



COUNTY GOVERNMENT OF NANDI

COUNTY TREASURY

**COUNTY BUDGET REVIEW AND OUTLOOK PAPER
(CBROP)**

OCTOBER 2018

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FOREWORD

The 2018 Nandi County Budget Review and Outlook Paper (CBROP), has been prepared in accordance with section 118 of the Public Financial Management Act, 2012 presents the actual fiscal performance of the FY 2017/2018 as it makes comparisons to the budget appropriations for the same year as well as the updated economic and financial outlook to set out the broad fiscal parameters for preparation of the next budget

The Public Financial Management Act ushered in a paradigm shift in the budget making process for the National as well as for the County Governments. Apart from introducing reforms in our public financial management system, the PFM Act entrenched financial discipline and fiscal responsibility principles for respective governments which have since been echoed by the adopted county Finance Policy 2017.

This paper is a vital document as it details the fiscal/budgetary outcome for 2017/18 financial year and how this affects the financial objectives set out in the 2018 County Fiscal Strategy Paper (CFSP). The updated macroeconomic outlook therein also provides us with a basis for revising the 2018/19 budget in the context of the Supplementary Estimates, in line with the county government's strategic priorities over the medium term. Consequently, the County Fiscal Strategy Paper (CFSP) for 2019 will set ceilings to allocate available resources to departments as well as set expenditure priorities.

Proper linkage between planning, budgeting and tracking of the allocated resources is best addressed by the CBROP as it enhances accountability of public funds as well as feedback which further redirects the policy decisions of the county government in the subsequent resource allocation on the priority sectors through the budgeting process.

A handwritten signature in black ink, appearing to read 'A. Lagat', with a long horizontal line extending to the right.

CPA ALFRED K. LAGAT
CECM, FINANCE AND ECONOMIC PLANNING

ABBREVIATIONS AND ACRONYMS

CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee Member
CFSP	County Fiscal strategy Paper
CG	County Government
FY	Fiscal Year
PFMA	Public Financial Management Act
CIDP	County Integrated Development Plan
CADP	County Annual Development Plan
M & E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework

INTRODUCTION

LEGAL FRAMEWORK

The County Budget Review and Outlook Paper is one of the key stages in the preparation of the annual county budget. Its preparation is entrenched in;

-The Constitution of Kenya,2010 and further in the County Governments Act 2012 which compels County Governments to prepare the plans and that no public funds shall be appropriated outside the approved planning frameworks.

-Public Finance Management Act (PFMA),2012 section 118 (1) which indicates that a County Treasury shall:

(1) (a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) Submit the paper to the County Executive Committee by the 30th September of that year.

(2) The CBROP should specify:

(a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) Information on:

(i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Finance Management (PFM) Act 2012 (section 107) sets out the following fiscal responsibility principles to ensure prudence and transparency in the management of public resources;

- i. The County Government's recurrent expenditure shall not exceed the County government's Total Revenue*
- ii. Over the Medium Term, a minimum of thirty percent of the county government's budget shall be allocated to the Development expenditure*
- iii. The County Governments' expenditure on wages and benefits for its public officers shall not exceed a percentage of the County government's total revenue as prescribed by the Executive Committee Member for Finance in regulations and approved by County Assembly.*
- iv. Over the Medium Term, the government's borrowing shall be used only for the purpose of financing development expenditure and **not** for recurrent expenditure*
- v. The county debt shall be maintained at sustainable level as approved by County Assembly*
- vi. The fiscal risks shall be maintained prudently; and*
- vii. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.*

OBJECTIVES FOR CBROP

Pursuant to the provisions of sec 118 (2) of the Public Financial Management Act 2012, the County Treasury through the County Budget Review and Outlook Paper shall seek to specify;

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- the updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper(CFSP);
- any changes in the forecasts compared with the CFSP;
- how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and

- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- Providing a basis for revision of the 2018/19 budget estimates as well as set broad fiscal priorities for the next budget and the medium term.

In summary, this BROP is expected to present a review of the fiscal performance for the previous year in terms of revenues and expenditures.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance. The key macro-economic indicators are, however, not currently available at the county level thereby making it difficult to provide county macro-economic statistics for analytic purposes.

COUNTY FISCAL PERFORMANCE FOR 2017-2018

This section is meant to review how the actual financial performance for the 2017-2018 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for the financial year, 2018-2019.

OVERVIEW

- As guided by the fiscal responsibilities principles entrenched in the PFMA,2012 which requires the county government to exercise prudence and transparency on management of public funds, insight of these the County's revenues and expenditure performance in the previous year's follows.
- The fiscal performance in 2017-2018 was generally satisfactory. It's worth noting that the new administration under the leadership of His Excellency Stephen Sang with his manifesto dubbed Tuga Tai was sworn into office a month after the 2017/18 budget had been passed by the first county assembly of Nandi. When the new administration settled in,

it was deemed necessary that the approved budget be revised for it to be implementable as it wasn't in tandem with the legal provisions for instance the grants had been appropriated contrary to the purpose of the funds. Hence first supplementary was done in October 2017.

- The initial budget was Ksh. 6,932,061,748 which was revised to Kshs. 6,802,708,662 occasioned by;
 - reduction in the shareable revenue as indicated in the CARA from Kshs. 5,130,819,903 to Kshs 5,103,800,000.
 - reduction in the actual fiscal balance from 973,000,000 to Kshs 795,575,051 brought forward from 2016/17 F/Y.
 - reduction in other grants from 465million to 451million
- The total projected revenue for 2017/18 Financial year was Kshs 6,802,708,662 comprising of Kshs 5,103,800,000 as shareable revenue, Kshs 385,438,659 as Own source revenue, Kshs 795,575,051 as 2016/17 unspent balances, Kshs 267,925,760 grants from development partners and Kshs 249,969,192 as conditional allocations from National government.
- The actual revenue received was Kshs 4,870,320,832 against anticipated Kshs 6,802,708,662 Occasioned by low own source revenue realized of Kshs 197,886,883.30 against budgeted Kshs 385,438,659, from RMLF Kshs 166,562,969 was realized out of the budgeted Kshs 202,600,435 the county received Kshs as well world bank grants where Kshs 66,845,279 only Kshs 30,384,218 was realized.
- Own source(locally collected) revenue realized was Kshs 197,886,883.30 out of the projected Kshs 385,438,659 which translates to 51% .
Local revenue in the previous years has grown gradually and the shortfall in the year under review is attributed to nonrealization of Cess from multinationals which formed greater proportion of the revenue target. However, going forward, the county is putting in place measures to enhance local revenue which includes:
 - conducting revenue survey aimed at expanding the revenue base by identifying more potential revenue sources to the county.
 - installation of Health Management Information System to manage and enhance revenue in health sector.
 - automation of collection and management of all local revenue source

-ensuring good business environment by acquiring land for constructing more markets as well as construction of market shades, sale yards and upgrading existing markets across the county.

RECENT ECONOMIC AND FISCAL DEVELOPMENTS

The county's economic performance is largely dependent on the formulation and implementation of prudent policies to guide allocation of resources to priority areas for enhanced service delivery. To a larger extent, the resources available for the county's budgetary execution depend on the country's economic performance which is influenced by developments and economic trends in the national and by extension the global economy.

This CBROP findings and explanations thereto are informed by the current financial governance framework -the Public Finance Management Act, 2012 and the Constitution of Kenya 2010.

2.1 GLOBAL ECONOMIC AND FISCAL OVERVIEW.

The CBROP is prepared in view of realigning the current budget towards improving global economic prospects currently faced with signs of uneven and moderate global recovery.

The global economy expanded by 3.6 per cent in 2017 compared to a growth of 3.1 per cent in 2016. Most advanced economies recorded accelerated growths due to supportive macroeconomic environment, improved labour markets and accommodative financial conditions. Similarly, improved growths were notable in most of the emerging market economies particularly in China where there was strong infrastructure investment hence its real Growth Domestic Product (GDP) was boosted by fiscal support and recovery in exports to grow by 6.8 per cent in 2017 compared to 6.7 per cent in 2016. However, the growth in United Kingdom decelerated to 1.5 percent in 2017 due to a weaker aggregate demand and uncertainty surrounding the Brexit negotiations. The global economic recovery experienced in 2017 is expected to continue more strongly in 2018. The recovery is likely to be broad based with growth in most developed and emerging market economies projected to accelerate in 2018.

Global inflation rose to 3.1 per cent in 2017 from 2.8 per cent in 2016, partly attributable to increase in oil prices which is likely to hamper economic growth especially in the oil non producing developing economies.

Economies in Sub-Saharan Africa grew by 2.6 per cent in 2017, a significant increase from 1.4 per cent growth registered in 2016. The growth was largely attributable to favorable commodity prices, improved global financing conditions, and reduced inflationary pressures.

2.1 NATIONAL ECONOMIC AND FISCAL OVERVIEW

Kenya's economy is estimated to have expanded by 4.9 per cent in 2017 compared to a revised growth of 5.9 per cent in 2016. The slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. Consequently, the expected political stability and favorable macroeconomic environment are likely to be conducive for acceleration in growth in 2018. The on-going investments in infrastructure, improved business confidence, and strong private consumption are likely to support growth in 2018. Weather forecast points to a possibility of sufficient and well spread long rains in 2018 which is likely to be a major boost for activities in agriculture and electricity and water supply sectors. This will in turn be favorable for the manufacturing sector. However, rising oil prices and slow credit uptake by the private sector are likely to dampen growth in 2018.

Generally, key macroeconomic indicators largely remained stable and therefore supportive of growth in 2017. Interest rates declined due to the impact of the capping by Central Bank of Kenya that became effective in September 2016. In the money market, the Kenyan Shilling strengthened against most of the major trading currencies but weakened against the Euro and the US Dollar in 2017. There was a moderate build up in inflationary pressures mainly due to significant increase in oil and food prices during the year under review. Consequently, inflation rate rose from 6.3 per cent in 2016 to 8.0 per cent in 2017. Inflation is expected to ease in 2018 supported by lower food prices due to improved agricultural output.

2.2 County Economic and Fiscal Overview

The county's economic performance depends on the economic trends from the international to national scene since the larger share of funding for county is from the national revenue. The county's economic development is largely

dependent on the formulation and implementation of prudent policies for effective service delivery as well as the overall country's economic performance. This fiscal policy strategy recognizes that available resources are scarce and hence the need to focus majorly on the County Government's strategic priority programs that have the highest impact on the stated objectives, but within a framework of a sustainable and a stable macroeconomic environment. Robust Economic Growth in the County is supported by continued investment in Infrastructure, Health, Water, Education and Agriculture. The county's Economy and livelihood is mainly driven by Agriculture which is depended upon by over 80% of the county's rural population. With the recently experienced heavy rains it is expected that agricultural production will improve hence the county is anticipated to be food secure.

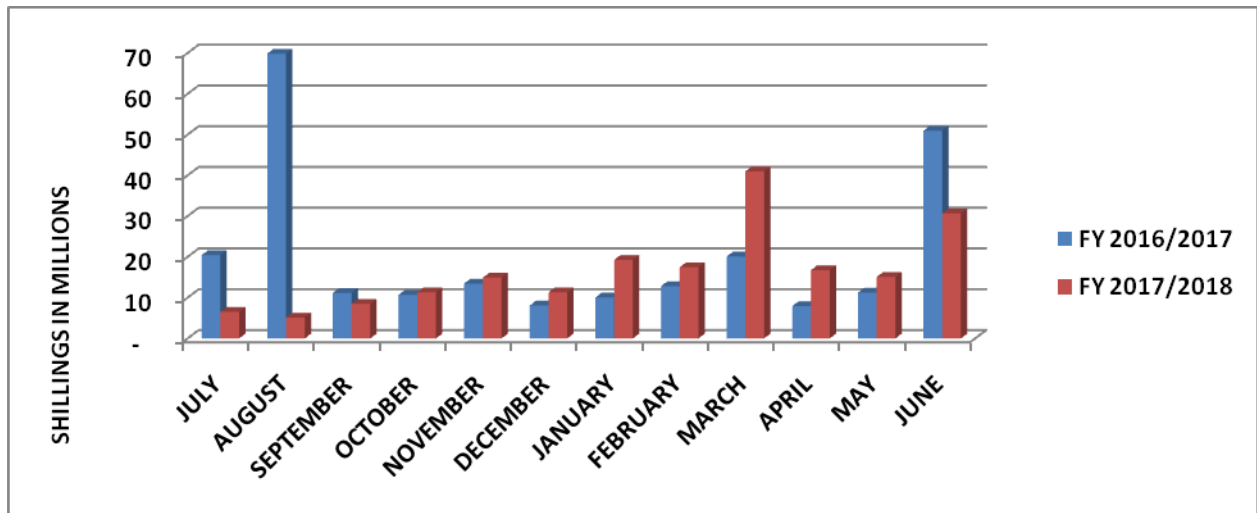
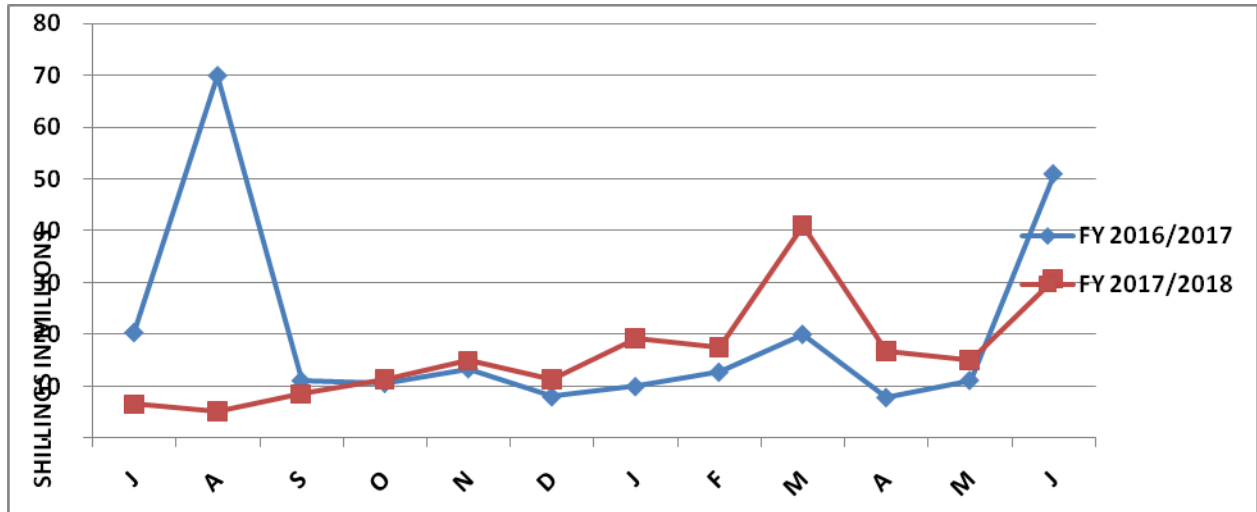
Since the national Macroeconomic stability has been preserved with inflation remaining on average within target, it is expected that the County economy will also remain stable over the medium term. The county government is putting up measures to improve Revenue collection carrying out the revenue survey to expand the revenue base and totally Automate Revenue collection, to minimize any revenue leakage from available sources. Putting in place legislations and mechanisms as basis of widening the revenue bases and to comply with PFM acts, the county is striving to attain high level of local revenue to ensure uninterrupted service delivery when there is delay in national government transfers. This will be achieved by maintaining a strong revenue effort and containing the growth of total expenditure, while shifting composition of expenditure from recurrent to capital expenditure and eliminating unproductive expenditures.

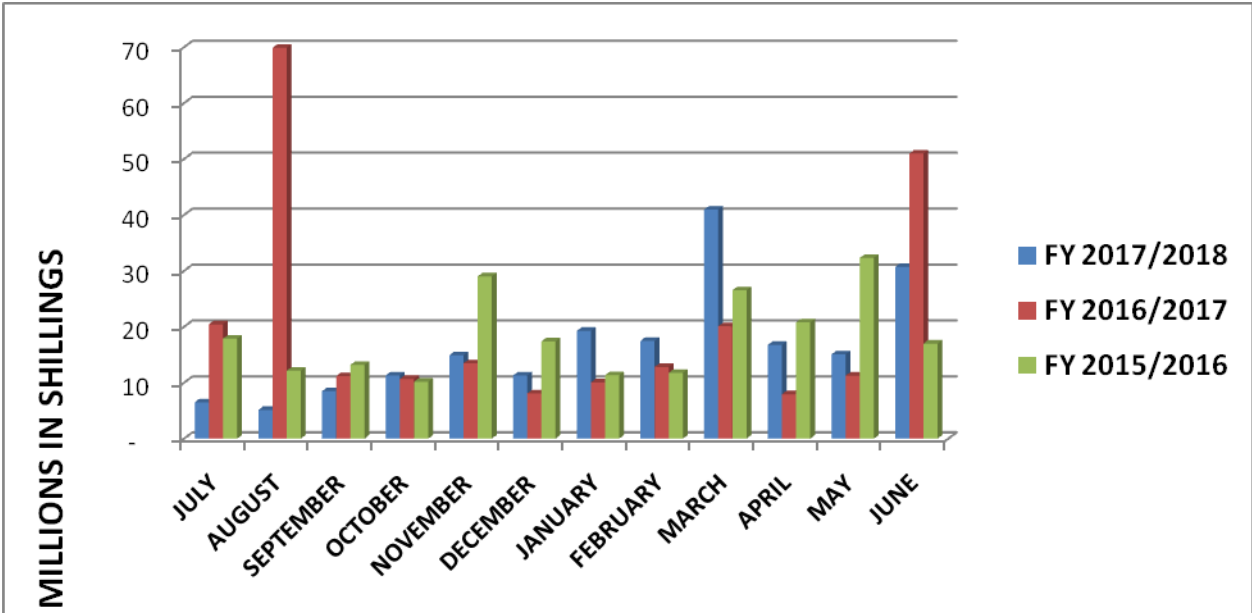
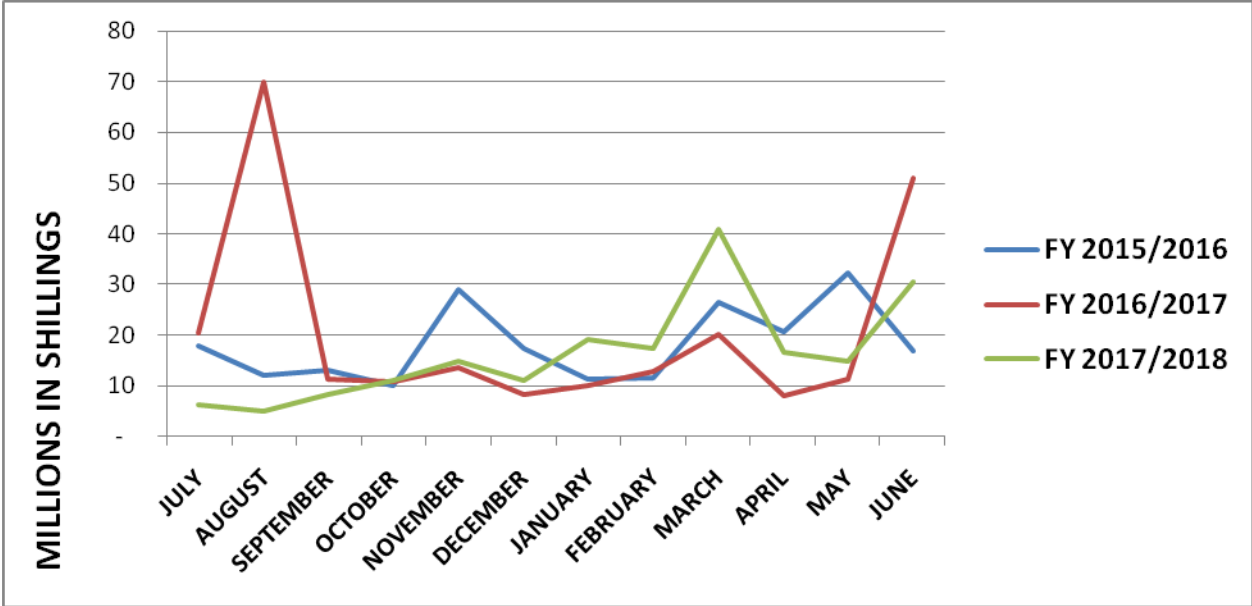
FISCAL PERFORMANCE
LOCAL REVENUE TREND

NANDI COUNTY REVENUE REPORT FOR THE FY 2017-2018						
	<u>Budgeted</u>	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	4TH QUARTER	<u>Actual</u>
REVENUE SOURCE	KSH	KSH	KSH	KSH	KSH	KSH
Business Permits	36,070,090	4,066,368	2,218,487	16,286,348.00	6,565,818.00	29,137,021.00
liquor licensing	12,000,000	-	-	-	5,337,000.00	5,337,000.00

Plot rents	5,050,160	170,010	670,639	464,572.00	240,885.00	1,546,106.00
Land Rates	48,220,000	1,129,097	739,312	3,710,669.00	2,698,109.00	8,277,187.00
House and Stalls Rent	3,500,000	1,285,727	2,057,298	1,831,347.00	1,874,563.00	7,048,935.00
Parking Fees	45,563,190	2,722,420	9,105,818	9,622,570.00	10,225,283.00 0	31,676,091.00
Market Fees	15,440,640	2,530,928	2,291,255	2,661,824.00	2,906,266.00	10,390,273.00
Cess	85,600,000	310,613	747,412	1,068,340.00	1,016,370.00	3,142,735.00
Health and Sanitation	82,220,000	1,485,040	6,898,947	31,067,167.00	22,948,435.00 0	62,399,589.00
Kiborgok Tea Proceeds	18,726,696	2,465,838	6,248,937	8,080,792.30	821,062.00	17,616,629.30
Slaughter Fees	632,000	19,700	320,900	205,700.00	250,490.00	796,790.00
Sewerage and water	680,000	27,345	154,856	398,485.00	65,430.00	646,116.00
Agriculture	9,000,000	1,239,332	1,837,394	803,300.00	2,027,999.00	5,908,025.00
Trade Fair	2,000,000	-	-	-	-	-
Cattle Dips/Veterinary	6,500,000	565,825	1,869,698	387,515.00	1,853,030.00	4,676,068.00
Miscellaneous	14,235,883	2,087,815	2,357,170	1,128,655.00	3,714,678.00	9,288,318.00
TOTAL COLLECTIONS	385,438,659	20,106,058	37,518,123	77,717,284.30	62,545,418.00 0	197,886,883.30 0

COMPARATIVE GRAPHICAL REPORT FY 2016-2017 & FY 2017-2018





EXCHEQUER RELEASES

	2017 - 2018	2016 - 2017
	Kshs	Kshs
Total Exchequer Releases for quarter 1	399,239,629	1,232,494,340.00
Total Exchequer Releases for quarter 2	1,047,683,700	1,206,750,000.00
Total Exchequer Releases for quarter 3	1,072,607,914	1,196,578,600.00
Total Exchequer Releases for quarter 4	2,171,233,641.35	1,001,500,000.00
Total	4,690,764,884.35	4,637,322,940.00

All the grants from DANIDA were received and disbursed to the selected hospitals, dispensaries and health centres. This helped in settling their operational costs including the accountants' salaries.

TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2017 - 2018	2016 - 2017
	Kshs	Kshs
Transfers from National government entities		
M.O.H Doctors and Nurse allowances	-	56,298,000
Road Maintenance Fuel Levy	166,562,969	78,835,012
Health-(FIF Maternity inpatient		79,402,500
Youth Polytechnics	29,282,394	
Transfers from Counties		
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	195,845,363	214,535,512

a) REVENUE

The total receipts was Kshs 4,870,320,832 against an expenditure of Kshs 4,362,704,066 thus leaving a surplus of Kshs **507,616,766**. The county's own revenue sources dropped to Kshs 197,886,883 from Kshs. 244,729,757 recorded from previous Financial Year. Other transfers from government entities comprises of DANIDA Funds, Road Maintenance Levy Fund, Free Maternity and Free User Fee to the tune of 232,591,330.

However, it is worth noting that the county the county received a balance of the shareable revenue after the close of the financial year.

A graphical representation of the revenue is as shown below;

I. STATEMENT OF RECEIPTS AND PAYMENTS

		2017-2018	2016-2017
	Notes	Kshs	Kshs
RECEIPTS			
Exchequer releases	1	4,314,625,378	4,637,322,940
Proceeds from Domestic and Foreign Grants	2	161,963,208	27,210,818
Transfers from Other Government Entities	3	195,845,363	214,535,512
County Own Generated Receipts	9	197,886,883	244,729,757
TOTAL RECEIPTS		4,870,320,832	5,123,799,027
PAYMENTS			
Compensation of Employees	11	2,351,669,843	1,878,311,283
Use of goods and services	12	1,282,474,833	1,020,637,542
Other grants and transfers	15	97,408,043	69,167,300

Acquisition of Assets	17	570,151,348	1,866,542,529
Other Payments	20	61,000,000	-
TOTAL PAYMENTS		4,362,704,066	4,834,658,655
SURPLUS/DEFICIT		507,616,766	289,140,372

a) EXPENDITURE

The total expenditure for the County Government of Nandi was Kshs 4,362,704,066.

Compensation of employees remain the greatest consumer of the recurrent funds. Amount spent on salaries was Kshs 2,351,669,843 which is 49 percent of the recurrent funds. Use of goods and services was Kshs 1,282,474,833. Bursary grants were Kshs71,500,000.

Acquisition of Assets was Kshs 570,151,348 hence depicting low absorption since most works were tendered and awarded towards the close of the financial year.

b) CASH FLOWS

In the Financial Year 2017/2018 the County Government did not experience any form of Liquidity disruptions. The County put in place proper measures to mitigate cash flows disruption. The cash and cash equivalent was Kshs 548,620,876 as at 30thJune 2018

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Recent Economic Developments

The county's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery. The county's performance will also depend highly on the country's economic performance. Generally, the county operated under a stable macroeconomic environment.

The largest expenditure driver in the first half of the Financial Year 2017/18 was infrastructural development and the promotion of access to markets for fresh produce especially given that the county economy is heavily dependent on agriculture and livestock. Therefore, market access is vital for employment and equitable income distribution. It is important however to note that to ensure equitable development, resource distribution was sensitive to regional, as well as demographic considerations both regarding equity and efficiency have been realized. The allocation for the 2017/18 financial year is as shown in the table below;

Table 3: Portfolio Allocation 2017/2018 as per Printed Estimates

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	5,899,375,051	-	5,899,375,051	4,314,625,378	1,584,749,673	73%
Proceeds from Domestic and Foreign Grants	305,860,928	-	305,860,928	161,963,208	143,897,720	53%
Transfers from Other Government Entities	249,969,192	-	249,969,192	195,845,363	54,123,829	78%
County Own Generated receipts	385,438,659	-	385,438,659	197,886,883	187,551,776	51%
TOTAL	6,840,643,830		6,840,643,830	4,870,320,833	1,970,322,997	71%
PAYMENTS						
Compensation of Employees	2,363,561,664	-	2,363,561,664	2,351,669,843	11,891,821	99%
Use of goods and services	1,824,952,220	-	1,824,952,220	1,282,474,833	542,477,387	70%
Other grants and transfers	353,229,685	-	353,229,685	97,408,043	255,821,642	28%
Acquisition of Assets	2,096,299,827	-	2,096,299,827	570,151,348	1,526,148,479	27%
Other Payments	202,600,434	-				30%

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
			202,600,434	61,000,000	141,600,434	
TOTAL	6,840,643,830		6,840,643,830	4,362,704,066	2,477,939,764	64%
SURPLUS/(DEFICIT)				507,616,766		

Macroeconomic outlook and policies

Several common non-core expenditures were factored in the budget for 2017/18 to operationalize the county and to provide a stable administrative framework which will henceforth provide a foundation for the development of the county necessary. Such expenditures included; purchases of vehicles and equipment, renovation and construction of buildings, recruitment and remuneration of staff, among others.

Such expenditures were mostly one-off and therefore may not need to be provided for in the subsequent Financial Years and as a result, the outlook for 2018/2019 promotes a reorientation of expenditure focus to poverty reduction, employment creation and efficiency in production and service delivery. In order to accomplish this, efforts must be taken to critically examine the respective allocations for each sector and single out expenditures that can be re-designated to these key areas.

In this regard several yardsticks may be used to identify areas where expenditure reductions can be realized. First, it is important to appreciate that some agencies require more resources for non-core expenditures, while others due to their mandates need less to be able to execute their mandates effectively. Thus, expenditure reductions for items such as printing, routine maintenance of vehicles, hospitality supplies, among others must be made where inordinate spending is identified. It is therefore important that these expenditures be reduced modestly without crippling the targeted spending units' mandates and objectives. The resultant savings can be re-designated to the core areas and strategies for 2018/19.

Growth prospects (Revenue outlook)
Internal Revenue Streams' Projections for FY 2018/19

CODE	REVENUE ITEMS	Printed Estimates	Medium Term Projections		
		2017/2018	2018-2019	2019-2020	2020-2021
1	Total Anticipated Revenue	6,802,708,662	8,184,241,450	6,894,941,052	7,225,633,731
1.1	Local Revenue	385,438,659	459,293,246	468,479,111	477,848,693
1520100	Land Rates	46,220,000	46,682,200	47,615,844	48,568,161
1520500	Plot Rent/House rent	5,050,160	5,100,662	5,202,675	5,306,728
1420328	Single Business Permits	36,070,090	36,430,791	37,159,407	37,902,595
1420328	Loiquor Licensing	12,000,000	12,120,000	12,362,400	12,609,648
1420405	Market Fees	15,440,640	15,595,046	15,906,947	16,225,086
1330405	Agriculture	9,000,000	9,090,000	9,271,800	9,457,236
1420345	Cess	85,600,000	156,456,200	159,585,324	162,777,030
1420507	Kiborgok Tea Proceeds	17,616,629	18,913,963	19,292,242	19,678,087
1580401	Slaughter Fees	632,000	638,320	651,086	664,108
1550105	Kiosks & stalls	3,500,000	3,535,000	3,605,700	3,677,814
1550000	Trade Fair	2,000,000	2,020,000	2,060,400	2,101,608
1420404	Parking Fees	45,563,190	46,018,822	46,939,198	47,877,982
1450100	Veterinary	6,500,000	6,565,000	6,696,300	6,830,226
1580100	Health and Sanitation	82,220,000	83,042,200	84,703,044	86,397,105
1420403	Sewerage and Water	680,000	686,800	700,536	714,547
1530000	Advertising	4,200,000	4,242,000	4,326,840	4,413,377
1530000	Physical Planning	2,000,000	2,020,000	2,060,400	2,101,608
1530000	Weights % Measures	3,000,000	3,030,000	3,090,600	3,152,412

1530000	Tourism and Co-op Development	1,400,000	1,414,000	1,442,280	1,471,126
1530000	Hire of Exhauster	2,200,000	2,222,000	2,266,440	2,311,769
1530000	OTHER FEES	3,435,883	3,470,242	3,539,647	3,610,440
1.2	GOVERNMENT FUNDING	5,899,375,051	6,923,292,680	5,637,870,000	5,919,763,500
1.2.1	CRF Fund Balances	795,575,051	1,553,892,680		
1.2.2	CRA EQUITABLE SHARES	5,103,800,000	5,369,400,000	5,637,870,000	5,919,763,500
				-	-
1.3	Conditional allocations from NG	249,969,192	196,712,989	206,548,638	216,876,070
1.3.1	CHFS -County Health Facility Supplies	-		-	-
1.3.2	COMPENSATION OF USER FEE	18,086,363	18,086,363	18,990,681	19,940,215
1.3.3	RMLF	202,600,435	141,371,626	148,440,207	155,862,218
1.3.4	Development of Youth Polytechnics	29,282,394	37,255,000	39,117,750	41,073,638
				-	-

Conditional Allocations from Development

1.4	partners	267,925,760	604,942,535	582,043,303	611,145,468
1.4.1	DANIDA -HSPS3	13,728,999	17,111,250	17,966,813	18,865,153
1.4.2	KDSP - World Bank	41,606,801	44,551,044	46,778,596	49,117,526
1.4.3	W.B -Transforming of Health Systems	66,845,279	97,229,498	102,090,973	107,195,522
1.4.4	W B. -National Agricultural and rural growth project	50,000,000	140,435,163	147,456,921	154,829,767
1.4.5	NARGP 2017-2018	-	55,000,000	57,750,000	60,637,500
1.4.6	Kenya Urban Support project (KUSP)		88,615,580		
1.4.7	European Union Water Tower Programme		72,000,000		
1.4.8	W.B. - Urban Institutional Grant		50,000,000		

1.4.9	Food and Agriculture Organization		40,000,000		
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1.5.1	LEASING OF MEDICAL EQUIPMENT	95,744,681	200,000,000	210,000,000	220,500,000

County Resource Envelope over Medium Term

CODE	REVENUE ITEMS	Printed Estimates	Medium Term Projections			
		2018-2019	2019-2020	2020-2021	2020-2021	2021-2022
1	Total Anticipated Revenue	8,184,241,450	6,894,941,052	7,225,633,731	7,572,579,957	7,936,586,785
1.1	Local Revenue	459,293,246	468,479,111	477,848,693	487,405,667	497,153,780
1520100	Land Rates	46,682,200	47,615,844	48,568,161	49,539,524	50,530,315
1520500	Plot Rent/House rent	5,100,662	5,202,675	5,306,728	5,412,863	5,521,120
1420328	Single Business Permits	36,430,791	37,159,407	37,902,595	38,660,647	39,433,860
1420328	Loiquor Licensing	12,120,000	12,362,400	12,609,648	12,861,841	13,119,078
1420405	Market Fees	15,595,046	15,906,947	16,225,086	16,549,588	16,880,580
1330405	Agriculture	9,090,000	9,271,800	9,457,236	9,646,381	9,839,308
1420345	Cess	156,456,200	159,585,324	162,777,030	166,032,571	169,353,223
1420507	Kiborgok Tea Proceeds	18,913,963	19,292,242	19,678,087	20,071,649	20,473,082
1580401	Slaughter Fees	638,320	651,086	664,108	677,390	690,938
1550105	Kiosks & stalls					

		3,535,000	3,605,700	3,677,814	3,751,370	3,826,398
1550000	Trade Fair	2,020,000	2,060,400	2,101,608	2,143,640	2,186,513
1420404	Parking Fees	46,018,822	46,939,198	47,877,982	48,835,542	49,812,253
1450100	Vetenary	6,565,000	6,696,300	6,830,226	6,966,831	7,106,167
1580100	Health and Sanitation	83,042,200	84,703,044	86,397,105	88,125,047	89,887,548
1420403	Sewerage and Water	686,800	700,536	714,547	728,838	743,414
1530000	Advertising	4,242,000	4,326,840	4,413,377	4,501,644	4,591,677
1530000	Physical Planning	2,020,000	2,060,400	2,101,608	2,143,640	2,186,513
1530000	Weights % Measures	3,030,000	3,090,600	3,152,412	3,215,460	3,279,769
1530000	Tourism and Co-op Development	1,414,000	1,442,280	1,471,126	1,500,548	1,530,559
1530000	Hire of Exhauster	2,222,000	2,266,440	2,311,769	2,358,004	2,405,164
1530000	OTHER FEES	3,470,242	3,539,647	3,610,440	3,682,648	3,756,301
1.2	GOVERNMENT FUNDING	6,923,292,680	5,637,870,000	5,919,763,500	6,215,751,675	6,526,539,259
1.2.1	CRF Fund Balances	1,553,892,680				
1.2.2	CRA EQUITABLE SHARES	5,369,400,000	5,637,870,000	5,919,763,500	6,215,751,675	6,526,539,259
1.3	Conditional allocations from NG	196,712,989	206,548,638	216,876,070	227,719,874	239,105,868
1.3.1	CHFS -County Health Facility Supplies		-	-	-	-
1.3.2	Compensation of User Fee	18,086,363	18,990,681	19,940,215	20,937,226	21,984,087
1.3.3	RMLF	141,371,626	148,440,207	155,862,218	163,655,329	171,838,095
1.3.4	Development of Youth Polytechnics	37,255,000	39,117,750	41,073,638	43,127,319	45,283,685
1.4	Conditional Allocations from	604,942,535	582,043,303	611,145,468	641,702,741	673,787,878

	Development partners					
1.4.1	DANIDA -HSPS3	17,111,250	17,966,813	18,865,153	19,808,411	20,798,831
1.4.2	KDSP - World Bank	44,551,044	46,778,596	49,117,526	51,573,402	54,152,072
1.4.3	W.B - Transforming of Health Systems	97,229,498	102,090,973	107,195,522	112,555,298	118,183,063
1.4.4	W B. -National Agricultural and rural growth project	140,435,163	147,456,921	154,829,767	162,571,256	170,699,818
1.4.5	NARGP 2017-2018	55,000,000	57,750,000	60,637,500	63,669,375	66,852,844
1.4.6	Kenya Urban Support project (KUSP)	88,615,580	88,615,580		-	-
1.4.7	European Union Water Tower Programme	72,000,000			-	-
1.4.8	W.B. - Urban Institutional Grant	50,000,000			-	-
1.4.9	Food and Agriculture Organization	40,000,000			-	-

8,184,241,450 6,106,349,111 6,411,666,567 6,732,249,895 7,068,862,390

67.4	Recurrent Expenditure	5,106,584,276	4,117,859,804	4,323,752,794	4,539,940,434	4,766,937,456
	County Executive	427,330,239	422,332,400	443,449,020	465,621,471	488,902,545
	Finance and Economic Planning	972,635,576	626,250,320	657,562,836	690,440,978	724,963,027
	Health and Sanitation	1,578,550,605	1,362,840,544	1,430,982,571	1,502,531,700	1,577,658,285
	Roads Transport and Public Works	193,771,620	155,017,296	162,768,161	170,906,569	179,451,897
	Agriculture, Livestock and Co-operatives Development	303,688,947	242,951,158	255,098,715	267,853,651	281,246,334
	Education and Vocational Trainings	322,758,423	278,206,588	292,116,917	306,722,763	322,058,901

	Lands, Environment and Natural Resources	145,678,195	116,542,556	122,369,684	128,488,168	134,912,576
	Trade and Industrial Development	57,801,779	51,241,423	53,803,494	56,493,669	59,318,353
	Public Service and Labour	33,287,204	31,629,763	33,211,251	34,871,814	36,615,405
	Tourism, Culture and Social Services	58,437,880	51,750,304	54,337,819	57,054,710	59,907,446
	Administration, Public Service and e-Government	320,580,557	215,446,652	226,218,985	237,529,934	249,406,431
	Youth, Sports and Gender	60,884,332	58,707,665	61,643,048	64,725,201	67,961,461
	County Assembly	631,178,919	504,943,135	530,190,292	556,699,807	584,534,797

32.6	Development Expenditure	3,077,657,174	1,988,489,307	2,087,913,772	2,192,309,461	2,301,924,984
	County Executive	85,000,000	59,500,000	62,475,000	65,598,750	68,878,688
	Finance and Economic Planning	131,400,000	61,980,000	65,079,000	68,332,950	71,749,598
	Health and Sanitation	360,500,000	212,350,000	222,967,500	234,115,875	245,821,669
	Roads Transport and Public Works	723,471,594	504,959,401	530,207,371	556,717,739	584,553,626
	Agriculture, Livestock and Co-operatives Development	449,720,000	314,804,000	330,544,200	347,071,410	364,424,981
	Education and Vocational Trainings	288,900,000	162,330,000	170,446,500	178,968,825	187,917,266
	Lands, Environment and Natural Resources	334,250,000	233,975,000	245,673,750	257,957,438	270,855,309
	Trade and Industrial Development	112,300,000	68,610,000	72,040,500	75,642,525	79,424,651
	Public Service and Labour	-	-	-	-	-
	Tourism, Culture and Social Services	55,000,000	38,500,000	40,425,000	42,446,250	44,568,563

	Administration, Public Service and e-Government	152,615,580	86,330,906	90,647,451	95,179,824	99,938,815
	Youth, Sports and Gender	121,000,000	84,700,000	88,935,000	93,381,750	98,050,838
	County Assembly	263,500,000	160,450,000	168,472,500	176,896,125	185,740,931
			-			
	Total Expenditure	8,184,241,450	6,106,349,111	6,411,666,567	6,732,249,895	7,068,862,390

Medium Term Fiscal Framework

The county government will pursue prudent fiscal policy to assure macroeconomic stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for implementation of devolution mandates within a sustainable public finances management system.

With respect to revenue, the Government will maintain a strong revenue effort over the medium term. Measures to achieve this effort include improved tax and cess compliance with enhanced administrative measures and adoption of national and international revenue enhancement best practices. In addition, the county Government will rationalize existing tax and cess incentives, and expanding revenue base. In addition to the proposed Finance Bill that is under the consideration by county Assembly, the county Government is reviewing all other tax and cess policies in order to simplify and modernize them.

On the existing tourism activities and the prospects on the exploration of minerals in our county, the county Government is engaging relevant stakeholders including the National government to develop a comprehensive county policy and legislative framework covering licensing, revenue sharing, taxation and sustainable use of the resources in line with the Mining Act. This will ensure that we derive maximum benefits from these natural resources, for instance Kerebe Gold mines in Chemase.

On the expenditure side, the county Government will continue with rationalization of expenditure to improve efficiency and reduce overlaps and wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) and other appropriate financial management systems across all Departments including

use of the e-procurement platforms. In addition, the PFM Act, 2012 is expected to accelerate reforms in expenditure management system at the county.

The County has been able to lay a platform towards the implementation of E-procurement with an extensive procurement plan that shall guide in capital expenditures. This shall help in prudently managing the expenditures by ensuring there is value for money and that transparency in procurement is upheld.

RESOURCE ALLOCATION FRAMEWORK

Expenditure Justifications

Resource allocation and utilization in the next Financial Year and in the medium term will be guided by the emerging priorities, county plans and the principles of PFM Act 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), which is aligned to the goals and the objectives of the country and the Pillars anchored in Vision 2030 blueprint as well as the Big Four initiative goals.

Whereas expenditure cuts are targeted on the one-off expenditures that do not require additional expenditure for the next financial year, expenditure increments are informed by core needs identified through analysis by fiscal experts in the County as well as from insightful and welcome submissions from all relevant stakeholders.

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, provision of clean water, road grading, gravelling, tarmacking, rehabilitation of cattle dips and for the provision of extension services for agriculture. To fund these urgent programs, and in the realization that the finances of the county are finite, sacrifices must be made in non-core spending areas and those savings should be used to secure provision for priority services.

Fiscal Risks to the outlook

Appreciation of the shilling could erode Kenya's competitiveness and lead to unfavorable business in the export sector. The macroeconomic management and performance of most of the sectors under the National Government have a ripple effect on how some sectors in the county will perform. The risks to the 2017/18 financial year's budget include challenges in revenue performance as the county continues to put structures in place, seal loop holes and expand the revenue base. The current process of county restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures. With commitment in improving infrastructure within the county, the share of resources going to priority physical infrastructure sector, such as roads and water will rise over the medium term.

County human resources restructuring will receive greater attention in terms of their number as well as their capacity. Going forward, implementation pace in the spending units will be monitored closely especially with regards to the development expenditures and uptake of grant resources. These will inform appropriate measures to be taken in the context of the next budget process

Adjustments to the 2018/19 budget will also take into account actual performance of expenditure so far and absorption capacity for the remainder of the financial year. Because of the resource constraints faced, the county government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures.

Expenditure Drivers

Development initiatives that will be implemented in the coming Fiscal Years are contained in the County Integrated Development Plan (CIDP, 2018-2022) whose development proposals were identified by stakeholders through a consultative process in line with the provisions of the Constitution of Kenya 2010, PFM Act 2012 and the County Governments act 2012. All the sectors in the county have priority development proposals identified. These proposals will drive expenditures for the four Fiscal Years; These expenditure drivers in the respective sectors include;

Agriculture and Co-operatives Development: cash crops development, productivity and technology adoption, fruits and vegetables enhancement, fish farming promotion and support, livestock production enhancement initiatives, agricultural produce value addition and marketing, and value chain linkages.

Education Sector: ECDE strategy, schools infrastructural enhancement, vocational and tertiary training strategy and quality enhancement in educational institutions

Health and Sanitation Sector: improvement and upgrading of health facilities, service delivery enhancement, community health strategy, efficient drugs and commodities management strategy and cemetery and mortuaries.

Roads, Transport and Infrastructure:

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

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

In the financial year 2017/2018, the county invested substantial amount in purchasing of roadwork machinery and equipment so as to ensure quality road maintenance and sustainability as well as minimize overall costs in the long run. In the medium term, the county plans to allocate more funds in Phase II of the program to purchase more equipment intended to fully mechanize the roads department. Subsequently, the county intends to establish a workshop/garage in order to service its motor vehicles, plant and machinery as well as filling and service station as part of austerity measures towards cost saving on fuels and maintenance.

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

County government shall construct office complex to house all the county departments to enhance service delivery.

Establishment of County Emergency Fund in order to assist in response to emergencies and disasters on time is at advanced stages.

Lands, Environment, Natural Resources and Climate Change Sector: Entails improvement of water supply infrastructure, water management systems and waste disposal systems. Others are environmental conservation strategies and other natural resources management and harnessing systems. Enhancing land management for sustainable development and provision of titles.

County spatial planning, urban areas land use Plans, land demarcation, adjudication and registration, urban and rural housing development

Tourism, Culture and social welfare : Niche tourism, Sports tourism, Tourism quality and management strategies, Tourism marketing strategies, Trade promotion and marketing strategies through enhanced co-operatives for pooling of resources and economies of scale. Strategies to develop tourism infrastructure that can attract both local and international visitors are put into consideration which entails: rehabilitation of existing sites including Chepkiiit water falls in Mlango and marketing the existing tourist attractions

Sports, Youth affairs and Arts: Sports Stadia development, sports activities enhancements, talents development and mentorship programs, women, special needs groups and youth empowerment, and culture promotion and development.

Medium-Term Expenditure Framework (MTEF)

Going forward, and in view of the macroeconomic circumstances since the inception of the County governments and the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority ones. The County Integrated Development Plan (CIDP) for the county forms a basis for informed decision making regarding resource allocation in terms of equity and efficiency and value for money.

The priority social sectors, education and health, will continue to receive adequate resources. The two sectors are already receiving a significant share of resources in the budget though they are required to utilize the allocated

resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.

The economic sectors including agriculture and cooperatives will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food and nutrition insecurity poor market returns for agricultural produce.

With the County Government's commitment in improving infrastructure countywide, the share of resources going to priority physical infrastructure sector, such as roads, energy and water and irrigation, will continue to rise over the medium term. This will help the sector provide reliable and affordable energy, as well as increased access to water and development of irrigation projects across the county.

All the other sectors will continue to receive adequate resources in line with our county's commitment to balanced sector development so as to enhance the quality of life for the residents of the county

CONCLUSION

The fiscal outlook presented herein will seek to achieve the objectives outlined in the PFM Act and lay ground for the next financial year in terms of preparing the Revised Estimates (Supplementary Budgets) and County Fiscal Strategy Paper of 2019. 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. To achieve all these County shall;

- I. Develop and present to the County Assembly for enactment a Supplementary Budget Estimate for the 2018/2019 Fiscal year to address the various challenges learned from this CBROP in a bid to ensure effective implementation of its projected programmes.
- II. The County Treasury shall seek to realign all the departments and sectors to the Tuga Tai implementation structure of governance for the better attainment of the Government's fiscal objectives and service to the citizenry.