REPUBLIC OF KENYA

THE COUNTY GOVERNMENT OF NANDI

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY FISCAL STRATEGY PAPER FY 2018/2019

"ACHIEVING EQUITABLE SOCIAL AND ECONOMIC DEVELOPMENT IN NANDI COUNTY"

FEBRUARY 2018

FOREWORD

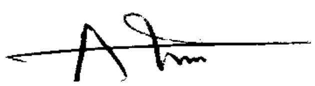
This Fiscal Strategy Paper, the first since coming into office by the 'Tuga Tai' Government, sets out county policy goals and strategic priorities that will be the basis for formulation of the County's Financial Year 2018/19 budget and the Medium Term. The Paper is prepared in accordance with the Public Finance Management Act, 2012.

This paper is being prepared at a time when significant progress has been made in operationalizing the new government by appointing the County Executive Committee Members, the departmental chief officers and operationalizing the County Assembly which are necessary institutions in facilitating effective service delivery in the County.

The County priorities and goals outlined herein are based on the County Integrated Development Plan (2018-2022) and the Governor's Manifesto, with emphasis on investment in: Accessible health care, Infrastructure, education, agriculture and cooperative development, growth and employment creation, youth and social protection and promotion of tourism and culture. These priorities shall form the basis for formulation of FY 2018/19 budget and the Medium Term. The paper therefore links county planning and policies to Budget which is the main objective of the Medium Term Expenditure Framework.

This policy document covers broad priority areas identified from the review of the fiscal performance of the County Integrated Development Plan (CDP 2013-2017); highlights of the recent economic developments and the economic outlook; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework.

The fiscal framework presented in the paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater fiscal discipline, transparency, effectiveness and efficiency in public financial management by all the departments and implementers of the various policies in the county. In addition, 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



ALFRED LAGAT
CEC MEMBER FOR FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

This CFSP outlines the key government interventions for the next fiscal year. The overriding policy thrust of the paper is to sustain economic growth by restoring and focusing on economic policies and structural reforms aimed at promoting productivity and building the resilience necessary for wealth creation and overall poverty reduction. The interventions identified herein are meant strategically address the specific challenges faced by the people of Nandi. The 2018 fiscal strategy paper lays a solid foundation to foster the envisaged Socio Economic Transformation of the county.

The preparation of this policy document was achieved through consultation and cooperation between the county treasury, Chief Officers of all the departments in the county and key stakeholders in the county. We are grateful for their resourceful contributions that made this exercise successful. I also take this opportunity to appreciate Members of the County Assembly who have been championing the needs of the public during preparation of the County Integrated Development Plan (2018-2022) which forms the basis for the CFSP and the entire budgeting process.

We are particularly grateful to the County Executive Committee Member for Finance and Economic Planning for his lead role, direction and guidance in developing this document. A technical team in the Finance and Economic Planning department spent a significant amount of time putting together this paper. We appreciate their tireless effort towards this course.

JULIUS KOECH

Ag. CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING

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CHAPTER ONE: INTRODUCTION

1.1 OVERVIEW

The Fiscal Strategy Paper identifies the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for Financial Year 2018/2019 and the Medium Term. The paper discusses the performance of the Financial Year 2017/18 budget which forms the basis for projecting the financial outlook with respect to the County Government revenues and expenditures for financial year 2018/2019 and over the medium term. The fiscal framework ensures adherence to principles of public finance and fiscal responsibility principles as set out in the Constitution of Kenya and the Public Finance Management Act 2012 respectively. Specifically, the development to recurrent expenditures has been maintained within the required ratios of 30:70. Further the expenditures are fully funded from the allocation from the National Government and county own revenue. In achieving county goals, prudency in use of public resources will be exercised.

The paper covers the following broad areas; review of the fiscal performance of financial year 2017/2018; highlights of the recent economic developments and the economic outlook; broad strategic priorities & policies for the Medium Term and the Medium Term Fiscal Framework.

The priorities outlined in the Paper are in line with the priorities set out in the Budget Policy Statement, the Nandi County Integrated Development Plan (CIDP 2018-2022) and the governor's manifesto. The broad key strategic priorities identified for implementation in the medium term are in line with the focus areas of the Medium Term Plan III which include: employment creation, expansion and improvement of the quality of education, health and other social services and increased investment and modernization of Infrastructure and Agriculture.

LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCAL STRATEGY PAPER AND PROCESS OVERVIEW

This Fiscal Strategy Paper is prepared in accordance with section 117 of the Public Finance Management Act, 2012 which stipulates that:

a) The County Treasury shall prepare and submit to 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 28th February of each year.

b) The County Treasury shall align its County Fiscal Strategy Paper with the National objectives in the Budget Policy Statement

c) 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.

d) The County Treasury shall include in its Fiscal Strategy Paper, the financial outlook with respect to county government revenues, expenditures and Borrowing for the coming financial year and over the Medium Term.

e) In preparing the Fiscal Strategy Paper , the County Treasury shall seek and take into account views of :

    i. The Commission On Revenue Allocation (CRA)
    ii. The Public
    iii. Any interested persons or groups: and
    iv. Any other forum that is established by legislation

f) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County assembly shall consider and may adopt it with or without amendments

g) The County Treasury shall consider any recommendations made by the County Assembly in finalizing the budget proposal for the financial year concerned.

h) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 RATIONALE FOR COUNTY FISCAL STRATEGY PAPER

The basis for preparing the CFSP is to indicate:

i. The mechanism for aligning the county with the national objectives as contained in the budget policy statement.

ii. The broad strategic priority areas that will guide the county government in preparing the budget for 2018/2019 financial year.

iii. Create a mechanism for engaging the public in prioritizing the development programs that meet their needs best.

iv. Details of departmental ceilings for the medium term expenditure framework (MTEF) period for prudent resource allocation and consistency with the MTEF budgeting approach.

v. Financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

1.4 COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

In line with the Constitution, the Public Finance Management (PFM) Act, 2012 (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.

CHAPTER TWO: RECENT DEVELOPMENTS AND OUTLOOK

2.1 RECENT ECONOMIC DEVELOPMENTS

Global and Regional Economic Developments

The pickup in global activity that started in 2016 gathered pace in the first half of 2017 supported by notable improvements in investment, trade, and industrial production, coupled with strengthening business and consumer confidence. As such global growth is projected to increase to 3.8 percent in 2018 from 3.6 percent in 2017 and 3.2 percent in 2016 primarily driven by improving domestic demand in advanced economies and China and improved performance in other emerging market economies.

In advanced economies, growth is expected to pick up to 2.2 percent in 2017, up from 1.7 percent in 2016 reflecting stronger activity in the United States, Canada, the Euro area, and Japan. However, this growth is expected to slow down to 2.0 percent in 2018 mainly reflecting a slowdown in Japan and the euro area. On the upside, the US economy is projected to expand to 2.3 percent in 2018 up from a projected 2.2 percent in 2017, as a result of supportive financial conditions and strong business and consumer confidence.

Among emerging market and developing economies, higher domestic demand in China and continued recovery in key emerging market economies supported growth in the first half of 2017. Growth in emerging and developing economies is projected to increase from 4.3 percent in 2016 to 4.6 percent in 2017 and 4.9 percent in 2018. The projected growth is driven primarily by the strengthening of growth in commodity exporters; a gradual increase in India’s growth rate and a lower but still high trend growth rate in China.

The broad-based slowdown in sub-Saharan Africa is easing and growth is expected to improve from 1.4 percent in 2016 to 2.6 percent in 2017 and further to 3.4 percent in 2018, partly supported by a recovery in growth of larger commodity exporters such as Nigeria and South Africa. In addition, the easing of drought conditions in the Eastern and Southern Africa has contributed to the positive outlook. However, downside risks have increased following policy uncertainties and delays in the implementation of policy adjustments in Nigeria and South Africa. Many of the faster growing economies in sub Saharan African economies continue to be driven by public spending, with debt levels and debt service costs rising.

In the East African Community (EAC) region, economic growth is estimated to stabilize at 5.4 percent in 2016 and 2017, a slowdown from a 6.1 percent growth in 2015. The prolonged effect of drought experienced in 2016 and continued in 2017, dampened agricultural output and GDP growth in Uganda, Tanzania and Rwanda. In addition, there was a slowdown in credit growth across countries in the region, which further dampened the growth. Further, insecurity and political tensions continued to constrain economic activities in countries such as Burundi, Somalia, and South Sudan. In 2018, economic growth is projected to increase to 5.9 percent supported by a stable macroeconomic environment, ongoing infrastructure investments, and strong private consumption.

Domestic Economic Developments

Growth of the Kenyan economy remained resilient; broad based and registered strong performance in the past 5 years supported by strong public and private sector investment and appropriate economic and financial policies. The economy, specifically, grew at an average of 5.5 percent per year in the five years (2013 - 2017) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012. The value of goods and services produced therefore raised the per capita income from Ksh 104,700 in 2013 to an estimated Ksh 174,200 in 2017. The economy generated an average of 817.0 thousand new jobs per year in the period 2013 - 2017 up from 656.5 thousand jobs per year in the period 2008-2012.

However, uncertainty associated with elections coupled with the effects of adverse weather conditions slowed down the performance of the economy in 2017. As a result, the economy is estimated to grow by 4.8 percent in 2017, which is a slowdown from the estimated growth of 5.1 percent in the 2017 Budget Review and Outlook Paper (BROP).

In 2017, the economy grew by 4.4 percent in Quarter 3, 5.0 percent in Quarter 2, and 4.7 percent in Quarter 1, largely supported by robust activities in the service sectors particularly; accommodation and restaurant; real estate and information and communication.

The resilient strong growth of the economy over the past five years reflects the broad based nature of our economy that has been largely driven by growth in the non-agriculture sectors. The non-agricultural sector has remained vibrant growing at 6.7 percent in 2016 from 5.4 percent in 2013 and continues to be the main source of growth.

Services remain the main source of growth, the sector grew from 5.0 percent in 2012 to 6.8 percent in 2016 supported by favorable performance of ICT, real estate, wholesale and Retail Trade, Transport and Storage and Accommodation and Restaurants. Accommodation and restaurants has been the fastest growing sector. It grew from 3.1 percent in 2012 to 13.3 percent in 2016 supported by the improved security situation that led to removal of travel alerts from major tourist originating countries.

The growth of the financial and insurance sector accelerated from 6.0 percent in 2012 to 9.4 percent in 2015 supported by reforms aimed at creating a conducive business environment. However, the sector slowed down to 6.9 percent in 2016 and is estimated at 3.2 percent in 2017 partly due low domestic credit to the private sector and a decline in the growth of interest income.

The industry sector grew from 3.5 percent in 2012 to 7.0 percent in 2015 supported by the construction sector as a result of public infrastructural development. The sector slowed down in 2016 and 2017 following subdued performance of the Manufacturing and Electricity and Water Supply sectors.

Meanwhile, growth of the agricultural sector rose from 2.8 percent in 2012 to 5.5 percent in 2015 but contracted to (-1.3) percent in first quarter of 2017 due to the prolonged drought that started in the fourth quarter of 2016. Growth in the sector recovered to 3.1 percent as weather conditions improved.

However, inflation increased to above target in the first half of 2017 due to drought that affected food prices. Inflationary pressures started to ease in the second half of 2017 as the weather situation improved and earlier measures taken by the Government to address the food shortages took effect. These measures included: allowing duty free imports of major food items (maize, wheat, sugar, and milk) and introducing a temporary subsidy on maize meal prices. As a result, overall month on month inflation was 4.5 percent in December 2017 from 6.4 percent in December 2016, and was within the Government's target range.

County Economic Developments

The County operates within the global and national economic framework whereby the global and national economic dynamics impacts both directly and indirectly on county fiscal decisions and operations. Its performance is highly dependent on the country's economic performance as the County large share of revenue is obtained through transfers from the National Government.

Economic growth is a parameter that influences national government transfer to the counties, given the positive correlation between the two levels of government. The resilient national growth implies improved county's economy growth due to increased revenue received from the national share. The county's economy is however largely dependent on agricultural sector whose growth was somewhat constrained by subdued performances due to adverse weather conditions experienced in 2017. The Economy was further suppressed by the uncertainty associated with elections which withdrew investor confidence especially in major urban areas like Kapsabet and low revenue collection associated with political influence.

A relatively stable exchange rate of the Kenyan shilling as compared to other currencies reflects resilient receipts from tea, which is a major export in the county, despite low export volumes due to adverse weather.

Interest rates affect the cost of local borrowing while inflation changes the costs of goods and services and may affect their affordability as per existing plans. The Low and stable performance of interest rates at the national level implies ample liquidity in the money market hence ease of doing business. This has directly affected the county economic growth in terms of Small and Medium Enterprises, accommodation and restaurants and the general growth of the private sector. Inflationary pressure increased to above target in the first half of 2017 due to drought that affected food prices and started to ease in the second half of the years as the weather Situation improved. This affected the overall growth as much of the population is small scale farmers who depend on rain fed agriculture.

Despite the progress recorded in growth, the county economy however continued to experience risks that include; continued uneven and sluggish growth in advanced economies affecting the national economy and consequently the county; public expenditure pressures; depressed rainfall which could affect exports and agricultural production respectively.

The County's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery.

2.2 ECONOMIC OUTLOOK

National economic Outlook

Kenya's economic growth prospects for the FY 2018/19 and over the medium term takes into account the global and Sub-Saharan Africa growth recovery. The growth projection takes into account the strategic objectives of the Government as outlined in the third MTP of Vision 2030. Real GDP is projected to expand by 5.3 percent in FY 2017/2018, 5.9 percent in FY 2018/2019, percent in FY 2019/2020 and 6.8 percent by FY 2020/21. This growth will be supported by sustained investment in infrastructure, strong agricultural production due to improved weather conditions, buoyant services sector, continued recovery in tourism, increased investor and consumer confidence, and macroeconomic stability.

In addition, measures being undertaken by the Government under “The Big Four” Plan are to boost manufacturing sector; enhance food security and nutrition; create affordable housing; and achieve Universal Health Coverage are expected to boost growth, create jobs and ultimately promote inclusive growth.

Inflation is currently within set target and is expected to remain so in the medium term underpinned by prudent monetary policy, favourable weather outlook, relatively lower international oil prices, and a stable exchange rate which is expected to dampen any risks of imported inflation. The interest rates are expected to remain low and stable over the medium term supported by improved liquidity conditions.

Kenya’s external position is projected to strengthen over the medium term supported by a narrower current account deficit. The improvement in the overall balance reflects lower petroleum products import bill reflecting lower international oil prices and improved performance of tea and horticulture exports; strong diaspora remittances; recovery in tourism, and increased foreign direct investment in infrastructure.

This macroeconomic outlook is not without risks. Domestically, the economy is exposed to risks including any occurrence of adverse weather conditions and public expenditure pressures especially recurrent expenditures.

County Economic Outlook

The County economic outlook in the FY 2018/2019 and in the medium term points to a coordination of monetary and fiscal policies for overall macroeconomic stability which will support robust growth, lower fiscal deficits and a gradual improvement in the county economy.

The following measures are being undertaken by the new government in the steps to achieving the county transformation agenda as set out in the governor's manifesto.

Improving public finance management and governance: Economic management for socio-economic development requires institutional renewal and strengthening that spurs efficiency and productivity gains. While progress has been made on the governance and public finance management front in the County under the new leadership, additional measures have been put in place to avoid eroding these gains and to further entrench good governance and good public finance management at all levels within the County.

Capacity building: The County, through the Finance and Economic Planning Department in collaboration with the National Government through the Kenya Devolution Support Programme (KDSP) will continue to enhance capacity building initiatives to support all County Departments in effective and efficient implementation of projects. The training will include areas of programme based budgeting, MTEF, monitoring and evaluation among others.

Expenditure Management: Achieving socio-economic development requires good management of scarce resources for maximum benefit. It entails management of expenditure so that programs funded are well implemented and that the programmes have bigger impact on the intended beneficiaries. This calls for efficiency and effectiveness in public resource utilization and budget execution. In the 2018/19 FY and the Medium Term, the county will entrench program based budget and enforce execution of the development budget as planned; ensure expenditures are as planned; ensure Participatory monitoring and evaluation; preparation of Annual procurement plans and adherence to the various plans such as the CIDP(2018-2022), The County Annual Development Plan and the departmental strategic Plans; carry out risk based audit; and rolling out of Institutional risk management framework.

With the above measures, the county revenue base is expected to broaden and resources utilized prudently impacting directly on the county economy through development programmes and projects. The broad investments in the County will go a long way in implementing the projects and programmes outlined in the newly developed County Integrated Development Plan. This will be geared towards efficient infrastructure network particularly at the ward level, provision of water and sanitation services, improving health care, education and the implementation of the property valuation in which was done in Nandi Hills and Kapsabet towns. Continued construction and renovation of sports facilities is also expected to improve youth talents and sporting activities thus injecting additional economic gains in thecounty.

These investments are expected to trigger and sustain production in agriculture, enhance local tourism and increase investments through local economic integration. The private sector participation in the local economy is expected to grow with enhanced investor confidence. The projected outlook assumes conducive growth in the national economy which is a major source of revenue to the county

2.3 REVIEW OF PERFORMANCE OF FY 2017/2018 BUDGET

This section covers the performance of the FY 2017/18 budget for the period July 2017 to January 2018.

County revenue for the said period was mainly from the National Government allocation as provided in the County Allocation of Revenue Act, 2017 and county own source revenue. County own revenue consists of fees and charges as provided in the County Finance Act, 2017.

The expenditure units were the County Assembly and the County Executive consisting of the Governor's office, the Deputy Governor’s office, the County Public Service Board and the ten County Departments namely:

- Department of Lands, Environment and Natural Resources
- Department of Sports and Youth Affairs
- Department of Health and Sanitation
- Department of Transport and Infrastructure
- Department of Agriculture and Cooperative Development
- Department of Administration, Public Service and E-Government
- Department of Education
- Department of Tourism, Culture and Social Welfare
- Department of Trade, Investment and Industrialization
- Department of Finance and Economic Planning

Table 1: Performance of FY 2017/18 budget as at end January 2018.

		Expenditure F/Y 2017/2018 as at 31 Jan 2018			
		Printed Estimates	**Actual**	**Balances**	**%**
		2017-2018	**Rev/Exp**		**Utilization**
CODE	**REVENUE ITEMS**				
1	**Total Anticipated Revenue**	**6,744,899,149**	**1,551,286,333**	**5,193,612,816**	23
1.1	Local Revenue	385,438,659	73,978,786	311,459,873	19.2
1.2	Government Funding including balances b/f	5,899,375,051	1446923329	4,452,451,722	24.5
1.3	Other Grants	460,085,439	30384218	429,701,221	6.6
2	**TOTAL EXPENDITURE**	**6,696,899,147**	**2,124,919,195**	**4,571,979,952**	31.7

2.1	**RECURRENT**	**4,541,989,037**	**2,093,355,917**	**2,448,633,120**	46.1
R 4411	County Executive	477,228,296	217,598,919	259,629,377	45.6
R 4412	Finance, Economic Planning and ICT	953,834,015	271,570,994	682,263,021	28.5
R 4413	Devolved Units and Special programmes	131,867,422	47,106,047	84,761,375	35.7
R 4414	Health and Sanitation	1,353,571,410	880,034,711	473,536,699	65.0
R 4415	Agriculture, Livestock, Veterinary services and Fisheries	227,868,720	98,667,253	129,201,467	43.3
R 4416	Tourism, Culture and Co-operative Development	55,447,706	10,026,531	45,421,175	18.1
R 4417	Youth, Sports, Gender and Social services	38,709,613	11,098,762	27,610,851	28.7
R 4418	Education, Research and Vocational Training	332,936,433	126,012,881	206,923,552	37.8
R 4419	Lands, Environment and Natural Resources	75,949,000	21,145,635	54,803,365	27.8
R 4420	Infrastructure,Roads, Transport and Public Works	227,576,867	91,424,875	136,151,992	40.2
R 4421	Trade, Industrial Development and Investment	38,916,500	16,425,233	22,491,267	42.2
R 4422	Public Service and Labour	35,037,204	11,416,034	23,621,170	32.6

R 4423	County Assembly	593,045,851	290828043.3	302,217,808	49.0
3.1	**Development**	**2,154,910,110**	**31,563,278**	**2,123,346,832**	1.5
D 4411	County Executive	70,500,000		70,500,000	0.0
D 4412	Finance, Economic Planning and ICT	106,500,000		106,500,000	0.0
D 4413	Devolved Units and Special programmes	125,542,785		125,542,785	0.0
D 4414	Health and Sanitation	184,149,129		184,149,129	0.0
D 4415	Agriculture, Livestock, Veterinary services and Fisheries	170,095,715		170,095,715	0.0
D 4416	Tourism, Culture and Co-operative Development	25,000,000		25,000,000	0.0
D 4417	Youth, Sports, Gender and Social services	99,500,000		99,500,000	0.0
D 4418	Education, Research and Vocational Training	160,382,394		160,382,394	0.0
D 4419	Lands, Environment and Natural Resources	282,904,638		282,904,638	0.0
D 4420	Infrastructure,Roads, Transport and Public Works	737,835,449	31,563,278	706,272,171	4.3
D 4421	Trade, Industrial Development and Investment	52,500,000		52,500,000	0.0

D 4423	County Assembly	140,000,000		140,000,000	0.0

CHAPTER THREE: FISCAL OUTLOOK TO END JUNE 2018

EXPENDITURES

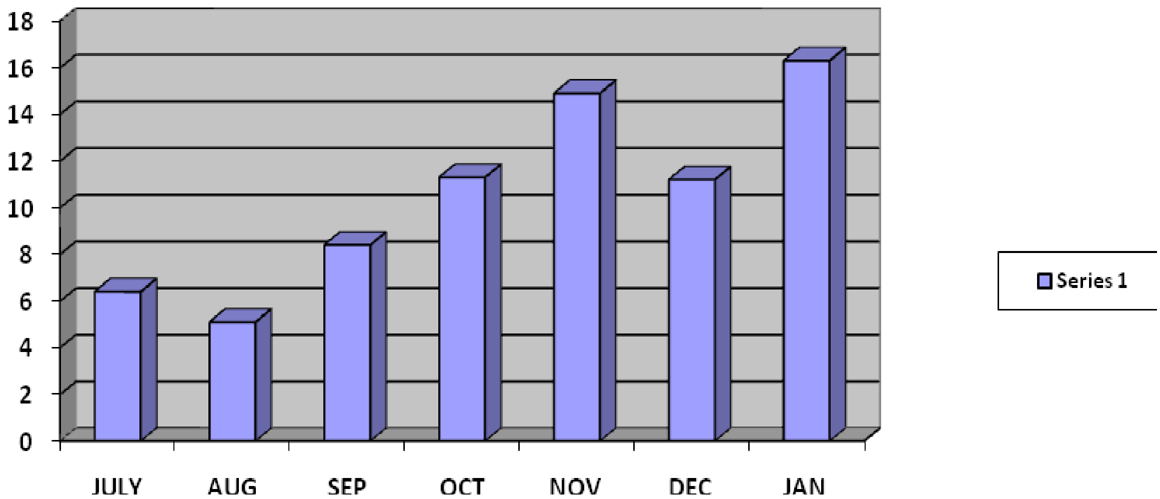
As per the PFM Act 2012, the budgetary ceilings set by the CRA in conjunction with the OCOB; the county government has complied with the requirements set out for the preparation of Programme Based Budget of 2017/2018 and has been able to work within the set programmes. However it is worth to note that the Government had to undertake revision of the prior approved financial estimates to achieve executable estimates. This delayed sourcing of various works on time and hence might lead to some works being completed after the end of the financial year in which case all works that shall remain unpaid shall be re-budgeted for with own balances with ought affecting this CFSP allocations.

There shall be quite a number of payments with regard to Development expenditures since most works are underway. We also anticipate saving on recurrent expenditure which will be rolled to the next financial year to fund development.

REVENUES

Despite the low performance of revenues, the county remains optimistic that the revenue target for financial year 2017/2018 will be met. This is based on the trend on collection of revenue for the first half as illustrated in Diagram 1 below. The allocation from National Government is expected as per the County Allocation of Revenue Act, 2016.

Table 2: Performance of revenue July 2017 – January 2018: (Kshs Millions).



The Government began its financial operations on a difficult financial platform where revenue collection was highly hampered by the political environment that accompanied the general elections. This lead to minimal collections in the months of July to September where collections from local sources was below 10 million per month.

Nonetheless, the County Government managed to run its operations from the CRF balances of 795 million from f/y 2016-2017. Exchequer issues from the National Treasury came later in the month of September.

Going forward and in a bid to overcoming the challenges of revenue shortfall against expenditure pressures, the county shall step up efforts on collection of revenue. Some of the measures put in place include enhancing collections arrears particularly in the areas of cess collections in form of unremitted cess, improvement of parking sites and enhancement of property rates collection. The Government also shall endeavor tapping on tourism cash inflows by developing tourism attraction sites with major focus on Chepkiit waterfalls.

In order to enhance the revenue streams, the Treasury is in the process of undertaking a revenue base mapping across its jurisdiction to enable ease of revenue collection. Also over medium term, the Government shall acquire and develop market sites to boost trade and majorly offer markets for locally produced agricultural commodities. For instance, in this financial year, the Government shall acquire land for the Chepterit and Kiboswa markets.

Having successfully automated the revenue collection the Government looks forward to attaining its revenue targets for the financial year 2017/2018. The revised valuation rolls for rating purposes are also in place and are expected to be implemented before the close of the financial year. This will help in improving the County revenue base in lieu of property and land rates over time.

The County shall further rationalize some expenditure so as to create savings for the additional expenditures. In this veil the County Treasury circular issued on October 2015 for prudent and objective execution of recurrent expenditures remains in force pending the adoption of the newly developed Finance fiscal policies and operational guidelines/manuals to be availed soon. Specifically, most recurrent expenditure shall not be increased except for the annual increment in wage bill and to cater for new recruitments where there is need. The additional funding requirement on development expenditures will be met through reallocations from programs with low absorption capacity which shall not adversely affect the priorities intended to be achieved by the budget.

CHAPTER FOUR: MEDIUM TERM STRATEGIC PRIORITIES

Budget estimates for the FY 2018/2019 and over the Medium Term, shall be based on the priorities outlined here in which are guided by the "Tuga Tai" manifesto as anchored in the newly developed County Integrated Development Plan (CIDP 2018-2022), the departmental strategic Plans and the national broad strategies aimed at accelerating growth, employment creation and poverty reduction.

County fiscal policies will remain supportive of growth while at the same time continuing with the fiscal discipline to ensure mobilization of adequate revenue to support all the county expenditures.

Main areas of intervention over the medium term will include:

i. Provision of Health and Sanitation Services- preventive and curative health care
ii. Roads and infrastructure – Infrastructure, mainly on roads and street lighting
iii. Promotion of Education- ECDE and Vocational Training
iv. Boosting agricultural productivity – crop production, Livestock and cooperative development
v. Youth Empowerment and Social Protection
vi. Growth and Employment Creation - supporting Investment and Trade
vii. Lands and Environment – Lands, environment and Provision of Water and Spring/water catchment protection.

Strategic Priority I: Provision of Quality and Accessible Health Care

In line with the Kenya Vision 2030 and the National Government agenda under the 'Big four', the county government shall in the FY 2018/2019 and the medium term ensure provision of quality, equitable and affordable healthcare at the affordable standards possible.

In the medium term, the County government will seek to address health related challenges through the following strategies: continued investment in training of health professionals; providing high quality preventive, curative and rehabilitative healthcare services to all; sanitation infrastructure and improvement in the working conditions of medical practitioners; Emphasis will be laid to preventive health which is crucial for the control of diseases.

Achievement of this will involve employment of the following interventions: Construction and upgrading of health facilities; hiring of additional health workers; continuous supply in adequate quantities of medical inputs; management of childhood illnesses through sensitization and provision of immunization services and creating awareness through campaigns; expansion of Kapsabet County referral hospital and equipping Nandi Hills Sub County hospital; expanding ambulance services and establishing emergency response units and establish training and developing internship and placement partnerships with Kaptumo and Mosoriot Kenya Medical Colleges for the sub county students.

Strategic Priority II: Continuing investment in Infrastructure

Good Infrastructure is key to development of the other sectors as it eases movement of goods, services and people thus facilitating agriculture, trade and commerce among others. The strategies and measures to be pursued in the medium term include timely maintenance and open up of feeder/access roads, Construction of footbridges, culverts, and establishment of a road inspection unit for quality assurance. Prioritizing the award of road contracts to local suppliers with special focus given to organized local saccos and companies in a bid to boost local investors.
To promote commerce coupled with security, the county street lighting will be done in all major urban areas; we acknowledge the efforts by the National Government in providing this service and have endeavored to ensure that all the bills are settled as and when they arise.

Strategic Priority III: Promotion of Education- ECDE and Vocational Training

Over the medium term, the county shall endeavor to increase access to quality education through provision of adequate bursary to all needy and deserving students; design and implement school milk programme (Nandi Milk) for lower primary and ECDE classes; provide partial scholarship to youths to acquire technical skills in our technical training institutions and construction of Early Childhood Educational facilities (classrooms).

The county will also ensure Provision of adequate number of ECDE teachers, infrastructure in the existing ECDE centres and strengthening assessment in schools.

Strategic Priority IV: Boost Agricultural Productivity and Cooperative Development

Investing in Agricultural sector not only achieves economic growth but also ensures food security, job creation, income generation and overall poverty reduction. The sector is the mainstay of the County economy with linkages in manufacturing, distribution and other service related sectors. The County therefore aims at raising agricultural productivity and increase commercialization of agriculture.

The interventions to employ include: provision of affordable AI services to farmers; demonstration farms in every constituency for purposes of improving farmer’s skills and techniques; provision of subsidized farm inputs; revamping and revitalizing of Kaimosi Farmers Training College to carry out research and provide continuous training to farmers.

In order to realize robust growth in the sector, the county intents to revamp and revitalize the farmers’ cooperative societies by supporting the existing ones in the dairy, maize, coffee, sugarcane and horticultural sectors and organize dairy cooperatives to jointly set up an animal feeds factory.

Strategic Priority V: Youth Empowerment and Social Protection

In order to support the vulnerable in the County, a social protection programme will be introduced and shall continue to be implemented in the medium term. The programme covers the Youth, women and persons with disability. The programme entails: creating funding opportunities for entrepreneurial activities to organized youth and women groups and societies; Train, support and award tenders, young single mothers and widows to produce and supply school uniforms for ECDE children; provide sheds and metal stalls to small scale business and ensure implementation of the AGPO procurement for all the government tenders.

Nandi County is the indisputable source of world champions in athletics and other sporting activities with celebrated personalities. Over the medium term, the CFSP will allocate funds to continue investing in sporting infrastructure and diversify its talent potential to include other sports and arts in order to consolidate and strengthen its position as a sports hub. A world class stadium at Kapsabet town and sports field at the sub county level will be allocated more funds to support our champions. The county will in the medium term also construct state- of- the- art multimedia studio to nurture artistic talents among up-coming artists in the county.

Strategic Priority VI: Growth and Employment Creation - Supporting Investment and Trade

Trade is a key productive sector due to its immense potential for wealth and employment creation as well as poverty reduction. Given its catalytic effect to sustained inclusive growth and huge potential for job creation and poverty reduction, the County Government will deepen business regulatory reforms, enhance access to credit, facilitate capacity building and simplify and modernize regime for small and medium businesses in order to amplify their multiplier effect on employment opportunities and accelerating growth.

Further, the county will focus on industries that are labour intensive, with the potential to export and increase market opportunities for small and medium industries. Among the interventions to be implemented in the medium term include creating industrial parks for investors; profiling the Jua Kali sector and product innovations, establishment of EPZ at Chemase.

Strategic efforts will be made to diversify markets by providing an environment conducive for business and ensuring that there is investor confidence. This will be achieved through development of policy, legal and institutional reforms for the development of the sector, fair trading licenses, support entrepreneurship and industrial development and promote exports.

Strategic Priority VII: Lands and Environment – Lands, environment and Provision of Water and Spring/water catchment protection.

The county government will in the medium term endeavor to provide clean and accessible water to all residents in the county through construction of water projects cross the county and negotiate for expansion and completion of major national government water projects e.g Keben and Nandi Hills water projects.

Efficient use of natural resources is central to economic social and cultural development. Due to the finite nature of these resources they should be conserved and utilized in a sustainable manner. The County shall undertake strategies aimed at conserving the environment, natural resources and rehabilitation and protection of water resources which include preparing zoning plans, preparing county spatial plans, developing land information system and issuing genuine title deeds to all land owners.

Strategic Priority VIII: Tourism development – identifying and developing existing tourist attraction sites

Over medium term, the county Government shall continue to put in place strategies to develop tourism infrastructure that can serve both local and international visitors. This will include improving the quality of tourism facilities and developing areas with greatest potential to attract tourists. Such programs include; Providing adequate road access to tourist sites across the county, building the capacities of stakeholders in the tourism industry, promoting private sector investment in tourism and developing linkages with other tourist circuits in the region.

CHAPTER FIVE: MEDIUM TERM FISCAL FRAMEWORK

Improvements recorded by the National Government inform of easing of inflation, lower interest rates and stable exchange rates are expected to spill over to the county inform of improved economic growth with the national growth projected at 5.8%, 6.4% and 7% in 2015, 2016 and 2017 respectively. The recent trends noted on the reduction of fuel prices is expected to result into multiple benefits especially reduction in farm inputs and thus improved food security and income.

Revenue Projections

The County's sources of revenue include:

- **Equitable share**

The equitable share is an unconditional allocation to the County Governments from the revenue generated by the National Government as provided for by the constitution. The County is fully responsible for these funds and is directly accountable to the County Assembly on how the resources under her control are spent.

Equitable share from the National Government is estimated at **Kshs. 5,369,400,000** during the FY 2018/19. This is derived from the draft Budget Policy Statement and will be firmed up when the BPS is finally approved by the National Assembly.

- **Conditional and Unconditional grants:**

  These may be given as additional allocations from the National Government's share to which the National Government may or may not attach conditions in the FY 2018/19. We anticipate receiving Development of Youth Polytechnics, free maternal health care, and compensation of user fee, county emergency fund and Road maintenance levy fund.

- **Own revenues**

The county shall impose property rates, entertainment taxes, as well as cess tax and user fees and charges as they shall be approved by the County Assembly through the finance act of 2017.

The County own revenue is projected at **Kshs. 389,293,046**. This is based on the current trend of revenue collection and other revenue measures to be instituted. Total revenue available to fund the expenditure is therefore projected at **Kshs. 5.9 billion** in FY 2018/19 increasing to **Kshs 6.2 billion** and **Kshs. 6.5 billion** in FY 2019/2020 and FY 2020/2021 respectively. Moreover, the Conditional grants shall be utilized as set for.

Expenditures

Recurrent expenditures

Kshs. 3.9 billion is projected to be spent on Recurrent Expenditures in the FY 2018/2019 and Kshs**. 1.7 billion** on development translating to 70% and 30% respectively.

Recurrent expenditures are projected to increase to **Kshs. 4.2 billion** and **Kshs. 4.28 billion** in FY 2019/20 and FY 2020/21 respectively.

Development expenditures

Total development expenditures shall account for 33 percent in FY 2018/19. These expenditures will go towards implementation of the county development programs as indicated earlier. The outturn below provides the projected County Resource Envelope for FY 2018/2019 and subsequent years:-

Table 3

RESOURCE ENVELOPE
MEDIUM TERM FISCAL FRAMEWORK FY 2018/19, 2019/20 to 2020/21

		Printed Estimates	Medium Term Projections		
		2017-2018	**2018-2019**	**2019-2020**	**2020-2021**
CODE	**REVENUE ITEMS**				
1	**Total Anticipated Revenue**	**6,744,899,149**	**5,955,406,035**	**6,253,176,337**	**6,565,835,154**
1.1	Local Revenue	385,438,659	389,293,046	408,757,698	429,195,583
1.2	Government Funding including balances b/f	5,899,375,051	5,369,400,000	5,637,870,000	5,919,763,500
1.3	Other Grants	460,085,439	196,712,989	206,548,638	216,876,070
2	**TOTAL EXPENDITURE**	**6,696,899,149**	**5,758,693,046**	**6,046,627,698**	**6,348,959,083**
2.1	**RECURRENT**	**4,541,989,037**	**3,972,575,292**	**4,067,818,173**	**4,271,209,082**
R 4411	County Executive	477,228,296	405,644,052	425,926,254	447,222,567
R 4412	Finance, Economic Planning and ICT	953,834,015	753,528,872	791,205,315	830,765,581
R	Devolved Units	131,867,422	112,087,30	117,691,674	123,576

4413	and Special programmes		9		,258
R 4414	Health and Sanitation	1,353,571,410	1,221,187,604	1,282,246,984	1,346,359,333
R 4415	Agriculture, Livestock, Veterinary services and Fisheries	227,868,720	193,688,412	203,372,833	213,541,474
R 4416	Tourism, Culture and Co-operative Development	55,447,706	47,130,550	49,487,078	51,961,431
R 4417	Youth, Sports, Gender and Social services	38,709,613	32,903,171	34,548,330	36,275,746
R 4418	Education, Research and Vocational Training	332,936,433	282,995,968	297,145,766	312,003,055
R 4419	Lands, Environment and Natural Resources	75,949,000	64,556,650	67,784,483	71,173,707
R 4420	Infrastructure, Roads, Transport and Public Works	227,576,867	193,440,337	203,112,354	213,267,971
R 4421	Trade, Industrial Development and Investment	38,916,500	33,079,025	34,732,976	36,469,625
R 4422	Public Service and Labour	35,037,204	29,781,623	31,270,705	32,834,240
R 4423	County Assembly	593,045,851	602,551,719	529,293,422	555,758,093
3.1	**Development**	**2,154,910,112**	**1,786,117,754**	**1,978,809,525**	**2,077,750,001**
D 4411	County Executive	70,500,000	115000000	120,750,000	126,787,500

D 4412	Finance, Economic Planning and ICT	106,500,000	72,300,000	75,915,000	79,710 ,750
D 4413	Devolved Units and Special programmes	125,542,787	65,000,000	68,250,000	71,662 ,500
D 4414	Health and Sanitation	184,149,129	265,530,00 0	278,806,500	292,746 ,825
D 4415	Agriculture, Livestock, Veterinary services and Fisheries	170,095,715	135,000,00 0	141,750,000	148,837 ,500
D 4416	Tourism, Culture and Co-operative Development	25,000,000	30,000,000	31,500,000	33,075 ,000
D 4417	Youth, Sports, Gender and Social services	99,500,000	85,600,500	89,880,525	94,374 ,551
D 4418	Education, Research and Vocational Training	160,382,394	175,900,00 0	195,195,000	204,954 ,750
D 4419	Lands, Environment and Natural Resources	282,904,638	305,250,00 0	404,512,500	424,738 ,125
D 4420	Infrastructure, Roads, Transport and Public Works	737,835,449	386,537,25 4	414,750,000	435,487 ,500
D 4421	Trade, Industrial Development and Investment	52,500,000	35,000,000	36,750,000	38,587 ,500
D 4423	County Assembly	140,000,000	115000000	120,750,000	126,787 ,500

Expenditure projections

The departmental allocations have been made with consideration to the current absorption rates and prioritization of needs to be accommodated by the scarcity of the resources.

Note;

The ceilings for the County Assembly and County Executive on Recurrent expenditures are varying subject to Commission on Revenue Allocation Ceiling in consultation with the Office of the Controller of Budget recommendations in respect to the FY 2018/2019 and its subsequent years in the Medium Term Expenditure Framework.

Criteria for Resource Allocation

Overall, the expenditure projections are based on the following principles:

Mandatory obligations: this takes first consideration and includes salaries for County officers. The expenditures are based on the current wage bill with a growth of 5% to take care of any pending recruitment that may be deemed necessary in the course of the financial year.

Operations and maintenance: Departments are allocated funds for basic operations and maintenance calculated at 30% of the total personnel emoluments.

Development expenditure: Development expenditure will be funded from the equitable share of the national revenues and locally obtained revenues. Development expenditures are shared out on the basis of the County Integrated Development Plan, the Governors manifesto and other intervention to deal with unemployment and remove constraints to faster growth. In determining the departmental ceilings on development expenditure, the following guidelines shall apply:

Completion of on - going Programs and projects: emphasis will be given to the completion of the on-going projects and in particular projects with high impact on key priority areas, poverty reduction, employment and wealth creation.

Strategic policy interventions: Priority will also be given to policy interventions to achieve social equity, environmental conservation and other priority areas.

Assumptions

1. That the National Assembly and Senate shall approve the equitable allocations as proposed by CRA
2. There shall be political stability in the Medium Term.
3. The Economic trend both locally and internationally shall be sustained.
4. The County shall experience/enjoy stakeholder support through the period of projection.
5. Costs to services shall be maintained at reasonable levels.

CONCLUSION

The fiscal framework presented in this paper ensures a sustainable financing while allowing continued spending on priority programmes. Achievement of the set objectives calls for greater transparency, effectiveness, efficiency and economy in public financial management in order to ensure fiscal discipline. In future, while addressing the development needs of the people of Nandi, emphasis shall be on the priorities as laid out in the C.I.D.P (2018-2022) for both short term and Medium Term expenditure/planning framework.

Further, emphasis shall be accorded to areas considered as priority by the residents of Nandi as fronted through public forums, recommendations and memoranda.

The County Treasury, in all these, shall continue to discharge its responsibility as spelt out in the constitution and the PFM Act and any other laws on Public Financial Management that may come into play from time to time.