

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF TRANS NZOIA

# COUNTY FISCAL STRATEGY PAPER

FEBRUARY 2018

***“SUSTAINABLE DEVELOPMENT TOWARDS INDUSTRIAL TAKEOFF”***

## Foreword

The 2018 County Fiscal Strategy Paper (CFSP) for the Financial years 2018/ 19 and the medium term 2019/20 and 2020/21 respectively reiterates the county government's development objectives of creating employment, increasing land productivity, and reducing the number of the poor in the population.

Strategies to enable the county attain the above stated objectives includes;

- creating a conducive business environment that promotes investments in the county;
- investing in key interventions particularly in the agricultural sector to increase productivity, reduce post harvest loses, ensure food security and promote value addition and diversification;
- investing in infrastructural development in areas such as county roads, fresh produce markets, health facilities and other social infrastructure, including street lighting and provision of water;
- investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden of dependence on the households and promote shared and equitable growth and
- Supporting the county public service for better service delivery.

The above key interventions have translated into increased maize harvest from about 4 million bags to over 5 million bags annually, increased milk production, increased acreage on coffee, tea and horticultural crops. Two hundred (200) ECD classrooms have been constructed therefore improving enrolment rate, upgraded/increased health facilities leading to improved quality and access to better health services. Grading/rehabilitation and construction of county access roads and bridges has improved transport and communication across the county. Several water projects/schemes among them drilling of new boreholes have also been completed hence increasing access to clean portable water. The gains from the above interventions go a long way to address the county development objectives and create a strong base for raising more revenues locally.

While the above trends are expected in the financial year 2018/19, the low agricultural prices, coupled with increasing cost of input are likely to depress the growth momentum. In addition, volatility in oil prices in the world market and unpredictable rainfall patterns may distort the framework upon which this policy is based on. But overly, County and national development parameters point to a positive growth.

The 2018 is the fifth County Fiscal Strategy Paper to be prepared by the County Government of Trans-Nzoia since the inauguration of the county government in 2013 under the new constitutional dispensation. The overall objective of the CFSP is to link policy, planning and budgeting. Specifically, the CFSP seeks to:

- Ensure a sound and sustainable balance between the county Government's spending, revenue and borrowing requirements that are in line with the law and economical sustainability;
- Set out strategies of enhancing local revenue collection to augment the CRA allocations;
- Outline policy initiative and spending that support growth in the key sectors of the economy including agriculture, health care services, trade and industry whose contribution to employment creation is vital in the county economy.

- It will also be a means of communicating and disseminating the county's budget proposal and therefore encourage transparency and partnership in the budget making process during the public hearings
- It provides an updated resource envelop and presents a fiscal framework for 2018/19 budget and the medium term.

This strategy is aligned to the country's growth objectives of 50% poverty reduction, 50% job creation, and increasing productivity by 50%. In consistent with PFM Act 2012, resource allocation has been aligned to the County's medium-term plan;- the County integrated Development Plan (CIDP) which is being developed and being aligned to the National government's big 4 development agenda namely food security, affordable housing, universal health care and manufacturing..

This policy has also been aligned to the National Budget policy statement (BPS) whose theme is “**creating jobs, transforming lives-The Big Four Plan**” through; (i) creating a conducive business environment for job creation; (ii) investing in sectoral transformation to ensure broad based and sustainable economic growth with a major focus on agricultural transformation to ensure food security and increased farm yields; (iii) investing in infrastructure in areas such as transport, logistics, energy and water; (iv) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity; and (v) further consolidating gains made in devolution in order to provide better service delivery and enhanced economic development.

This agenda is well entrenched the 2018/19 county budget where the focus is in:-

- Training and Capacity Building & motivation of county staff for effective service delivery;
- Entrenching Citizen participation in the county development process;
- Creating enabling investment environment;
- Fast tracking the implementation of the CIDP;
- Creating an enabling environment for growth in business and investments;
- Re-engineering the county systems of service delivery in order to attain the development objectives of the County;
- Rehabilitating, expanding and maintenance of county roads
- Promoting agricultural productivity and diversification,
- Ensuring easy access to basic social services including water, education and health care

The performance in the 1<sup>st</sup> half of 2017/18 has also greatly informed this strategy. There has been a major underperformance on the local revenue collections as well expenditure on capital projects. This situation is attributed to the political scenario of the whole of the 2017 calendar year. However improvement is foreseen at the start of 2018 calendar year as seen in improved local revenue collection and absorption rate of the development funds. Consequently, the budget ceilings set out for FY 2018/19 have been adjusted accordingly.

Other factors that impacted negatively the growth process in the local economy include; rising cost of living, food insecurity, declining agricultural productivity, inadequate and high cost of energy, drought and fall army worm invasion, poor transport network, and high and unsustainable public sector wage bill. However, their impacts were dampened by increased maize harvests, and increased milk production among others.

**COUNTY EXECUTIVE COMMITTEE MEMBER**  
**FINANCE AND ECONOMIC PLANNING**

## **Acknowledgement**

The 2018 CFSP has to been developed as per the requirements of the Public Finance Management Act, 2012. The CFSP outlines the county's broad strategic macroeconomic issues and medium term fiscal framework, together with a summary of the county Government's spending plans, as a basis of the 2018/19 and medium term budget. It will therefore pronounce the county's development objectives and policy direction in the MTEF period 2018/19-2020/21.

In line with the PFM act 2012, the preparation of the 2018 CFSP has been a collaborative effort from all the County Departments whose inputs form the basis upon which the paper is based. We are also grateful for the capacity training facilitated by various development partners including AHADI (USAID), and the Kenya School of Government in collaboration with the COG among others. Other county government organs whose inputs were considered include the C.E.C. Members, the County Assembly, the Budget and Economic Forum and public consultative fora. The County Budget Review and Outlook Paper, 2017, MTEF sector reports for 2018/19-2021/22, the national government's "Big Four Development Agenda, all provided inputs to this 2018 CFSP.

My special appreciation goes to the office of the governor, the county secretary, the C.E.C. Members, the budget secretariat and the taskforce comprising of officers from the county treasury and planning department for their dedication and commitment in ensuring quality and professionalism in the production of this document.

**CHIEF OFFICER FINANCE**

## Abbreviations

A.I.A	Appropriation-in-Aid
AHADI	Agile and Harmonized Assistance for Devolved Institutions
ATC	Agricultural Training College
BPS	Budget Policy Statement
C.R.A.	Commission of Revenue Allocation
CADP	County Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
DANIDA	Danish International Development Agency
ECD	Early Childhood Development
GDP	Gross Domestic Products
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KDSP	Kenya Devolution Support Programme
MSE	Micro and Small Enterprise
MTEF	Medium Term Expenditure Framework
MTP III	Medium Term Plan
O&M	Operations & Maintenance
PFM	Public Financial Management
PWD	persons with Disabilities
USAID	United States of Agency International Development

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## REGULATORY FRAMEWORK

### **A. legal Basis for County Fiscal Strategy Paper**

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

- i. The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.
- ii. The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- iii. In preparing the County Fiscal Strategy Paper, the County treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- iv. The County Treasury shall include in its County Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
- v. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of —
  - a. The Commission of Revenue Allocation;
  - b. The public;
  - c. Any interested persons or groups; and
  - d. Any other forum that is established by legislation

## **B. County Government Fiscal Responsibility Principles**

This County Fiscal Strategy Paper for the financial year 2018 has been developed and takes into account the principles of public finance together with the fiscal responsibility principles of county governments that includes;

- i. Ensuring that the county government's recurrent expenditure shall not exceed the county government's total revenue;
- ii. Ensuring that over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- iii. Ensuring that county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
- iv. Ensuring that over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure in particular, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue;
- v. Ensure that the county debt shall be maintained at a sustainable level as approved by county assembly;
- vi. Ensure that the fiscal risks shall be managed prudently; and
- vii. that a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

## **Executive Summary**

**The 2018 County Fiscal Strategy Paper is the 5<sup>th</sup> to be prepared by the County Government of Trans Nzoia since the inauguration of the County Government in 2013.**

**In consistent with the PFM act 2012, Resource Allocation has been aligned to County Integrated Development Plan (CIDP) 2018-2022 and the County's Medium Term Plan.**

**The CFSP for FY 2018/19 reiterates the County Government development objectives of doubling youth employment, doubling land productivity and reducing by half the poverty level in the County.**

**It outlines the Broad Strategic Macro-Economic Issues and Medium Term Fiscal Framework together with a summary of the County Government spending plans as a basis for the 2018/19 Budget Estimates.**

**This CFSP provides a review of the economic and fiscal performance of the county government in FY 2016/17 and the 1<sup>st</sup> half of FY 2017/18, and presents the County's Economic and Fiscal Outlook that defines the Medium Term Expenditure for the FY 2018/19 - 2020/21.**

**The Development Targets for the County Government in the Medium Term is to create Employment and Reduce Poverty levels by Creative Conducive Environment that can attract Investment.**

## **1. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM TERM OUTLOOK**

### **1.1. Background**

This section seeks to respond to the question of the need for this annual exercise and its role in ensuring prudent management of the County's financial resources. The basis of preparing this important financial management document is contained in article 117 of the PFM Act and has taken cognizance of the fiscal responsibility principles as spelt out in the Act and the Constitution of Kenya as pertaining to the county budget process in terms of content, timelines, key players and stakeholder involvement.

The document broadly gives a snapshot of the current social economic setting of the county's economy and based on the current scenario incorporates their implication on the current fiscal framework as well as informs the coming years' budget proposals as well as in the medium term. The County fiscal strategy paper therefore links policy, planning and budgeting

#### ***What's contained in the County Fiscal Strategy paper?***

The county Fiscal Strategy paper contains;-

- (a) An assessment of the current state of the economy
- (b) Financial outlook with respect to county revenues, expenditure and borrowing in the coming financial year and in the medium term;
- (c) Proposed ceiling for county ministries and agencies;
- (d) The fiscal responsibility principles and financial objectives over the medium term; and
- (e) Statement of specific risks.

#### ***Stakeholder Participation:***

In preparing the county fiscal strategy paper, the county government should seek and take into account the views of;-

- (a) The Commission on Revenue Allocation;
- (b) The public;
- (c) Any interested persons or groups; and
- (d) Any other forum that is established by the legislation
- (e) Recommendations from the county assembly once the paper has been submitted before the floor for discussion

## **County Fiscal Strategy Paper Preparation Process**

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

The preparation of the 2018 CFSP has been a collaborative effort from all the County Departments whose MTEF sector reports form the basis upon which the paper is based. The CADP presents the county development priorities which are then linked to the financial resources allocation process through the MTEF which is preceded by the (CBROP) where the budget implementation is reviewed and the review report forms the basis of MTEF sector reports.

A Budget task force with membership from across the entire county government departments supported by a secretariat of officers from the department of Finance and economic planning was constituted and a draft prepared. The draft prepared was enriched by views from the members of the public collected during the consultative meetings held in each ward. The views of the County Economic and budget committee were also sought during its preparation. In addition, consultation was also carried out with the County Assembly budget committee. The draft was presented before the cabinet whose comments and inputs were incorporated before its submission to the County Assembly for discussion and approval.

## **Organization of the Report**

This strategy has been organized into three chapters; Chapter One provides the Background, Overview of the Economic and Fiscal Performance for FY 2016/17 and Bi-Annual Performance for FY 2017/18. Chapter Two provides the Medium Term Strategic Priorities and Interventions. On the other hand, Chapter Three presents the County's Fiscal Policy and Budget Framework in the Medium Term while providing the underpinning Fiscal and Budget Framework and setting the Resource Envelop and the Overall Spending Priorities.

## **I. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM TERM OUTLOOK**

### **1.1 Global and Regional Economic Developments**

Globally, registered growth was 3.6% in 2017 up from 3.2% in 2016. This growth was driven by improvements in investment, trade, and industrial production, coupled with strengthening business and consumer confidence. This growth was primarily driven by improving domestic demand in advanced economies, China and emerging market economies.

Advanced economies registered a 2.2% growth driven by increased activities in USA, Canada, Europe and Japan. This is expected to decline to 2% reflecting a slowdown in Japan and Europe. The USA economy is projected to grow by 2.3% in 2018 resulting from supportive financial condition, strong business and consumer confidence. On the other hand, driven by strengthening commodity exporters, growth in India and China, economic growth in emerging markets and developing economies is projected at 4.9% in 2018.

Supported by large commodity exporters such as Nigeria and South Africa, easing drought conditions in the Eastern and Southern Africa, growth in sub-Saharan Africa, is expected to grow by 3.4%. This is albeit increased uncertainties in policy implementation in Nigeria and South Africa, rising debt levels and debt service costs as a result of high public spending.

In the East African Community (EAC) region, economic growth stabilized at 5.4% in 2017 down from the growth of 6.1% recorded in 2016. This was as a result of prolonged drought in the region, dampened agricultural output in Uganda, Tanzania and Rwanda, slowdown in credit growth across, insecurity and political tensions in countries such as Burundi, Somalia and South Sudan. Supported by stable macroeconomic environment, ongoing infrastructure investments and strong private consumption, growth is projected to grow by 5.9% in 2018.

### **1.2 National Domestic Economic Developments**

Registering a growth of 4.8% in 2017 slightly lower than the projected 5.1%, Kenya's economy remained resilient despite the adverse weather conditions, prolonged electioneering period, and suppressed demand for credit by the private sector against, a growth of 5.8% recorded in 2016. The growth was a result of robust activities in the service sectors particularly accommodation and restaurant, real estate, wholesale and retail trade and ICT. This was however, constrained by subdued performance in agriculture forestry and fishing, manufacturing, electricity and financial intermediation sectors.

At 6.7% in 2017, inflation rate has been low, stable and within the government target range of 5+/-2.5. This was made possible by the prudent monetary and fiscal policies, despite the increase in food prices resulting from drought conditions that ravaged most parts of the country.

Broad money supply grew by 8.4% in 2017 compared to 6.2% registered in 2016. The growth was on account of increased domestic credit to the government and other public sector. Credit to the private sector

slowed down in the period to the election but picked up slightly to 2.7% in November. The sector receiving lions' share of the domestic credit included, real estate, manufacturing, trade and private household consumables.

Exchanging at Ksh. 103.1 Ksh 122 and Ksh. 138.2 against the dollar, the Euro and Sterling pound respectively, the Kenya shilling exchange rate remained broadly stable against major international currencies. This stability was supported by receipts from tea and horticulture, tourism earnings, coffee exports and diaspora remittances.

Interest rates remain fairly stable and low throughout the year. The central Bank rate has remained at 10% since August 2016. The interbank rate has remained low at 7.7%. On the other hand, the 91-day Treasury bill rate declined to 8.0 % from 8.4%. The commercial banks' average lending interest stabilized at 13.7 percent during the year. Domestic credit grew by 8.4%. Private sector credit increased to 2.7%.

The Overall balance of payments position improved to a surplus of US \$ 879.7 million from a deficit of US \$ 821.4 million in 2016. The current account balance registered a deficit of US \$ 5,110.1 million in 2017 from a deficit of US \$ 3,452.5 million in 2016.

The banking system's foreign exchange holding was at US \$ 9,202 million. The official foreign exchange reserves held by the central bank remained strong at US\$ 7,872.1 million ( 4.6 months of import cover) while commercial banks holdings was at US \$ 2,282.8 million in 2017.

### **1.2.1 National Fiscal performance**

Revenue collection has lagged behind the targets in the first five months of the 2017/18 financial year. On the other hand, expenditures pressures have been high due to prolonged drought, the repeat presidential election as well as salary awards to nurses and university staff. Collection of ordinary revenue underperformed by Ksh. 29.7 billion while ministerial A-I-A fell short by Ksh. 22.9 billion resulting in overall shortfall of Ksh. 52.6.

Total expenditure and net lending amounted to Ksh. 720.2 billion against a target of Ksh. 824.2 billion. The shortfall was as a result of lower than projected disbursements to county governments due to the delayed enactment of the county revenue allocation Act and slow absorption of development expenditure by the national government.

The combined performance of the revenues and expenditures resulted to an overall deficit (excluding grants) of Ksh. 161.8 billion. The deficit was financed through foreign borrowing amounting to Ksh. 49.6 billion while the balance of Ksh. 114.4 billion was sourced from the domestic money market.

The fiscal performance has necessitated a review of the 2017/18 budget to reflect revenue performance and accommodate emerging priorities and salary and election expenditure pressures. The revenues are projected at Ksh. 1,643.1 billion down from the earlier projection of Ksh. 1,704.5 billion. Total



expenditures and net lending are projected at Ksh. 2,323,2 billion. The deficit of Ksh. 620.8 billion will be financed by Ksh. 293.8 and Ksh. 323.2 billion from the domestic and external borrowing.

### **1.3 County Economic Performance**

The county government's development objectives during the year under review were; doubling youth employment, doubling land productivity, and reducing by half the population below the poverty line in the county. The key Strategies to enable the county attain the above stated objectives included;

- (i) creating a conducive business environment for job creation;
- (ii) investing in key interventions particularly in the agricultural sector to increase productivity, reduce post-harvest loses, ensure food security and promote value addition and crop diversification;
- (iii) investing in infrastructural development in areas such as county roads, fresh produce markets, health facilities and other social infrastructure, including street lighting and provision of water;
- (iv) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on the households and promote shared and equitable growth, and
- (v) support the county public service for better service delivery.

#### **Key Milestones for 2017 included; -**

Under infrastructural development; - the completion of five major fresh produce markets and 18 ward based fresh produce markets were fast tracked; surveys for various market centres were completed; Kitale and Kiminini integrated urban development plans were completed in addition to processing of over 88,000 title deeds. Other key developments include installation of bridges and culverts, opening up and paving of backstreets, completion of 100 boda boda parking sheds. In addition to routine maintenance of existing street lighting and high mast floodlights and various county roads.

Under agricultural development the key milestones include; - procurement of a mobile cereal dryer; completion of three grain storage warehouses; distribution of subsidized mavuno fertilizer. Other achievement included establishment and Equipping of Tissue Culture Banana Laboratory; distribution of TC Banana plantlets, promotion of tea farming subsidy, promotion of coffee farming subsidy, and procurement of assorted modern farm machinery in addition to the procurement of a modern drag line for desilting dams. At the same time, a total of Ksh. 45 million was spent on combating the invasion of army worms in all the wards.

In order to empower women and youth, the revolving youth and women fund activities were up scaled, Welfare services for the disabled and elderly were provided. The County also rehabilitated sports

facilities, and sponsored a team to participate in KICOSCA Games. In addition, various sports teams were supported by way of grants, and assorted sport equipment.

In environmental management and water supply services; - 60 piped schemes were implemented, one water dam and 20 water points were constructed. Most of the water projects are complete and a population of 186,450 is accessing clean potable water. Other activities included drilling of boreholes, spring protection, and sinking of wells. In addition, the County Government also acquired Two (2) skip loaders and 2 side-loaders and refuse containers for efficient solid waste management.

In education; - construction of ECDC classrooms and VTC twin lab blocks were undertaken, ECDC and VTC learning and instructional materials were procured and distributed. In addition, Ksh. 127,700,000 million was disbursed under Elimu bursary fund.

In Health; - the construction of the county referral hospital is ongoing, renovations of and equipping of county health facilities as well as supply of drugs and other medical supplies were undertaken.

### 1.3.1 County Fiscal Performance

The fiscal performance at the national level has had significant impact on the county's economic and fiscal performance. The prolonged electioneering period and the delayed enactment of the county revenue allocation bill has reduced the targeted disbursements to county governments, thus raising the issue of absorption capacity to utilize the CRA allocation in the remaining quarter.

The fiscal performance for Fy 2016/17 was impressive. Estimated total revenues was Ksh. 6,875,000,761 of which Ksh. 6,290,326,264 (91.4 %) was realized. The revenues received coincides with the actual expenditure thus giving an overall expenditure of over 90 %. The Fiscal performance of the first half of the FY 2017/18 has not been impressive. With an estimated expenditure of Ksh. 6,823,133,938 only Ksh. 1,729,276,593 (25.3 %) giving a shortfall of Ksh. 5,093,857,345. A summary of sector performance is provided in tables 1, 2 and 3 below.

### 1.3.2 Revenue Performance

Table 1 provides a summary of approved revenue against the actual revenue realized in the financial year 2016/17. A Shortfall of Ksh. 584,674,497 in revenue was recorded during the year under review.

**Table 1: Approved and Actual Revenue Realized by Source FY 2016/17**

Source	Approved Budget	Actual	Variance
CRA Allocation	5,502,547,171	5,502,547,171	0
Local Sources	500,000,000	217,102,483	282,897,517
Grants; i) DANIDA	13,763,015	13,763,015	0
ii)Health Min	28,200,000	28,200,000	0
iii) User fee-health	20,209,153	20,209,152	1

iv) Training-KDSP	28,840,847	0	28,840,847
v) Universal health care project	35,601,180	35,601,180	0
Free maternal health care	76,292,795	77,287,289	(994,494)
Roads Maintenance Fuel Levy	84,546,600	84,546,600	0
Unspent Bal FY 2015/16	585,000,000	311,069,374	273,930,626
<b>Total Income</b>	<b>6,875,000,761</b>	<b>6,290,326,264</b>	<b>584,674,497</b>

**Source: CBROP 2017**

The revenue shortfall is as a result of uncollected revenues from local sources and overstatement of the unspent balance for FY 2015/16. The over collection under free maternity programme was due to inclusion of undisbursed balances from the previous FY 2015/16 by the National Treasury. Table two provides a snapshot analysis of the estimated local revenue against the actual receipts by department in the financial year 2016/17.

**Table 2: Local Revenue Report FY 2016/17**

<b>Sector</b>	<b>Approved Budget</b>	<b>Actual Collection</b>	<b>Variance</b>
Agriculture, Livestock, Fisheries and Cooperative development	10,600,854	4,450,465	6,150,389
Commerce and Industry	50,415,631	11,951,060	38,464,571
Environment, Water and Natural Resources	11,744,982	3,254,526	8,490,457
Works, Transport and Infrastructure	25,213,367	15,093,838	10,119,529
Health	169,043,098	43,321,452	125,721,646
Physical Planning, Lands and Housing	3,843,503	3,001,460	842,043
Gender, Youth, Sports, Culture and Tourism	461,177	147,300	313,877
Finance and Economic Planning	228,677,388	135,882,383	92,795,005
<b>Grand Total</b>	<b>500,000,000</b>	<b>217,102,483</b>	<b>282,892,517</b>

**Source: Revenue Department**

The table shows all the departments underperformed leading to a shortfall of 56.6 % in own source revenue.

### 1.3.3 Revenue Performance for 2017/18

The projected revenue in the FY 2017/18 is Ksh. 6,823,133,938. The actual receipts from 1<sup>st</sup> of July 2017 to 31<sup>st</sup> of December 2017 Ksh. 2,021,918,704. Disbursements from the national government is Ksh. 1,987,063,527 while revenue raised locally is Ksh. 34,855,177. Table 3 provides a summary of the performance of the local revenue in the first half of the FY 2017/18.

**Table 3: Projected local Revenue and Actual collection up to December 2017 by Department.**

<b>Sector</b>	<b>Approved Budget</b>	<b>Actual (Six Months)</b>	<b>Variance</b>
Agriculture, Livestock, Fisheries and Cooperative development	12,500,000	1,440,134	11,059,866
Economic Planning, Commerce and Industry	29,000,000	5,337,190	23,662,810
Environment, Water and Natural Resources	77,700,000	64,500	77,635,500
Works, Transport and Infrastructure	119,300,000	834,310	118,465,690
Health	140,400,000	3,003,861	137,396,139
Physical Planning, Lands and Housing	20,600,000	2,083,150	18,516,850
Gender, Youth, Sports, Culture and Tourism	24,500,000	36,750	24,463,250
Finance	176,000,000	22,055,282	153,944,718
<b>Grand Total</b>	<b>600,000,000</b>	<b>34,855,177</b>	<b>565,144,823</b>

The actual local revenue collected from all the sectors in the six months of July to December 2017 was Ksh. 34,865,177 against a projected annual target of Ksh. 600,000,000. This is a paltry 5.81 % of the estimated annual local revenue for the county in the Fy. 2017/18.

### 1.3.4 Expenditure Performance

The expenditure during the FY 2016/17 and the six months' period for FY 2017/18 is per tables 4,5 and 6 below. As clearly indicated the absorption rate especially for the development funds in the FY 2017/18 is quite low. This is associated with the prolonged electioneering period and delay in enactment of the County Allocation of Revenue Bill. However, this is likely to change during the next half of the year.

**Table 4: Departmental Expenditure Report Fy 2016/17**

<b>Sector</b>	<b>Detail</b>	<b>Approved Budget</b>	<b>Actual Expenditure</b>	<b>Variance</b>
Agriculture	Recurrent	311,035,049	284,207,536	26,827,513
	Development	120,000,000	104,489,697	15,510,303
Economic Planning, Commerce & Industry	Recurrent	82,805,111	81,174,414	1,630,697
	Development	61,500,000	42,337,539	19,162,461
Water, Environment & Natural Resources	Recurrent	74,735,653	62,516,038	12,219,615
	Development	265,457,642	253,090,473	12,367,169
Public Works, Infrastructure	Recurrent	371,599,606	353,499,980	18,099,626
	Development	1,091,616,195	893,666,772	197,949,423
Health Services	Recurrent	1,578,329,208	1,611,921,676	-95,613,116
	Development	622,900,000	589,080,517	33,819,483
Lands, Housing & Urban Development	Recurrent	92,065,190	39,169,625	52,895,625
	Development	74,420,000	6,147,997	68,272,003
Gender, Youth, Culture	Recurrent	123,695,923	96,614,605	27,081,318
	Development	102,700,000	105,778,101	-3,078,101
Education, ICT	Recurrent	373,123,304	362,523,423	10,599,881
	Development	140,300,000	118,395,411	21,904,589
Governance, PSM, CPSB	Recurrent	284,246,381	256,159,729	28,086,652
	Development	31,491,445	18,058,544	13,432,901

Finance	Recurrent	460,595,800	404,244,686	56,351,114
	Development	115,447,348	79,388,564	36,058,784
County Assembly	Recurrent	534,271,010	527,482,219	6,788,791
	Development	48,986,544	0	48,986,544
<b>Total Expenditure</b>	<b>Recurrent</b>	<b>4,225,281,587</b>	<b>4,079,513,870</b>	<b>145,767,717</b>
	<b>Development</b>	<b>2,649,719,174</b>	<b>2,210,433,614</b>	<b>439,285,560</b>

**Table 5 ; summary expenditures report for 6 months Fy 2017/18**

Particulars	Approved Budget	Actual (Six Months)	Variance
Personnel	2,266,262,414	1,040,090,215	1,226,172,199
Operations & Maintenance	2,163,389,034	420,268,545	1,743,120,489
Development	2,393,482,490	268,917,833	2,124,564,657
<b>TOTAL</b>	<b>6,823,133,938</b>	<b>1,729,276,593</b>	<b>5,093,857,345</b>

Source; IFMIS Returns

**Table 6; Departmental Expenditure FY 2017/18**

Department	Personnel Emoluments	Operations and Maintenance	Development	Total
<b>AGRICULTURE</b>	79,449,415	8,627,874	6,702,787	94,780,076
<b>TRADE, COMMERCE AND INDUSTRY</b>	11,475,192	1,141,440	-	12,616,632
<b>ENVIRONMENT, WATER AND NATURAL RESOURCES</b>	14,643,684	6,350,150	52,586,657	73,580,491
<b>PUBLIC WORKS ,INFRASTRUCTURE</b>	32,445,263	3,051,326	118,488,789	153,985,378
<b>HEALTH SERVICES</b>	536,111,856	191,162,807	48,967,667	776,242,330
<b>LANDS</b>	10,039,752	822,900	-	10,862,652

<b>GENDER</b>	6,545,929	11,078,163	9,318,770	26,942,862
<b>GOVERNANCE</b>	123,346,816	29,442,935	-	152,789,751
<b>EDUCATION</b>	106,490,546	1,275,567	32,853,163	140,619,276
<b>FINANCE</b>	54,359,312	51,731,961	-	106,091,273
<b>COUNTY ASSEMBLY</b>	65,182,450	115,583,422	-	180,765,872
	1,040,090,215	420,268,545	268,917,833	1,729,276,593

The implementation of the budget for the financial year 2016/17 and the first half of the financial year 2017/18 has been hampered by a number of factors including:

- Shortfall in revenue both from the national disbursement and locally generated revenues.
- Delayed disbursement from the national treasury
- Prolonged electioneering period including election petitions filed against the incumbent
- Long process of appointment and approval the county's CEC members and Cos.

With an expenditure of Ksh. 1,040,090,215, personnel emoluments takes the lion's share of the recorded expenditure in the first half of the financial year 2017/18, followed by operational costs at Ksh. 420,268,545 indicating 84.4% for total recurrent expenditure while Development recorded an expenditure of Ksh. 268,917,833 indicating 15.6%.

From the foregoing fiscal performance analysis and the new national development initiative of the "Big Four" the fiscal framework will be revised accordingly to take into consideration the low absorption rate of the development budget and the huge shortfall on local revenues raised. Other factors that necessitates the revision of the fiscal framework includes expenditure rationalization and need for additional staff to fill gaps identified. The new framework has revised the projected revenues from the current figure Ksh. 6,823,133,938 to Ksh. 6,555,225,538 on account of the transfer of Ksh. 67,908,400 formerly free maternity conditional grant to NHIF and review of the local revenues from Ksh, 600,000,000 to Ksh. 400,000,000.

In view of the above, **we recommend:**

- For increased participation and sensitization of the members of the County Assembly, the executive and the public to ensure that all stakeholders are on board in the budget making process as required by law.
- Re-engineering the local revenue raising and management strategies to increase local revenues
- Setting realistic revenue targets to avoid situation of pending bills.
- Capacity building on e-procurement and sensitization of local contractors, suppliers and user departments on e-procurement to fast track the procurement process.
- Adherence to the county annual procurement plan to enhance implementation of budget and subsequently service delivery.

### **1.4 Fiscal Policy Outlook**

The government will continue to pursue prudent financial management practices while enhancing the county's local revenue. The focus is on striking a balance between the expanding expenditure demands against limited resource revenues constrained by declining local revenue and unstable transfers from the national government.

The key initiatives to be undertaken to increase the revenue base includes;- improvement on the automated revenue collection system, simplification of Collection process in line with national best practices and improved compliance with enhanced administrative measures and implementation of the revised valuation roll recommendations. In addition, the County Government will undertake various researches in view to identifying new sources, improving tax compliance levels and expanding revenue base. The county will also embrace asset financing, endorsement of PPP as well as seeking for donor support in form of grants and loans from domestic and external sources, in line with the regulations as set out in the PFM Act and other financial regulations.

The completion of the Kitale Bus Park, modernization of Kitale main Market, the construction of modern kiosk, the completion of ongoing construction of the sub county markets and fresh produce markets spread across the county will improve revenues raised locally in addition to enhancing local investments hence creating job opportunities for the youth.

The total revenue in FYs 2018/19, 2019/20 and 2020/21 is projected at Ksh. 6,948,532,892; 7,290,885,500 and 7,528,694,590 respectively.



## **1.5 Risks Associated with the Outlook**

The risk to the outlook for 2018 and medium term include the high political temperature long even after the repeat presidential election, inability to realize the estimated local revenues and slow pace of implementation of the development budget. Other risks include overreliance on maize as the main cash crop by most of the county residents, unpredictable weather patterns and low private investments in the county. Late disbursement of CRA equitable allocation by the national treasury, uncertainty of the national transfers to the county government as the allocation formula is under review, delay by local contractors and suppliers in delivering projects in timely manner among other issues.

## II. STRATEGIC PRIORITIES AND INTERVENTIONS

### 2.1 Aligning the County Development Framework to the National Development Agenda “The Big Four”

#### Overview

In order to ensure that the national Transformative Agenda is on course, the National government has identified four key strategic areas of focus in the medium term namely;-

- i. Supporting value addition and raise the manufacturing sector’s share of GDP to 15% by 2022. This will accelerate economic growth, create jobs and reduce poverty;
- ii. Focusing on initiatives that guarantee food security and improve nutrition to all by 2022 through expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain;
- iii. Providing Universal Health Care coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and
- iv. Providing at least five hundred thousand affordable new houses to Kenyans by 2022, hence improving living conditions for Kenyans.

Investment in the above key areas will create jobs, enhance access to the basic needs of the Kenyan people, improve their quality of life, lower the cost of living and reduce poverty and inequality. These development goals blends perfectly with the County’s’ medium term development agenda of reducing poverty, raising household incomes and reducing unemployment among the county’s youth population. In specific key investments include;-

- Fertilizer subsidy;
- Promoting adoption of modern agriculture practices;
- expanding the crop diversification programme,
- reducing post-harvest losses
- Promoting value addition for agricultural produce;
- Rehabilitation of water dams.
- Establishing special skills VTC
- Establishing modern wholesale and retail Market in Kitale town;
- construction of Jua Kali sheds and modern kiosks in selected centres;
- Revamping NAWIRI fund;
- establishment of special economic zones;
- Grade, murrum and compact all roads in the county,
- Rehabilitation, equipping and construction of new health facilities;

- Combat communicable and non -communicable diseases;
- Upscale the social welfare safety net to cover health sector;
- hire more healthcare personnel as well as motivate the staff
- Implementing of integrated urban development and County Spatial Plans
- Promote women and youth empowerment programmes;
- Promote sports, identify nature youth talent;

## **2.2 County Strategic Priorities**

The overall overarching development agenda is to improve the quality of life of the county residents by reducing distress conditions and increasing their empowerment through increased incomes and employment creation. The key investment areas of focus by sector is as provided below;

### **2.2.1 Agriculture, Livestock, Fisheries and Co-operative Development**

Overarching development objective of the sector in the medium term is *“To promote a competitive and sustainable agriculture, livestock, fisheries and a vibrant co-operative movement”*. This is the backbone of the county economy. The priorities for the sector include;- up scaling supply of subsidized non-acidifying fertilizer from the current level of 60,000 bags to 200,000 per year and entrench the adoption of conservation agriculture techniques by increasing appropriate equipment in every ward. The County will also expand the crop diversification programme, enhance markets and marketing channels for the agricultural produce, reduce post-harvest losses and promote value addition for coffee, milk and maize.

In livestock, the county will expand the AI programme, increase the number of milk coolers, and rehabilitate the communal cattle dips, upscale indigenous chick programme for the small holder land owners feed improvement, promote disease control by working jointly with the neighboring counties.

### **2.2.2 Water, Environment and Natural Resources**

The sector objective in the medium term is *“To be the leading agency in the integrated conservation, protection, management and utilization of water, environment, natural resources and climate change management for sustainable development in the county”*. To deliver on the objective, priority projects to be funded include among others extension of Water Gravity Schemes to cover 250 km, sink a minimum of 100 Boreholes per year, rehabilitation of 62 water dams. Plant at least 1 million trees annually, establish a new Solid Waste Management site in Bidii, procure two skip loaders and 2 side loaders and refuse containers, and construct 169 exhaustible public toilets to cover all market centres.

### **2.2.3 Education, ICT and Vocational Training**

This is a key sector for the success and development of Trans Nzoia County. The sector’s development objective in the medium term is *“To provide quality education training and research for empowerment of individuals to become competent and responsible citizens who meet the global labour market demands”*. The priority projects in the sector for the financial year 2018/19 and the medium term includes; construction of three ECDE classrooms in every primary school, equip all ECDE Centers and

Vocational Training Centers to enhance quality Teaching/Training and employ additional 360 ECDE caregivers. In addition, the sector has targeted to expand all the VTC in the county. The department will expand the bursary programme to reach more needy students in the county.

#### **2.2.4 Trade, Commerce and Industry**

The sector's development objective in the medium term is *“To facilitate trade, investments and industrial development by championing an enabling and sustainable environment”*. The priority projects for the sector in the medium term includes: establish a Modern wholesale and retail Market in Kitale town; construction of Jua Kali sheds and modern kiosks in selected centres; Revamping NAWIRI fund; establishment of an industrial and commercial centre in Suam border town to promote cross border trading.

#### **2.2.5 Works, Transport & Infrastructure**

The sector objective is *“To provide an efficient, affordable and reliable infrastructure for sustainable economic growth to Trans-Nzoia residents and development through construction, modernization, rehabilitation and effective management of all infrastructural facilities”*. The priority projects for the sector in the medium term include; open up all the backstreets in Kitale town and tarmac all critical alleys, Grade, murrum and compact all roads in the county. The sector also plans to light up all the streets in Kitale, Kiminini, Sibanga and other market centres, install 169 high mast lights in all county market centres, completion of Modern Bus Park and modernize the Fire station into a fully-fledged centre of excellence.

#### **2.2.6 Health Services**

The objective of the sector in the medium term is *“To systematically build a progressive, responsive, sustainable, technology-driven, evidence-based and client-centred healthcare system; for accelerated attainment of the highest standard of health to all the residents of Trans Nzoia County”*. The sector's priority projects include; construction of two new dispensaries in each ward, Increase annual investment in the procurement of pharmaceuticals and non-pharmaceuticals, completion and equipping the County Referral Hospital. The sector will also focus on to develop and avail a medical insurance programme that will provide medical cover to vulnerable groups and aim at universal coverage, establish a county-owned medical training school, distribution of mosquito nets, rehabilitate and upgrade all sub county hospitals from level 3 to level 4 hospitals. Other priorities include to establish a health fund to ensure adequate financing of health care systems, automate health management systems, hire more healthcare personnel as well as motivate the staff.

#### **2.2.7 Lands, Housing and Urban Development**

The development objective of the sector in the medium term is *“To improve the livelihoods of Trans Nzoia citizenry through efficient administration, management of the land resource for equitable access to secure land tenure, affordable, decent housing and organized urban development in a sustainable environment”*. The key priority projects for the sector include implementation of integrated urban

development and County Spatial Plans in Kitale, Kiminini, Sibanga, Saboti, Suam, Endebess, Kwanza, Sikhendu, Kachibora and all other urban centres. In addition, the government will acquire land for expansion of Kitale town, completion of Kitale and Kiminini Integrated Urban Development Plans, acquisition of land for airstrip expansion and other public infrastructure development.

Other projects include facilitation of issuance of title deeds for the residents and for over 30% of all government properties.

### **2.2.8 Gender, Youth, Culture, Sports, Women & Tourism**

The Sector development objective for the financial year 2018/19 and in the medium term is *“To mobilize the community to preserve culture, promote sports and tourism development, support social welfare and child protection and identify and nurture youth talents in Trans Nzoia County”*. The key projects for implementation during the period include; operationalize the Bahati Children Rescue Centre and Youth Empowerment Center (Elgon Hub) for business incubation, technology acceleration and talent development. The sector will ensure that youth and women owned enterprises deliver at least 30% of the tender opportunities in the county, ensure that at least 60% of all new job opportunities in the county are reserved for the youth. Establishment of a high altitude-training center will also be a priority.

Other targeted development initiative will include organize, train and provide startup grants to SACCOs for youth and special groups, enhance the revolving kitty and introduce grant and credit lines to be extended to individuals and to support innovations. The department will also organize sports tournaments across the county to encourage talent discovery and empower young people to participate in national leagues. The county also plans to build a 20,000-seater capacity stadium in Kitale town, sponsor community cultural activities and offer monetary support to respective community Councils of Elders as well as establish a drug and substance abuse rehabilitation center to cater for drug dependent persons in the county.

### **2.2.9 Governance, Public Service Management and County Public Service Board**

The Sector development objective for the financial year 2018/19 and in the medium term is *“To provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery”*. The key projects for the sector include infrastructure development, human resources management, human resource development and performance management.

Other targeted development projects include governance and national values, compliance and quality service and public and corporate communication.

## 2.2.10 Finance and Economic Planning

The Sector development objective for the financial year 2018/19 and in the medium term is *“To provide general guidance and policy direction in resource mobilization, financial management, and accountability and transparency in resource utilization for quality public service delivery”*.

This Sector is responsible with ensuring prudent management of financial resources, formulating economic and fiscal policies to facilitate socio –economic development, resource mobilization and control of public financial resources

The key priority projects include;- general automation, resource mobilization, planning services, including county statistics and documentation and accounting services. The county plans to re-engineer the financial management and planning function to make it more accountable, transparent and responsive to the various stakeholders with focus to delivery of value for money projects and services.

### III. FISCAL POLICY AND BUDGET FRAMEWORK IN THE MEDIUM TERM

#### 3.1 Overview National Fiscal Policy Framework

The 2018 Medium-Term Fiscal Policy aims at supporting rapid and inclusive economic growth, ensuring sustainable debt position and at the same time supporting the devolved system of Government for effective delivery of services while taking into account regional integration protocol (East African Community Monetary Union protocol’s fiscal targets). Specifically, the Fiscal policy underpinning the FY 2018/18 Budget and MTEF aims at raising revenue collection including A.I.A from Ksh. 1,643.1 billion (18.9 percent of GDP) in FY 2017/18 to Ksh. 1,849.4 billion (19 percent of GDP). Ordinary revenue are projected at Ksh. 1,684. billion in FY 2018/19 up from Ksh. 1,486.3 billion in FY 2017/18. This revenue performance will be underpinned by on-going tax reforms and revenue administration.

In the FY 2018/19, Overall expenditure and net lending are projected at Ksh. 2,488.4 billion from the projected estimated Ksh. 2,323.1 billion in the FY 2017/18. Recurrent expenditure is estimated at Ksh. 1,509.1 billion. Wages and salaries for teachers and civil servants is expected to reduce to 4.5 percent of GDP in the FY 2018/19 from 4.6 percent in the FY in 2017/18. On the other hand, development expenditure in nominal terms is Ksh. 658.9 billion. A contingency of Ksh. 5 billion and an additional Ksh. 8.4 billion conditional grants to marginal areas have been provided.

The fiscal deficit in the FY 2018/19 (excluding grants) is Ksh. 639 billion. Including grants, the overall fiscal deficit is projected at Ksh. 588.5 billion in 2018/19. The deficit will be financed by net external financing of Ksh. 214.7 billion, net domestic borrowing of Ksh. 396.6 billion and other domestic receipts of Ksh. 4.2 billion.

In line with the PFM and national government fiscal policy, the county is keen on maintaining a balanced budget any additional requirements will either be financed through reallocation or by grants from

development partners, direct foreign investments, remittances by the local Diasporas or on PPP basis especially for the infrastructural projects or on asset financing.

### 3.2 Budgetary Allocations for the FY 2018/19-2020/21 MTEF

The resource envelope available for allocation among the sectors/programmes is based on the fiscal policy and medium term fiscal framework as explained above.

#### Revenue Projections

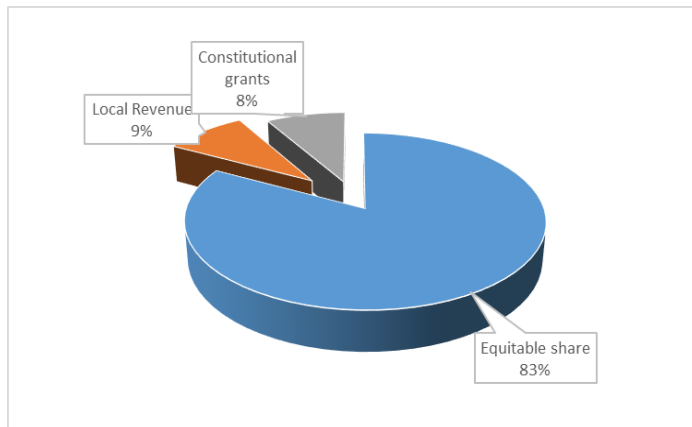
The total projected revenue for the County in the FY.2018/19 is **Ksh. 6,948,532,892** out of which Kshs. **5,620,600,000** is the equitable share (2018 BPS), and Kshs.**500,000,000** is local revenue projection while the remainder Ksh. **827,932,892** is conditional grants from the National Government and Development Partners.

**Table 7: Projected County Resources 2018/19-2020/21**

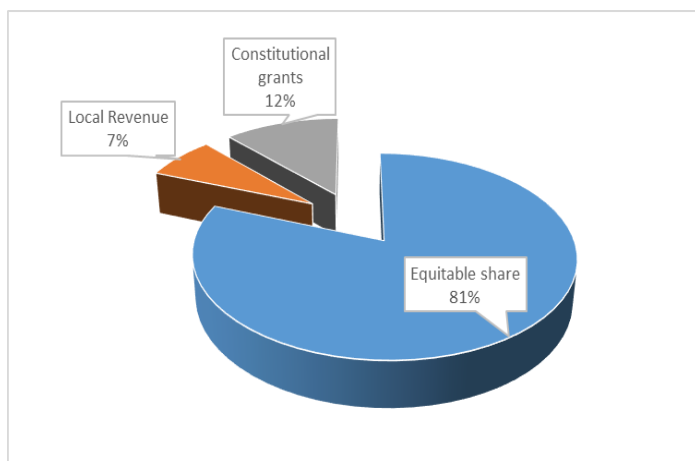
Classification	Approved 2017/18 ksh	Proposed 2018/19 Ksh.	Projected 2019/20 Ksh.	Projected 2020/21 Ksh.
Equitable share	5,647,400,000	5,620,600,000	5,790,885,500	5,928,694,590
Local Revenue Projection	600,000,000	500,000,000	550,000,000	600,000,000
Constitutional grants	575,733,938	827,932,892	950,000,000	1,000,000,000
<b>Total Expenditure</b>	<b>6,823,133,938</b>	<b>6,948,532,892</b>	<b>7,290,885,500</b>	<b>7,528,694,590</b>

Source: BPS/ County Revenue Office

**Chart 1; 2017/18 Approved**



**Chart 2; 2018/19 Proposed**



The projected resource will rise to Ksh. **7,290,885,500** and ksh. **7,528,694,590** in the financial year 2019/20 and FY 2020/21 respectively. The resource envelop in the medium term includes conditional grants which is not available for sharing across the sectors therefore, the ceiling set below does not include them in the proposed projects

A summary of the projected local revenue in 2018/19 financial year and the medium term by sector is provided in the table below.

**Table 8: Projected local Revenue by Sector 2018/19-2020/21**

Department	2017/18	2018/19	2019/20	2020/21
Agriculture, Livestock and Fisheries	5,754,894	4,795,745	5,275,320	5,754,894
Commerce and Industry	80,568,504	67,140,420	73,854,462	80,568,504
Environment, Water and Natural Resources	4,603,914	3,836,595	4,220,254	4,603,914
Public Works, Transport and Infrastructure	111,509,787	109,591,489	110,550,638	111,509,787
Health	183,535,052	152,945,876	168,240,464	183,535,052
Lands, Physical Planning and Urban Development	4,603,914	3,836,595	4,220,254	4,603,914
Gender, Youth, Sports, Culture and Tourism	2,301,958	1,918,299	2,110,128	2,301,958
Finance and Economic Planning	207,121,978	155,934,982	181,528,480	207,121,978
<b>Total</b>	<b>600,000,000</b>	<b>500,000,000</b>	<b>550,000,000</b>	<b>600,000,000</b>



### Source: Revenue Office

From the foregoing, Ksh. 500 million will be raised locally. The figures have been arrived at taking into consideration; revenue enhancement initiatives and current collection trends. Health Services, Finance and Public Works Departments are the key revenue collecting departments for the County.

### Expenditure Projections

The above projected revenue has been allocated under the two broad classifications of Recurrent and Development as follows;

**Table 7: Summary of Expenditure Forecast for 2018/19-2020/21**

Expenditure Category	Approved Ksh.	Proposed Estimates	Projected	Projected
	2017/18	2018/19	2019/20	2020/21
Recurrent	4,429,651,448	4,373,032,892	4,440,885,500	4,528,694,590
Development	2,393,482,490	2,575,500,000	2,850,000,000	3,000,000,000
<b>Total</b>	<b>6,823,133,938</b>	<b>6,948,532,892</b>	<b>7,290,885,500</b>	<b>7,528,694,590</b>

### Source: County Budget Office

The recurrent expenditure of Ksh. 4,373,032,892 includes non-discretionary expenditures that include payment of statutory obligations such as salaries and pensions and must be given first priority. Other components of the recurrent expenditure are operations and maintenance. The above estimates include conditional grants from the national government for health, agriculture and education department.

Development expenditure of Ksh. 2,575,500,000 has been shared out on the basis of ongoing programmes, departmental flagship priorities and identified public needs.

### 3.3 Resource Envelope and Allocation/Prioritization criteria

The key features of sectoral allocation are anchored on the need to finance investment and to directly support economic growth and reduce poverty in line with the county's overarching development goal "transforming Trans Nzoia through Poverty reduction, wealth creation and agro industrialization".

The following criteria were used in apportioning capital budget:

- i. **Non-Discretionary Expenditures:** comprised of statutory obligations such as salaries and pensions and must be given first priority.
- ii. **On-going projects:** emphasis has been given to completion of on-going capital projects and in particular agriculture and infrastructure projects with high impact on poverty reduction, equity and employment creation.

- iii. **Strategic sector interventions:** priority was also given to sector specific interventions on areas of agriculture and food security, value addition, health care, education, youth and women empowerment and training, social welfare, trade, industrialization, Human resources development, social equity and environmental conservation.
- iv. **Donor Supported /PPP projects:** Donor funded /PPP programmes must be financed to the extent of the county government commitments.  
*In-line with the big-four national development agenda*

A summary of the proposed sector allocation is provided in tables 8 and 9 below. A full list of projects for 2018/19 financial year by sector has been annexed.

**Table 8: Proposed Recurrent Expenditure by Sector 2018/19-2020/21**

DEPARTMENTS	APPROVED BUDGET	PROPOSED 2018/19 CEILINGS	PROJECTED 2019/20	PROJECTED 20/21
Agriculture, Livestock, Fisheries And Co-Operative Development	275,692,246	272,168,425	276,391,430	281,856,484
Trade, Commerce And Industry	51,701,034	51,040,206	51,832,153	52,857,024
Water, Environment And Natural Resources	72,568,298	71,640,750	72,752,339	74,190,862
Public Works, Infrastructure And Roads	288,155,308	284,472,188	288,886,100	294,598,209
Health Services	1,667,327,567	1,646,016,256	1,671,556,081	1,704,607,557
Lands, Planning And Urban Development	82,948,240	81,888,019	83,158,605	84,802,890
Gender, Youth, Culture	99,339,643	98,069,912	99,591,579	101,560,791
Education And ICT	357,290,613	352,723,825	358,196,739	365,279,319
Governance And Public Service Management	383,564,851	378,662,233	384,537,611	392,141,026
County Public Service Board	35,000,000	34,552,640	35,088,764	35,782,569
Finance	585,611,223	578,126,105	587,096,393	598,704,979
County Assembly	530,452,425	523,672,332	531,797,707	542,312,878
<b>Total</b>	<b>4,429,651,448</b>	<b>4,373,032,892</b>	<b>4,440,885,500</b>	<b>4,528,694,590</b>

Source: Budget Office

**Table 9: Proposed Development Expenditure 2018/19 -2020/21**

<b>Departments</b>	<b>APPROVED BUDGET</b>	<b>PROPOSED 2018/19 CEILINGS</b>	<b>PROJECTED 2019/20</b>	<b>PROJECTED 20/21</b>
<b>Agriculture, Livestock, Fisheries And Co-Operative Development</b>	202,123,423	223,917,580	386,096,809.25	393,731,055
<b>Trade, Commerce And Industry</b>	109,500,000	137,485,394	237,063,441	241,750,868
<b>Water, Environment And Natural Resources</b>	289,883,837	287,062,337	494,976,109	504,763,212
<b>Public Works, Infrastructure And Roads</b>	614,478,809	609,055,816	1,050,183,321	1,070,948,469
<b>Health Services</b>	537,000,000	537,402,191	926,632,342	944,954,531
<b>Lands, Planning And Urban Development</b>	86,500,000	108,823,944	187,643,049	191,353,293
<b>Gender, Youth, Culture</b>	103,000,000	134,350,548	231,658,086	236,238,633
<b>Education And ICT</b>	244,009,877	259,744,392	447,872,299	456,728,023
<b>Governance And Public Service Management</b>	68,000,000	76,131,977	131,272,915	133,868,559
<b>County Public Service Board</b>	20,000,000	31,348,461	54,053,553	55,122,348
<b>Finance</b>	70,000,000	98,523,735	169,882,596	173,241,664
<b>County Assembly</b>	48,986,544	71,653,625	123,550,979	125,993,937
<b>Total</b>	<b>2,393,482,490</b>	<b>2,575,500,000</b>	<b>4,440,885,500</b>	<b>4,528,694,590</b>

Source: Budget Office

## ANNEXES

### Statement of Specific County-level Fiscal Risk

Given the budget implementation performance in the first half of the FY 2017/18 budget the key risks include;

- Weaker revenue performance in the medium term.
- Expenditure pressures with respect to sector/departmental operations and maintenance budgets.
- Demands for employment of extra personnel due to gaps specifically in Education, Health and Public works.
- Unpredictable weather, which may result in realignment of the budgets to fund any emergencies arising.
- Slow budget implementation pace in the Spending units in the financial year 2017/18 in the development expenditures may result in huge pending bills carried over to the financial year 2018/19 and the medium term.
- The anticipated completion of the Kitale Business park and other markets if not completed as schedules are likely to depress local revenue receipts;
- The ongoing revenue sharing formula may affect the CRA allocation incase a change of base that does not favor or maintain the current status.

## Annex I; Proposed Development Programmes for the FY 2018/19

	<b>APPROVED</b> FY 2017/18	<b>PROPOSED</b> FY 2018/19
<b>AGRICULTURE,LIVESTOCK,FISHERIES AND CO-OPERATIVE DEVELOPMENT</b>		
Crop Development	43,523,423	48,216,379
Value Addition	81,000,000	89,733,905
Co-Operative Development	15,000,000	16,617,390
Livestock Productivity Improvement	62,600,000	69,349,906
	<b>202,123,423</b>	<b>223,917,580</b>

### **PUBLIC WORKS,INFRASTRUCTURE AND ROADS**

Infrastructural Development	204,500,000	202,695,215
Road Construction and Maintenance	409,978,809	406,360,601
	<b>614,478,809</b>	<b>609,055,816</b>

### **LANDS,PLANNING AND URBAN DEVELOPMENT**

Government Property	13,000,000	16,355,044
Land Survey and Planning	73,500,000	92,468,900
	<b>86,500,000</b>	<b>108,823,944</b>

### **TRADE,COMMERCE AND INDUSTRY**

County Research and Development Planning	39,000,000	48,967,401
Medium and Small Enterprises	60,500,000	

		75,962,250
Trans Nzoia County Investment Programme	10,000,000	12,555,744
	<b>109,500,000</b>	<b>137,485,394</b>

#### **ENVIRONMENT, WATER AND NATURAL RESOURCES**

Environmental Management and Protection	39,000,000	38,620,405
Water Resources Management	250,883,837	248,441,932
	<b>289,883,837</b>	<b>287,062,337</b>

#### **GENDER, SPORTS, CULTURE**

Culture development and Promotion	5,000,000	6,521,871
Social Protection	57,000,000	74,349,332
Sports Promotion	41,000,000	53,479,344
	<b>103,000,000</b>	<b>134,350,548</b>

#### **EDUCATION AND ICT**

Ecde and Vocational Training	211,009,877	224,616,450
Special Programmes	33,000,000	35,127,943
	<b>244,009,877</b>	<b>259,744,392</b>

#### **GOVERNANCE AND PUBLIC SERVICE MANAGEMENT**

Governance and Public Service Management	68,000,000	76,131,977
	<b>68,000,000</b>	<b>76,131,977</b>

#### **HEALTH SERVICES**

Preventive and Curative Health	537,000,000	537,402,191
	<b>537,000,000</b>	<b>537,402,191</b>

**COUNTY PUBLIC SERVICE BOARD**

Infrastructure Development	20,000,000	31,348,461
	<b>20,000,000</b>	<b>31,348,461</b>

Annex II; Proposed Recurrent Expenditure for the FY 2018/19

<b>DEPARTMENTS</b>	<b>PERSONNEL EM.</b>	<b>OPERATIONS AND MAINTENANCE</b>	<b>TOTAL RECURRENT</b>
AGRICULTURE,LIVESTOCK,FISHERIES AND CO-OPERATIVE DEVELOPMENT	171,131,358	101,037,067	272,168,425
TRADE,COMMERCE AND INDUSTRY	26,240,586	24,799,620	51,040,206
WATER,ENVIRONMENT AND NATURAL RESOURCES	36,076,213	35,564,538	71,640,750
PUBLIC WORKS,INFRASTRUCTURE,ROADS	70,817,573	213,654,615	284,472,188
HEALTH SERVICES	1,125,834,898	520,181,358	1,646,016,256
LANDS,PLANNING AND URBAN DEV	23,350,152	58,537,867	81,888,019
GENDER,SPORTS,CULTURE	17,461,125	80,608,787	98,069,912
EDUCATION AND ICT	225,624,644	127,099,181	352,723,825
GOVERNANCE AND PUBLIC SERVICE MANAGEMENT	259,033,287	119,628,946	378,662,233
COUNTY PUBLIC SERVICE BOARD	5,250,000	29,302,640	34,552,640
FINANCE AND ECONOMIC PLANNING	115,218,493	462,907,613	578,126,105
COUNTY ASSEMBLY	303,537,206	220,135,126	523,672,332
<b>TOTAL</b>	<b>2,379,575,535</b>	<b>1,993,457,357</b>	<b>4,373,032,892</b>