-designating the resultant savings to the core areas for 2014/15.

## **VI. DETAILS OF SECOTRAL / PROGRAMME CEILINGS AND PRIORITIES**

### **i. Introduction**

As explained above, the sectoral priorities are derived from emerging priorities, county plans and the principles of PFMA to ensure effective utilization of public finances. The sector allocations are also informed by the county goals and people's aspirations as captured in the County Integrated Development Plan (CIDP) 2013-2017, which is aligned to the goals and the objectives of the second Medium Term Plan 2013-2017 and the Vision 2030 blueprint. Each section describes the specific key priorities and the sector targets during 2014/15 fiscal year. Every Sector is expected to design clear targets and timelines which will guide the implementation of the stipulated programmes.

### **ii. Agriculture sector**

To strengthen the performance of the sector, which is the main economic activity in the county, the sector should put in place measures to train farmers in agri-business and link them to the available sources of credit which is expected to transform the sector to make it competitive. This is one of the main pillars of growth and employment creation in Nyandarua County in the medium term. In addition to this, to reduce reliance on rainfall agriculture, the sector is also expected to target an increase in the acreage under irrigation as well as fostering and instituting projects targeting the improving livestock husbandry and fodder supply.

Over the medium term, the key priorities in the sector include improving the delivery of research, extension and advisory support services the delivery of services to less accessible areas, enhancing quality assurance and export trade in livestock and livestock products and development of fish marketing systems. Other priorities include; strengthening managerial, governance, marketing and research capacity of co-operative society for value addition processing improving agricultural input markets and supporting diversification of output markets.

To finance this planned expenditure allocations to the sector are set to remain at 13% of the total expenditure outlay in the medium term which should be prudently and cautiously applied to ensure maximum utility of the finite resources available in the Nyandarua County Revenue Fund.

### **iii. Governance and Administration**

The Governance and Administration sector of Nyandarua County is responsible for all operations relating to the fulfilment of public policy and the major role of the sector is to provide sound policies and a solid framework for quality and efficient service delivery to the public service. The Key priorities of the sector will include instituting county public service reforms to ensure efficient and effective service delivery, providing leadership and guidance in human resource management, spearheading rapid and sustainable economic development through creative economic planning, prudent fiscal and monetary policies, and effective management and coordination of government operations. The sector is also expected to promote the effective and efficient allocation and utilization of resources, ministerial rationalization and staff rightsizing;

To finance this planned expenditure allocations to the sector are set to remain at 22% of the total expenditure outlay in the and it is important to note that this sector has taken the lead in excising and shedding off non-priority expenditure to free up resources for dedication to direct service delivery. It is for this reason that the allocation for this sector is set to reduce in the 2014/15 financial year from 25.2% to 22.1% in the Financial year 2013/14.

### **iv. Infrastructure**

The infrastructure sector of Nyandarua will be charged with the completion of viable on-going and/or stalled projects as well as the reconstruction, rehabilitation and maintenance of existing degraded county road infrastructure that lies under the jurisdiction of Nyandarua County Government. The Sector will also be specifically charged with providing new

infrastructure to disadvantaged areas that have the potential for poverty reduction as well as employment creation. The sector will also have the responsibility of establishing and making operational ICT units within ministries and installing Local Area Networks (LANs) in various government buildings to spur Nyandarua towards the goal of becoming a paperless county. The sector will also be at the forefront in deriving policies and instituting systems to promote improved land use management as well as developing and managing land information and management systems.

Towards these ends, the infrastructure sector is allocated 17.3% of the total expenditure outlay in the medium term and this is after a 28.2 allocation of resources in the 2013/14 financial year. This is on account of the reduction of one-off purchases of heavy equipment such as road-graders and haulage trucks for murrum which will neither require replacement immediately nor in the medium term.

#### **v. Human resource development**

The focus of the human resource development sector should be two pronged with the first goal being developing and strengthening primary health care services, both preventive and curative with the goal of providing accessible and affordable healthcare to the people of Nyandarua. These services will be based on the network of public health facilities that are well equipped and manned.

The second focus of the county will be to increase pre-primary school (ECDE) net enrolment and gross completion rate in the medium term in addition to achieving gender parity at ECDE institutions and improving on the transition rates between ECDE and primary education which is under the purview of the government.

It is for these profound responsibilities in investing and securing in the future of Nyandarua County that this sector is provided with 23% of the resources from financial year 2014/15 into the medium term. This is an increment from 21% of resources provided during the 2013/14 financial year signifying the magnitude of the task facing and not least the results expected from this sector.

#### **vi. Productive Sector**

The productive sector on the other hand is expected to focus on sector targets to increase the number of tourists arrivals in the County of Nyandarua, reduce incidences of human-wildlife conflict by working hand in hand with the Kenya Wildlife Service in the

implementation of the Wildlife Conservation and Management Act, 2013. The sector is also responsible for diversifying and developing source markets for Nyandarua County Produce, as well as tourism products and circuits and providing an enabling environment for promotion of new industries while facilitating the access to credit for Micro and small enterprises in Nyandarua County.

In pursuit of this and to ensure the effective execution of its mandate, this sector has an allocation of 9.3% of total expenditure outlay for Nyandarua in the medium term. This is a significant increment from 5.6% in the Financial year 2013/14.

## **VII. RISKS TO THE ECONOMY**

The gross county wage bill continues to be a significant concern in the implementation of the budget or indeed in the realization of Nyandarua's fiscal goals. The recruitment of any additional staff must therefore be based on the outcome of the on-going job evaluation exercise aimed at staff rationalization to achieve a lean and efficient workforce and a sustainable wage bill.

Another specific concern is the revenue effort and specific and targeted interventions will be designed to ensure that the budget of Nyandarua county remains fully financed and no project or programme is jeopardized by inadequate resources from the County side.

## **VIII. CONCLUSION AND WAY FORWARD**

The fiscal framework presented herein is prepared pursuant to the PFMA and lays ground for the next financial year in terms of preparing the final Estimates as well as prioritization of resource allocation. Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds especially on capacity building on different sectors of the County will be crucial in ensuring that the County gets to deliver on its functions

In pursuit of this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending entities to ensure that resource application bears the most fruit to the

taxpayer. Involvement of all stakeholders in budget execution is also key in enhancing overall budget implementation and the public will be key in shaping the final budget policies and allocations for the 2014/15 Financial year.

The county will also revamp its revenue collecting and management systems with the goal of generating more revenues to strive towards budgetary self-reliance while ensuring the stability of our fiscal framework and financial health of the County.



### Annexe 1: Indicative Sector / Programme Allocations 2013/14 and 2014/15

SECTOR	PROGRAMMES	PROGRAMMES 2013/14	PROGRAMMES 2014/15	PROGRAMMES 2015/16	PROGRAMMES 2016/17
<input type="checkbox"/> <b>Governance and administration:</b> <input type="checkbox"/> Legal and public service <input type="checkbox"/> County executive <input type="checkbox"/> Finance and economic planning	<input type="checkbox"/> Administration	372,922,723	323,855,768	331,628,306	352,189,261
	<input type="checkbox"/> Lighting of the County	40,000,000	38,240,000	39,157,760	41,585,541
	<input type="checkbox"/> Revenue Collection	-	32,671,544	33,442,156	35,544,254
	<input type="checkbox"/> Economic planning	86,342,105	82,543,052	84,524,086	89,764,579
	<input type="checkbox"/> Institutional management	341,000,000	325,996,000	333,819,904	354,488,054
	<b>TOTAL SECTOR ALLOCATION</b>	<b>840,264,828</b>	<b>803,306,364</b>	<b>822,572,212</b>	<b>873,571,689</b>
<input type="checkbox"/> <b>Agricultural sector:</b> <input type="checkbox"/> Agriculture, livestock and fisheries		72,860,921	306,015,868	324,376,820	343,839,430
	<input type="checkbox"/> Extension services	24,628,199	103,438,436	109,644,742	116,223,426
	<input type="checkbox"/> Agro processing and value Chain				
	<input type="checkbox"/> Soil conservation	1,230,721	5,169,028	5,479,170	5,807,920
	<input type="checkbox"/> Pest and disease control				
	<input type="checkbox"/> Promotion of cash crops	16,123,431	68,197,027	72,288,849	76,626,180
<b>TOTAL SECTOR ALLOCATION</b>	<b>114,843,272</b>	<b>482,820,359</b>	<b>511,789,581</b>	<b>542,496,956</b>	
<input type="checkbox"/> <b>Infrastructure:</b> <input type="checkbox"/> Roads, public works and transport <input type="checkbox"/> Lands housing and physical planning <input type="checkbox"/> Information communication and e-government		759,235,863	513,503,311	543,113,510	574,500,320
		62,993,151	50,945,548	53,402,281	56,006,418
	<input type="checkbox"/> County road maintenance	30,625,342	39,906,472	41,100,860	42,366,912
	<input type="checkbox"/> Management of Public transport				
	<input type="checkbox"/> Land use management	27,231,281	37,700,333	38,762,353	39,888,094
	<input type="checkbox"/> Land information and management systems				
	<input type="checkbox"/> Automation of County government systems	51,000,000	63,150,000	65,139,000	67,247,340
	<input type="checkbox"/> Training and capacity building				
	<input type="checkbox"/> Public works supervision	-	7,102,860	7,529,032	7,980,773
<b>TOTAL SECTOR ALLOCATION</b>	<b>21,397,131</b>	<b>13,908,135</b>	<b>14,742,623</b>	<b>15,627,182</b>	
<b>952,482,768</b>	<b>726,216,659</b>	<b>763,789,659</b>	<b>803,617,039</b>		
<input type="checkbox"/> <b>Human Resource Development</b> <input type="checkbox"/> Health service <input type="checkbox"/> Education, youth and children affairs		280,552,524	310,733,440	330,577,447	351,612,093
	<input type="checkbox"/> Establishment of health facilities	64,342,121	75,850,674	80,401,715	85,225,818
	<input type="checkbox"/> Preventative healthcare				
	<input type="checkbox"/> Curative healthcare	195,718,945	230,726,215	244,569,786	259,243,974
	<input type="checkbox"/> Establishment and management of educational facilities(ECD and Polytechnics)	170,924,524	121,496,939	133,586,755	146,401,961
	<b>TOTAL SECTOR ALLOCATION</b>	<b>711,538,114</b>	<b>738,807,268</b>	<b>789,135,703</b>	<b>842,483,846</b>

SECTOR	PROGRAMMES	PROGRAMMES 2013/14	PROGRAMMES 2014/15	PROGRAMMES 2015/16	PROGRAMMES 2016/17
<input type="checkbox"/> <b>Productive sector</b> <input type="checkbox"/> Industry, cooperatives and tourism <input type="checkbox"/> Water environment and natural resources		26,312,432	47,030,804	49,852,653	52,843,812
		17,230,423	30,797,675	32,645,536	34,604,268
	<input type="checkbox"/> Environmental conservation <input type="checkbox"/> Enterprise development <input type="checkbox"/> Tourism promotion and marketing <input type="checkbox"/> Facilitation of cooperatives <input type="checkbox"/> Water resource management	33,653,218	60,151,796	63,760,903	67,586,557
		18,463,927	33,002,442	34,982,588	37,081,543
	<b>TOTAL SECTOR ALLOCATION</b>	93,300,000	166,764,513	176,770,384	187,376,607
		<b>188,960,000</b>	<b>337,747,230</b>	<b>358,012,064</b>	<b>379,492,787</b>
	<b>Total</b>		<b>2,808,088,982</b>	<b>3,088,897,880</b>	<b>3,245,299,219</b>
<b>County Assembly</b>		<b>516,585,699</b>	<b>550,997,522</b>	<b>704,746,769</b>	<b>863,887,810</b>
<b>Budget</b>		<b>3,324,674,681</b>	<b>3,639,895,402</b>	<b>3,950,045,988</b>	<b>4,305,550,127</b>

## Annexe 2 – County Operations

Nyandarua County Government Operations 2013/14-2016/17 (Kshs.)					
	Revised Estimates FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
<b>TOTAL REVENUE</b>					
National Transfers	3,150,000,000	3,433,500,000	3,742,515,000	4,079,341,350	4,446,482,072
Local Collections	192,142,149	211,656,364	232,892,000	273,182,000	297,234.00
Donor Funds	-	-	-	-	-
<b>TOTAL</b>	<b>3,342,142,149</b>	<b>3,645,156,364</b>	<b>3,975,407,000</b>	<b>4,079,341,350</b>	<b>4,446,779,306</b>
<b>EXPENDITURE</b>					
Recurrent	2,285,806,235	2,491,528,796	2,715,766,388	2,960,185,363	3,226,602,045
Development	1,038,868,446	1,148,366,606	1,234,279,601	1,345,364,765	1,466,447,594
<b>TOTAL</b>	<b>3,324,674,681</b>	<b>3,639,895,402</b>	<b>3,950,045,988</b>	<b>4,305,550,127</b>	<b>4,693,049,639</b>

**Annexe 3 – Revenue Projections (Kshs.)**

NYANDARUA COUNTY GOVERNMENT	2013/14 Estimates	Projected Estimates		
		2014/15	2015/16	2016/2017
<b>LOCAL REVENUE</b>				
Land rates	12,362,928	13,599,221	14,959,143	16,455,058
Business Permits	57,600,940	63,361,034	69,697,138	76,666,851
Produce cess (on transport)	17,335,260	19,068,786	20,975,665	23,073,231
Plot/ground rates	15,496,916	17,046,608	18,751,269	20,626,395
A.I services	2,433,640	2,677,004	2,944,704	3,239,175
Cattle dips fees	1,238,391	1,362,230	1,498,453	1,648,298
Application Fee	1,624,455	1,786,900	1,965,590	2,162,149
Development fee	1,649,344	1,814,279	1,995,706	2,195,277
Plot Transfer Fee	2,017,156	2,218,871	2,440,758	2,684,834
Plot Subdivision Fee	1,845,695	2,030,264	2,233,291	2,456,620
Self Help Groups Registration	512,171	563,388	619,726	681,699
Registration & clearance certificate Fees	1,466,821	1,613,503	1,774,854	1,952,339
bill boards/sign posts	309,487	340,436	374,479	411,927
County Premises Rent (Offices, etc.)	3,625,681	3,988,249	4,387,074	4,825,782
motorcycle parking fee	575,224	632,746	696,021	765,623
survey fee	2,168,152	2,384,967	2,623,464	2,885,810
Hiring out of machineries	3,832,983	4,216,281	4,637,909	5,101,700
Cemetery fee	105,089	115,598	127,158	139,873
Rent ( Restaurant)	564,604	621,065	683,171	751,489
Rent (Nyahururu Offices)	221,240	243,364	267,700	294,470
Exhauster Services Charge	5,574,142	6,131,556	6,744,712	7,419,183
Buildings Plan Approval Fee	4,638,850	5,102,735	5,613,008	6,174,309
Market entrance gate fee	10,497,838	11,547,622	12,702,384	13,972,622
Fines (County laws)	1,166,267	1,282,893	1,411,183	1,552,301
Conservancy fee	785,402	863,942	950,336	1,045,370
Bus park fee	14,122,855	15,535,141	17,088,655	18,797,521
Slaughter fee	808,300	889,130	978,043	1,075,848
Market kiosks/stalls rent	3,482,318	3,830,549	4,213,604	4,634,965
Other Incomes	6,612,532	7,273,785	8,001,163	8,801,280
Tourism	-	-	300,000	400,000
<b>Sub total</b>	<b>174,674,681</b>	<b>192,142,149</b>	<b>211,656,364</b>	<b>232,892,000</b>
Central Government Transfers	3,150,000,000	3,433,500,000	3,742,515,000	4,079,341,350
<b>GRAND TOTAL (REVENUE)</b>	<b>3,324,674,681</b>	<b>3,639,895,402</b>	<b>3,950,045,988</b>	<b>4,305,550,127</b>

#### Annex 4: 2014/15 MTEF Budget Calendar

Start of Sector Consultations	All Departments- Finance and planning to co-ordinate in consultation with the Governor's office	By 31 <sup>st</sup> January, 2014
Submission of final sector reports	All C.E.Cs for their respective Departments	By 7 <sup>th</sup> February 2014
Development of County Fiscal Strategy Paper(CFSP)	County Treasury	By 14 <sup>th</sup> February, 2014
Submission of County Fiscal Strategy Paper(CFSP) to County Executive Committee for approval	County Treasury	By 18 <sup>th</sup> February 2014
Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum(CBEC)	C.E.C Finance & Planning in consultation with the Governor	By 25 <sup>th</sup> February, 2014
Submission of County Fiscal Strategy Paper(CFSP) to County Assembly	County Treasury	By 28 <sup>th</sup> February, 2014
Issue of circular for finalization of 2014/15-2016/17 MTEF estimates and PBB	County Treasury	By mid- March 2014
Circulate approved County Fiscal Strategy Paper(CFSP) to County Executive and Accounting Officers	County Treasury	By mid- March 2014
Finalization of Departmental itemized and Programme Based Budgets(PBB)	All Departments	By end-March 2014
Review and Finalization of Departmental itemized and Programme Based Budgets	County Treasury	By mid-April 2014
Submission of Budget Estimates to County Executive for approval	County Treasury	By mid-April 2014
Publish Departmental itemized and Programme Based Budgets	County Treasury	By 20 <sup>th</sup> April 2014
Presentation of Budget to County Assembly	C.E.C Finance & Planning	By 30 <sup>th</sup> April 2014