REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

LAIKIPIA COUNTY FISCAL STRATEGY PAPER

FY 2017/18

DECEMBER 2016

COUNTY VISION AND MISSION

Vision

A Peaceful and Prosperous Model County

Mission

To facilitate equitable sustainable development through improved service delivery, technological adoption and advancement and effective resources management

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

This County Fiscal Strategy Paper for the FY 2017/18 sets out the county's priority programmes to be implemented in the FY 2017/18 as outlined in the County Annual Development Plan 2017/18 and the Second Medium Term Plan of the Vision 2030. In addition it conforms to the direction of the 2017 Budget Policy Statement (BPS) at the national level as captured in the latter's theme: "**Consolidated Economic Gains in an Environment of Subdued Global Demand**". More specifically, the CFSP recognises the challenges identified in the BPS and sets out measures to mitigate them.

The County Government of Laikipia is committed to improved service delivery to the public. Key pillars in the CFSP include: water access, health services, road transport infrastructure, agriculture and livestock development, trade and enterprise development, land based natural resource management, education services, public administration systems and tourism. These pillars are also reflected in the BPS through its five key pillars: Creating a conducive business environment for job creation; Investing in sectoral transformation to ensure broad based and sustainable economic growth with a major focus on agricultural transformation to ensure food security; Infrastructure expansion to facilitate economic transformation in transport, logistics, energy and water; Productive sectoral policies towards agricultural transformation, manufacturing, tourism and sports; Investing in social sectors for quality and accessible health care services, quality education as well as strengthening the social safety net to reduce the burden on households and promote shared prosperity; and further consolidating gains made in devolution in order to provide better service delivery and enhanced economic development.

The productive sector depends greatly on land resources and favourable weather conditions. Improved infrastructure, storage and marketing shall continue to be addressed towards increased sector productivity. Entrepreneurial activities amongst the youth, women, and persons with disabilities will also be enhanced. Social protection for the elderly and vulnerable shall also be addressed. The county revenue base shall continue to be enhanced towards increased resource envelope and collaboration with private sector and development partners to complement in the implementation of programmes.

Duncan Mwariri Wanjiru,
County Executive Committee Member, Finance and Economic Planning

ACKNOWLEDGEMENTS

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I recognise the County Treasury staff led by CECM for Finance and Economic Planning, Mr. Duncan Mwariri and his technical team who provided the necessary information and technical assistance in the preparation of the strategy paper. In addition, I recognize the staff of the Economic Planning Unit, County Treasury, Budget Supplies and County Revenue Board for their invaluable contribution into the compilation of the Strategy Paper.

I also thank the participants at the ward levels whose consultations and views greatly enhanced the contents of the Strategy Paper. Lastly I express sincere gratitude to every member of staff in the Finance and Economic Planning Department for tireless efforts during the preparation and finalization of this Strategy Paper.

Henry K. Mbuthia,
Chief Officer,
Finance and Economic Planning

ABBREVIATIONS AND ACRONYMS

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

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CHAPTER ONE
INTRODUCTION

1.1 Introduction

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

The Public Finance Management Act, 2012 gives guidelines on the budgeting process. Towards ensuring a comprehensive budget process, the county governments are expected to prepare and submit a County Fiscal Strategy Paper (CFSP) to the County Assembly by the 28th February of each year. In readiness for 2017 general election, this year's County Fiscal Strategy Paper will be submitted to the County Assembly by 23rd December 2016. The preparation of the CFSP is provided for in section 117 of PFM Act, 2012.

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

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

- The County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and then submit the approved Fiscal Strategy Paper to the County Assembly, by the 28th February of each year. In readiness for 2017 general election, this year's County Fiscal Strategy Paper will be submitted to the County Assembly by 23rd December 2016.
- The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

- The County Treasury shall seek and take into account the views of the Commission on Revenue Allocation (CRA), the public, any interested persons or groups and any other forum that is established by legislation.
- It further states that the County Treasury shall consider any recommendations made by the County Assembly when finalizing the budget proposal for the financial year concerned.
- The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

1.3 Fiscal Responsibility Principles for the County Government

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

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

CHAPTER TWO
RECENT GLOBAL, NATIONAL AND COUNTY ECONOMIC DEVELOPMENT

2.1 Introduction

Laikipia County is not isolated from the effect of global and national economic issues that do arise. These issues have had either positive or negative effects on the economic development of the county. This section highlights recent economic developments on the global and national level and the impact that this has on the county economic development.

2.2 Macroeconomic Environment

The leading economic indicators by Kenya National Bureau of Statistics indicated the provisional estimates of Gross Domestic Product (GDP) recorded the country's economy growth at 6.2 per cent during the second quarter of 2016. This was a slight improvement compared to 5.9 per cent recorded during the same period in 2015. This growth was mainly attributed to strong expansions in the sectors of Agriculture; Forestry and Fishing; Transport and Storage; Real Estate; Wholesale and Retail Trade.

The average inflation rate in the third quarter of 2016 was 6.33 per cent representing an increase of 0.19 percent compared to the same period in 2015. Inflation rate increased to 6.68 per cent in the month of November 2016 from 6.47 per cent recorded in the month of October 2016.

The overall Consumer Price Index increased by 1.23 per cent from 172.62 in October 2016 to 173.85 in November 2016. The upward pressure came mostly from food and non-alcoholic drinks driven by increase in price of several food items.

The overall producer prices went up by 0.94 per cent from 112.24 recorded in the second quarter of 2016 to 113.33 in third quarter of 2016. The 'year on year' PPI inflation rate from September 2015 to September 2016 decreased by 2.76 per cent. The main contributors for the third quarter increase were producer prices of sugar grain mill, dairy products, mining and quarrying, manufacture of textiles and furniture.

The Kenya Shilling exchange rate demonstrated mixed performance against major international currencies. The currency depreciated against the US dollar to Ksh 101.87 in Week Four of November 2016 from Ksh 101.86 in Week Three of November 2016. Against the Sterling Pound, the Shilling depreciated to Ksh 127.42 in Week Four of November 2016 from Ksh 126.43 in Week Three of November 2016 and against the Euro, it depreciated to Ksh 108.10 in Week Four of November 2016 from Ksh 107.91 in Week Three of November 2016. Against the Japanese Yen, the Kenya Shilling appreciated to Ksh 89.99 in Week Four of November 2016 from Ksh 91.19 in Week Three of November 2016.

2.3 Implementation Progress at the County Level

In the financial year 2016/17 the county expects to receive revenue of Ksh.4, 392, 107,267 comprising of Ksh 3,722,107,267 from equitable share of the national revenue and Ksh. 670,000,000 from local collections. In addition, a total of Ksh. 421,358,570 as conditional grants was to be received. This comprised of: Ksh. 63,640,000 for free maternal health care; Ksh. 9,305,967 for compensation for user fees foregone; Ksh. 95,744,681 for leasing of medical equipment: Ksh. 57,190,153 for roads maintenance; Ksh. 5,477,769 DANIDA support for county health facilities. Extra budget provisions also include HFIF to the tune of Ksh. 190,000,000 In addition Ksh 1,126,814,676 will be received as 2015/16 pending bills. This makes the total revenue of FY 2016/17 amount ksh.4, 813,465,837.

From July 2016 to October 2016 the county had collected Ksh 149,140,324 from local sources representing 18.95 percent of the annual local revenue target. This is attributed to low collections in September and October. However, the largest collections are realized between January-March due business permit renewals.

From the period of July 2016 to November 2016 the total exchequer releases were Ksh 1,623,814,035 representing 27.32 percent of the total allocations from national government. In addition the total exchequer releases on conditional grants received were Ksh 27,172,538

The development expenditure as at November 2016 was Ksh.373, 986, 573 (14.76 per cent of the vote) while recurrent expenditure was Ksh 1,277,000,000 (37.46 per cent of the vote). Implementation of the 2016/17 budget up to November 2016 was largely on recurrent expenditure. Delays in disbursement of funds by the national government affected timely implementation of planned activities. The county government has however achieved milestones in completion of 2015/16 infrastructural projects covered under pending bills.

CHAPTER THREE
MACRO-ECONOMIC POLICY FRAMEWORK AND MEDIUM TERM OUTLOOK

3.1 Introduction

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

3.2 Kenya's Economic Prospects

Kenya's economic growth as envisaged in the economic pillar of the Vision 2030 continues to perform below the 10 per cent growth rate. Nevertheless, the economic growth has remained resilient recording a growth rate of 6.2 per cent by the end of June, 2016. The growth rate is projected at 6.5 per cent in 2017. This steady and consistency growth over the medium term is projected to pick up to about 6.5 per cent and 6.6 per cent in 2017/18 and 2018/19 respectively.

Continued growth will be supported by increased production in agriculture (barring any adverse weather), wholesale and retail trading, communication and ICT, tourism, construction and transport. The County Government will continue enhancing policies aimed at optimal funding of county productive, social and supportive sectors. This will be supported by adequate implementation of existing policies and legislative framework to bolster the economic potentials in the county. In addition, efforts will be enhanced aimed at improving investors' confidence, county's competiveness as a business hub as well as a tourist destination. Overall, the targeted growth rate is critical towards increased wealth creation, labour absorption and reduced poverty incidences.

3.3 Budget Allocations and Revenue Enhancement

The 2017 Draft Budget Policy Paper provides a total county allocation of Ksh. 334,937.2 Million in 2017/18. This records an upward trend from Ksh. 302,198.5 Million in the financial year 2016/17. In the medium term, the allocations will continue on a steady growth based on revenue growth adjustments. In addition, focus on conditional grants is anticipated to remain steady in the health services and roads infrastructure sectors. The county equitable allocations are based on the periodically revised formula which uses five parameters with specific weights, namely: population size (45 percent); equal share (25 percent); poverty index (20 percent); land area (8 percent); and, fiscal responsibility (2 percent). This formula will continue to be in place in the medium term awaiting the revision of the existing formula. Mean time, the County Government will focus on the implementation of legislations aimed at enhancing local revenue collection. This is to ensure that targets on all local revenue streams are fully realized. In the year 2017/18, total local collections are expected at Ksh. 700,000,000 from Ksh. 670,000,000 in 2016/17. The County Government recognizes the need for up-scaling mobilization of additional resources from external sources in complementing government revenues. The nature of the funding from development partners works within a framework of negotiated funding periods rendering annual targets to be determined through agreements.

3.4 Public-Private Partnership

Taking into account limited public resources, the County Government will fast track the participation of the private sector in infrastructure development in the medium term. This is under a robust public-private partnership (PPP) agenda co-ordinated by the PPU Unit. The participation of the private sector is critical in meeting the economy's resource requirements while developing the appropriate market environment to promote efficiency. All this is premised on a macroeconomic stability, deeper structural reforms, cordial intergovernmental relations and enactment of enabling legislations/regulations. In addition, the implementation of the Companies Act, 2015 is expected to provide further incentives in trade and investment at the national level impacting positively at the county. Similarly, the Banking (Amendment) Act, 2015 that caps interest rates on banks' loans at 4.0 percent above the base rate (currently at 10.0 percent) will lead to increased access of credit facilities in the private sector and impact positively at the county.

3.5 Risks to the Outlook

A number of risks associated to the outlook may pose uncertainties thus influencing key decisions on increase or decrease of the fiscal forecasts. The risks to the economic outlook for 2017/18 and the medium-term include:

a) National Macro Economic Stability

External factors such as exchange rates and inflation may contribute towards negative variances on the performance of the economic growth. This may in turn lead to lower local revenue collections and increased expenditure. However, the national government in collaboration with county governments will undertake appropriate measures to minimize negative variances thereby safeguarding macroeconomic stability. In addition, inflation is expected to revert within 5.0 percent target and interest rates and shilling exchange rate expected to be stable.

b) Seasonal Weather Patterns

The projected prospects assume normal weather patterns in 2017 and the medium term. Laikipia County is dominantly rural with a significant population in the agriculture sector and associated linkages. Instability of the weather patterns poses adverse effects livelihoods dependent on the agricultural related occupations. The short rains season outlook during October to December 2016 indicates generally depressed rainfall due to the evolving La Nina conditions. The distribution of rainfall in time and space is therefore expected to be generally poor over most of the places thus having adverse effects on agricultural production. Long rains and short rains seasons are expected in the period March-May 2017 and October-December 2017 respectively. Periodic seasonal outlooks will be provided over normal seasons, prolonged dry seasons, and enhanced rains.

c) Tourism

The National Government initiative to enhance domestic tourism has continued to have positive bearings on the county. Laikipia County being part of the northern circuit receives a large number of tourists due to its attraction sites such as scenic view of Mt. Kenya peaks, Thompson Falls in Nyahururu, proximity to Mt Kenya Game Park, expansive savannah landscape, game lodges and restaurants, conservancies and a rich Maasai culture. The large numbers of tourists and positive performance of this sector assumes Kenya’s stability on security concerns with no issuance of travel advisories by major tourists’ source countries.

d) Budget Allocations and Revenue Enhancement

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

CHAPTER FOUR

FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2016/17 AND THE MEDIUM-TERM

4.1 Introduction

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

4.2 County Revenues

In the financial year 2016/17 the county revenue was estimated at Ksh. 4,813,753,068 comprising of Ksh. 3,722,107,267 from equitable share of the national revenue up from 3,449,548,893 in the financial year 2015/16. Local revenue was estimated at Ksh. 670,000,000. Conditional grants of lease of medical equipment Ksh. 95,744,681, Ksh 57, 190,153 for road transport maintenance, Ksh 9,305,967 as compensation for user fees foregone, Ksh 63,640,000 for free maternal health care, Ksh 5,477,769 DANIDA support on health facilities and Ksh. 190,000,000 for health facilities improvement (HFIF).

The 2017 Draft Budget Policy Statement, as prepared according to Section 190 of the PFM Act set out the division of county governments' share of revenue among the counties for the FY 2017/18

From these allocations, the Laikipia County will get an equitable share of Ksh. 3,972,232,877 up from 3,789,329,234 in F/Y 2016/17. In addition, the County government will get a conditional allocation of Ksh. 9,305,967 for compensation of user charges. Other conditional allocations include Ksh. 63,610,400 for free maternal health care, Ksh. 104,737,500 for road maintenance, Ksh. 95,744,681 for lease of medical equipment and Ksh. 131,968,384 as loans and grants. This makes the revenues expected from the national government for the FY 2017/18 amount to Ksh. 4,377,599,809. Revenue from local sources is projected at Ksh. 700,000,000. Extra budgetary provisions will also include HFIF to the tune of Ksh. 190,000,000. Therefore, total expected revenue for F/Y 2017/18 is Ksh. 5,267,599,809.00

Table 1: Summary of County Revenues in 2014/15-2016/17

Type of Revenue	2014/15 (Ksh)	2015/16 (Ksh)	2016/17 (Ksh)	2017/18
Equitable share	3,009,821,026	3,449,548,893	3,722,107,267	3,972,232,877
Local Revenue	440,000,000	500,000,000	670,000,000	700,00,000
Total	**3,449,821,026**	**3,949,548,893**	**4,392,107,267**	**4,672,232,877**

NB: Exclusive of Conditional Grants

4.3 County Expenditure

Following the limited resources facing the County Government, departmental funding requirements will have to be in line with the county and national goals and objectives as outlined in the County Fiscal Strategy Paper (CFSP) 2017 and the County Integrated Development Plan (2013-2017). In this regard, departments will have to rationalize and prioritize their expenditure programmes in the FY 2017/18 and medium term to focus only on the strategic interventions and projects that are captured in these documents. The expenditure has to be geared towards promotion of service delivery that supports social development, economic growth and transformation of the County.

In 2017/18, overall expenditures at the County are projected at Ksh 5,267,599,809 compared to the budget allocations in 2016/17 of Ksh 4,813,753,068. The expenditure for 16/17 is exclusive of Ksh. 1,126,814,676 on pending bills.

4.4 Development Expenditure

In 2017/18, overall development expenditures are projected at Ksh. 1,685,631,939 representing 32 percent of the total budget. Development spending in 2017/18 will focus on roads improvement, water infrastructure, upgrading of health facilities, school infrastructure, market infrastructure, environment conservation and land based resource management. The major spending departments include: Finance and Planning Services, Agriculture, Infrastructure Lands and Urban Planning. Development spending in 2016/17 of Ksh. 1,400,000,000 was mainly on health facilities upgrading, water dams, roads improvement, urban parking, health supplies, wildlife fences, school infrastructure, ward development and security support infrastructure.

4.5 Recurrent Expenditure

The estimated amount for recurrent expenditure in 2017/18 is projected at Ksh. 3,581,967,870 from 2,939,329,234 in 2016/17. Salaries and the wage bill in 2017/18 have been estimated at Ksh. 2,600,000,000 compared to budget level of Ksh. 2,406,153,751 in 2016/17. This spending item is expected to stabilize over the medium term following staff rationalization at the county and national level in match of skills and functions. The major spending departments include; Medical services, County Assembly Services, County Administration, Finance and Planning Services.

4.6 2017/18 County Fiscal Policy Statement

Strategies for sustainable economic activities are critical in order to provide fiscal space for priority expenditures. Wage adjustments for government departments are expected to be met within the departmental ceilings. With respect to goods and services, expenditure ceilings for sectors/departments are determined by the funding allocation for goods and services in the previous year budget as the starting point. The ceilings are then reduced to take into account one-off expenditures in 2017/18 and then an adjustment factor is applied to take into account the general increase in growth of revenues. The expenditure on wages and benefits for public officers as provided by the PFM Act stands at 36 % slightly above the prescribed global standards of 35%.

Consistent with the objective of allocating adequate resources towards development outlays and the need to ensure completion of critical infrastructure (roads, water, health and markets), the uptake of development expenditures including funding from development partners is to be maintained at 32 % and recurrent expenditure at 68 %. Most of the outlays are expected to support critical infrastructure that will crowd in private sector investment as well as critical interventions to remove binding constraints to accelerated growth. With improvement in procurement planning, the absorption capacity of project funds is expected to increase resulting in a higher investment level in infrastructure activities.

In view of challenges of climate change and unforeseen shocks, Emergency Fund provision of Ksh. 105,351996 will be provided in the budget for 2017/18 from Ksh. 15,000,000 in 2016/17 to be applied in line with the Emergency Fund requirements limited to 2% of total government revenue as per Section 113 of the PFM Act. There will also be enhancement of all county revenue streams including Liquor License fees and Hospital Facility Improvement Fund (HFIF).

4.7 Overall Deficit and Financing

To ensure fiscal discipline, the 2017 BPS encourages the County governments not to include deficits in their budgets in 2017/18 and medium term without a clear and realistic plan of how the deficit will be funded. It is in this regard that the County Government allocated resources for spending that are commensurate to the revenues expected in the 2017/18 and the medium term.

During the 2017/18 fiscal year, the county budget shall be financed through transfers from the national government and revenue collected from local sources such as fees and charges, rates, among others as allowed by the governing Acts. The 2017/18 PBB fiscal framework is therefore fully financed.

CHAPTER FIVE

RESOURCE ENVELOPE AND CRITERIA FOR RESOURCE ALLOCATION

5.1 Introduction

This section provides for the available resources in terms of revenue and deficit finance vis-à-vis budgetary requirements. This is informed by the national objectives and goals as outlined in the 2017 Budget Policy Statement and the set out resource sharing guidelines.

According to Articles 201, 202 and 203 of the Constitution, revenue raised nationally is shared equitably among the two levels of governments and among county governments to enable them provide services and perform the functions assigned to them under the Fourth Schedule of the Constitution. The equitable division of revenue between the two levels of government takes into account the criteria specified in Article 203 of the Constitution. In addition, the Constitution requires that a minimum of 15 percent of all revenue collected by the national government be allocated to county governments. In the year 2017/18, the county governments will receive Ksh. 299 Billion that will be shared equitably. Laikipia County will receive Ksh 3,789,329,234 translating to 1.33 % of the equitable share.

The Commission on Revenue Allocation (CRA) Act, 2011 defines revenue as follows:
"...all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorized by an Act of Parliament, but excludes revenues referred to under Articles 209 (4) and 206(1)(a)(b) of the Constitution".
The definition of revenue, therefore, includes: income tax; value added tax; customs duties and other duties on imports and exports; excise tax; and any other tax or duty authorized by an Act of Parliament but excludes taxes which have been assigned exclusively to county governments by the Constitution. The definition also explicitly excludes: (i) charges imposed for the provision of a service (Article 209 (4)); (ii) money excluded by an Act of Parliament and payable into another public fund established for a specific purpose (Article 206(1) (a); and (iii) money retained by a state organ that received it for the purpose of defraying the expenses of the State organ (Article 206(1)(b).

5.2 Sector Priorities and Ceilings

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

5.2.1 Agriculture, Livestock, Irrigation and Fisheries Development Sector

The County Government will prioritize food security initiatives through enhanced production mechanisms targeting: farm input subsidies, extension services, water and soil conservation, irrigation, diseases control and breeds improvement, development of water harvesting infrastructure, grain store facilities for cereals, abattoirs improvements and Agriculture Sector Development Support Programme (ASDSP)

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

The county government will prioritize in promotion of tourism through improvement of infrastructure development and marketing of Laikipia as a tourist destination, revitalizing co-operative societies through enhanced access to cooperative revolving fund, Investment promotion, Market infrastructural development, promotion of entrepreneurship through enterprise development fund and creating a conducive environment for industrialization. Improved funding of priority projects under these programmes in 2017/18 will foster employment creation and support the productive sector in the county.

5.2.3 Land, Housing and Urban Development Sector

Improvement of road transport infrastructure and urban development has been identified as critical foundations whose implementation will greatly enhance the commercial and productive activities in the dominant rural households of the county. Spatial planning, survey and mapping, town planning and building standards and road improvement have been identified as priorities in land planning and housing management, bridge infrastructures and fleet management have also been factored in 2017/18 FY.

5.2.4 Education, ICT and Social Services Sector

The main focus in this sector will be infrastructure development at ECDE and vocational trainings centres and bursary award to the needy students. The county Government will embark on hiring new ECDE teachers across the 15 wards, Provision of library services, ICT infrastructure development and sport facilities development. To enhance social protection the sector will enhance empowerment support services to persons living with disabilities and support to children rehabilitation and rescue centres. Improvement of social halls, conducting annual social cultural events, youth and women empowerment programs and capacity building programs are also considered for allocation of resources.

5.2.5 Health Sector

The increased need for service delivery systems, medical supplies, medical equipment, upgrading of the health facilities, maternity wings, ambulance services, preventive and primary healthcare, integrated health outreaches, mobile clinic programs, HIV/AIDS response and mental health service will guide the allocation of resources in this sector. The sector will also prioritize on acquisition of land for public cemeteries, infrastructural support to health facilities, capacity building of health workers, formulation of health care policies and regulations, upgrading and construction of existing and new mortuaries. Collaboration with the national government and development partners will also be enhanced on specialized equipment leasing and technical support.

5.2.6 Water, Environment and Natural Resources Sector

A master plan for water enhancement will guide the short term, medium term and long term needs in the county spending. Rehabilitation of water supply sources (dams, boreholes, springs and storage tanks), as well as establishment of new water schemes in identified clusters has been factored. Rangeland management, electric fencing, community patrols, forestry and strengthening resource user associations will continue to be supported in 2017/18FY. Waste and drainage management will also get increased funding.

5.2.7 Public Service and County Administration Sector

The administrative units will be strengthened up to the ward levels and the offices supported towards effective delivery of devolved functions. Local initiatives in promoting a cohesive and peaceful county will be prioritized targeting: Security and policing support services, public safety, street lighting, alcohol control and disaster risk management. To improve on service delivery, the County Government will focus on improved office environment, human resource management and development, County executive committee support services and public participation initiatives.

5.2.8 Finance and Economic Planning Sector

Revenue collection enhancement is a critical service to the county. Integration of ICT in revenue collection, Revenue collection infrastructure, procurement, payrolls and financial management is a critical pillar in the Treasury operations. Integrated planning, budgeting, sectoral planning and monitoring and evaluation will be realized through public participation and concerted efforts of the relevant departments. To promote economic growth in the county, the government will continue funding development initiatives through Laikipia County Development Authority and the Wards Development Fund.

5.2.9 Legislative Services

The legislative services and oversight roles shall continue to be the main spending items as well as promotion of issue based transformative agenda.

5.3 Challenges to be Addressed

The following challenges and respective recommendations are highlighted:

The outlook for 2017 may face unpredictable weather patterns whose effects if not adequately mitigated; the county may record a poor economic performance. Information from Early Warning Systems requires to be acted on and departments fully supported with essential funding.

Delays in exchequer releases and unpaid debts have been seen to greatly affect the implementation of development projects. The County government through the Treasury shall ensure there is timely submission of exchequer and allocation of funds to clear the unpaid debts.

Low funding levels in some departments make it difficult for the departmental sectors to realize their goals hence the County government through the treasury shall ensure there is adequate funding in all the departments particularly the key ones in order to ensure realization of the Departmental goals.

Revenues collected locally fell short of target in the first four months of 2016/17 recording 42% of the cumulative targets. Mainstreaming and automation of revenue collection shall be strengthened. Public Private Partnerships shall be embraced as well towards an increased county resource envelope.

Low staff mobility has been seen to affect efficient service delivery. The County government will ensure improved staff mobility for efficient service delivery through enhanced fleet management.

Additional spending pressures have emerged mainly on staffing recruitment, working space, working tools and equipment. The County Government shall ensure fast-tracking of the construction of head quarters offices in Rumuruti and acquisition of more equipment and working tools.

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

The requirements on public participation in governance and development have received improved performance. Nevertheless, there is need to embrace best practices in broadening citizenry inputs in policies, budget making and implementation of programmes/projects.

Table 2: Summary of Resource Allocations

DETAILS	**2016/17** (Ksh)	**2017/18** (Ksh)	**2018/19** (Ksh)	**2019/20** (Ksh)
Personal Emoluments Executive	2,263,000,001	2,401,500,000	2,641,650,000	2,905,815,000
Personal Emoluments Assembly	180,000,000	180,000,000	198,000,000	217,800,000
Operations and Maintenance Executive	476,701,750	513,305,100	564,635,610	621,099,171
Operations and Maintenance Assembly	211,466,518	202,000,000	222,200,000	244,420,000
Total Recurrent Expenditure	**3,131,168,269**	**3,296,805,100**	**3,626,485,610**	**3,989,134,171**
Development- Executive	1,220,939,000	1,487,099,600	1,635,809,560	1,799,390,516
Development- Assembly	40,000,000	0	0	0
Total Development Expenditure	**1,260,939,000**	**1,487,099,600**	**1,635,809,560**	**1,799,390,516**
Total Budget	**4,392,107,269**	**4,783,904,700**	**5,262,295,170**	**5,788,524,687**

NB: The figures exclusive of conditional grants

Table 3: Sector Allocations in 2016/17 (Ksh)

Sector	Total Allocation	Personnel Emoluments	Recurrent Allocation	Development Allocation
County Assembly	431,466,518	180,000,000	211,466,518	40,000,000
Agriculture	409,741,614	285,478,614	16,907,000	107,356,000
Education, ICT and Social Services	272,039,860	116,396,860	41,843,000	113,800,000
Public Service and County Administration	483,749,328	210,739,578	143,153,750	129,856,000
Land, Housing and Urban Development	383,839,567	88,216,567	31,409,000	264,214,000
Trade, Tourism ,Enterprise Development and Co-operatives	142,454,753	30,630,753	23,824,000	88,000,000
Health	1,456,377,598	1,163,968,598	45,981,000	246,428,000
Water, Environment and Natural Resources	319,337,471	124,973,471	29,222,000	165,142,000
Finance and Economic Planning	493,100,560	242,595,560	144,362,000	106,143,000
Total	**4,392,107,269**	**2,443,000,001**	**688,168,268**	**1,260,939,000**

Table 4(a): Sector Ceilings in 2017/18 and Medium Term (Ksh)

Sector	2017/2018 Total Projections	2017/2018 Personnel Emoluments	2017/2018 Projections Recurrent	2017/2018 Projections Development
County Assembly	382,000,000	180,000,000	202,000,000	0
Agriculture	465,360,383	290,936,383	30,000,000	144,424,000
Education, ICT and Social Services	311,432,853	120,774,553	46,027,300	144,631,000
Public Service and County Administration	446,302,794	212,317,894	130,000,000	103,984,900
Land, Housing and Urban Development	470,583,002	100,236,402	34,549,900	335,796,700
Trade, Tourism ,Enterprise Development and Co-operatives	165,357,145	32,309,245	21,206,400	111,841,500
Health	1,573,274,859	1,211,057,659	60,579,100	301,638,100
Water, Environment and Natural Resources	367,725,851	125,698,251	32,144,200	209,883,400
Finance and Economic Planning	601,867,814	308,169,614	158,798,200	134,900,000
Total	**4,783,904,700**	**2,581,500,000**	**715,305,100**	**1,487,099,600**

NB: Conditional Grants not included in the 2017/2018 Sector Ceilings

Table 4(b): Sector Ceilings in 2018/19 (Ksh)

Sector	2018/2019 Total Projections	2018/2019 Personnel Emoluments	2018/2019 Projections Recurrent	2018/2019 Projections Development
County Assembly	420,200,000	198,000,000	222,200,000	0
Agriculture	511,896,421	320,030,021	33,000,000	158,866,400
Education, ICT and Social Services	342,576,138	132,852,008	50,630,030	159,094,100
Public Service and County Administration	490,933,073	233,549,683	143,000,000	114,383,390
Land, Housing and Urban development	517,641,302	110,260,042	38,004,890	369,376,370
Trade, Tourism ,Enterprise Development and Co-operatives	181,892,859	35,540,169	23,327,040	123,025,650
Health	1,730,602,345	1,332,163,425	66,637,010	331,801,910
Water, Environment and Natural Resources	404,498,436	138,268,076	35,358,620	230,871,740
Finance and Economic Planning	662,054,595	338,986,575	174,678,020	148,390,000
Total	**5,262,295,170**	**2,839,650,000**	**786,835,610**	**1,635,809,560**

NB: Conditional Grants not included in the 2018/2019 Sector Projections

Table 4(c): Sector Ceilings in 2019/20 (Ksh)

Sector	2019/2020 Total Projections	2019/2020 Personnel Emoluments	2019/2020 Projections Recurrent	2019/2020 Projections Development
County Assembly	462,220,000	217,800,000	244,420,000	0
Agriculture	563,086,063	352,033,023	36,300,000	174,753,040
Education, ICT and Social Services	376,833,752	146,137,209	55,693,033	175,003,510
Public Service and County Administration	540,026,380	256,904,651	157,300,000	125,821,729
Land, Housing and Urban development	569,405,433	121,286,047	41,805,379	406,314,007
Trade, Tourism ,Enterprise Development and Co-operatives	200,082,145	39,094,186	25,659,744	135,328,215
Health	1,903,662,579	1,465,379,767	73,300,711	364,982,101
Water, Environment and Natural Resources	444,948,280	152,094,884	38,894,482	253,958,914
Finance and Economic Planning	728,260,055	372,885,233	192,145,822	163,229,000
Total	**5,788,524,687**	**3,123,615,000**	**865,519,171**	**1,799,390,516**

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

Table 5: Conditional Grants 16/17 and 17/18

Conditional Grant	F/Y 2016/17 (Ksh.)	F/Y 2017/18 (Ksh.)
Road Maintenance Levy Fund	57, 190,153	104,737,500
Lease of Medical Equipment	95,744,641	95,744,681
Loans and Grants	65,814,676	131,968,384
Free Maternal Healthcare	63,640,000	63,610,400
Compensation for User Fees Foregone	9,305,967	9,305,967
Total	**234,505,284**	**565,366,932**

Table 6: Emerging Grants

Conditional Grant	F/Y 2016/17 (Ksh.)	F/Y 2017/18 (Ksh.)
World Bank-KDSP	24,361,320	160,000,000
EU-LED IDEAS	-	70,000,000

NB: Awaiting contract agreements with contracted national ministries/agencies

Table 7 (a): County Projected Local Revenue (Ksh)

Year	F/Y 2013/14	F/Y 2014/15	F/Y 2015/16	F/Y 2016/17	F/Y 2017/18	F/Y 2018/19
Local Collections (Ksh)	0	440,000,000	500,000,000	450,000,000	480,000,000	530,000,000
Hospitals (Ksh)	-	-	-	200,000,000	200,000,000	200,000,000
Alcohol Control (Ksh)	-	-	-	20,000,000	20,000,000	20,000,000
Total	**0**	**440,000,000**	**500,000,000**	**670,000,000**	**700,000,000**	**750,000,000**

NB: Projections as per the Strategic Plan 2014/15-18/19

ANNEXES

Annex 1: Sector Ceilings (Extracts from the Sector Working Group Reports)

Sector/Department	Programme/Sub Programme	Estimated Cost (Ksh)
Public Service and County Administration Sector	County Administration Services	15,300,000
	County Executive Committee Support Services	34,000,000
	Human Resource Management and Development	187,770,000
	Security and Policing Support Services	11,100,000
	Public Safety, Enforcement and Disaster Management	87,758,000
	Intergovernmental Relations	45,605,000
	Sub Total	**381,533,000**
Health	Curative and Rehabilitative Health	413,592,728
	Preventive Promotive Health	23,093,100
	General Administrative and Planning Services	159,800,000
	Sub Total	**596,485,828**
Agriculture , Livestock and Fisheries	Crop Development and Management	105,500,000
	Administration Planning and Support Services	39,960,000
	Livestock Resources Management and Development	59,000,000
	Fisheries Development and Management	26,500,000
	Agribusiness and Information Management	26,200,000
	Policy Strategy and Management of Agriculture	25,600,000
	Sub Total	**282,760,000**
Water, Environment and Natural Resources	Administration and support services	30,000,000
	Water supply management	193,500,000
	Natural Resources Management	0
	Environment Management and Protection	0
	Sub Total	**223,500,000**
Finance and Economic Planning	Administrative services	26,000,000
	Financial services	119,900,000
	Economic planning services	126,000,000
	Sub Total	**271,900,000**
Trade Tourism and Co-operatives	Administration, Planning and Support Services.	14,566,000
	Trade and Enterprise Development	71,000,000
	Tourism development	20,000,000
	Co-operative Promotion and Development	59,000,000
	Sub Total	**164,566,000**
Education, ICT and Social Services	Vocational training Development	26,500,000
	ECDE Development	27,100,000
	Bursary	50,000,000
	ICT infrastructure Development	21,000,000
	Sports , culture , and social	42,707,300
	School Infrastructure Programme	3,000,000
	Sub Total	**170,307,300**
Lands, Housing and Urban Development	Administration ,Planning and Support Services	45,000,000
	Road network improvement	256,000,000
	Urban Development	54,000,000
	Mechanization Services	85,000,000
	Bridges Infrastructure	59,000,000
	Public Works Services Delivery Improvement	10,000,000
	Physical Planning Services	50,000,000
	Housing Development	4,000,000

	Sub Total	**563,000,000**
	Grand Total	**2,654,052,128**

Annex 2: Personnel Emoluments Projections (Extracts from ADP 2017/18)

Sector/Department	Estimated Cost (Ksh)	Percentage Costing
Public Service and County Administration	230,000,000	9.14
Finance and Economic Planning	275,000,000	10.92
Health	1,300,000,000	51.65
Agriculture , Livestock and Fisheries	300,000,000	11.93
Education, ICT and Social Services	120,000,000	4.76
Lands, Housing and Urban Development	127,000,000	5.05
Trade Tourism and Co-operatives	35,000,000	1.39
Water, Environment and Natural Resources	130,000,000	5.16
Total	**2,517,000,000**	**100**

Annex 3: Local Revenue Performance Report 2016/17 (Ksh)

Month	Actual 2015/2016	Budget 2016/2017	Actual 2016/2017	Achievement %
July	24,404,750	35,051,233	20,401,992	58
August	15,919,377	21,660,618	15,242,378	70
September	41,827,885	57,009,232	16,768,695	29
October	36,928,787	50,804,547	17,218,134	34
November	14,142,931	19,274,392	-	-
December	15,039,988	20,500,346	-	-
January	26,661,891	36,240,249	-	-
February	33,943,232	46,237,963	-	-
March	43,382,878	58,836,037	-	-
April	44,395,183	60,411,244	-	-
May	24,452,209	33,102,084	-	-
June	25,778,271	31,136,519	-	-
Total Local Revenue	**346,877,382**	**470,264,463**	**69,631,199**	**15**
Hospitals	**166,802,245**	**200,000,000**	**57,370,411**	**27**
GROSS TOTALS	**513,679,627**	**670,264,463**	**127,001,610**	**19**

Annex 4: 2016/17 Budget Exchequer Releases

(a)Recurrent Vote (Ksh)

Department	Budgeted Amount	Exchequer Releases July- November 2016
County Administration	2,406,153,751	931,829,027
Finance and Economic Planning	232,362,000	69,749,484
Health	235,981,000	88,739,345
Agriculture and Livestock Development	16,907,000	3,985,650
Infrastructure Housing and Urban Development	31,409,000	6,003,869
Education Sports and Social Services	41,843,000	6,488,465
Trade and Tourism	23,824,000	4,492,160
Water	29,222,000	5,712,000
Assembly	391,466,517	160,000,000
Total	**3,409,168,268**	**1,277,000,000**

(b)Development Vote (Ksh)

Department	Budgeted Amount	Releases By November 2016	Conditional Grants
County Administration	129,856,000	-	
Finance and Economic Planning	1,144,957,676	346,814,035	
Health	423,454,887	12,875,000	Maternal Health Grant
Agriculture and Livestock Development	107,356,000	-	
Infrastructure Housing and Urban Development	321,404,153	14,297,538	Infrastructure Fuel Levy
Education Sports and Social Services	113,800,000	-	
Trade and Tourism	88,000,000	-	
Water	165,142,000	-	
Assembly	40,000,000	-	
Total	**2,533,970,716**	**373,986,573**	

Annex 5: Summary Statement of Fiscal Risks

The "Summary Statement of Specific Fiscal Risks" outlines the County's exposure to national fiscal risks that are associated with assumptions used for fiscal projections, operations of government departments and agencies, vulnerabilities of the financial sector, as well as risks posed by nature. This is intended to inform the County Assembly and the public about the national exposure to these various sources of risk, and what more can be done to ensure fiscal viability in the event of the occurrence of the stated risks.

(a) Macroeconomic Assumptions Changes

Changes in macroeconomic assumptions create risks to both revenue and expenditure projections as they play a key role in the formulation of the budget. Reduction in real GDP and depreciation of the exchange rate results in reduction of revenue against expenditures while an increase in inflation results in higher revenue against expenditures. Overall, when all the shocks are applied at the same time, revenues increase more than expenditures.

(b) Budget Absorption Rates

The county's budget absorption of funds has improved since 2013/14. This is attributed to better planning, increased staff capacity, oversight by relevant bodies and citizen participation. Nevertheless, execution of development expenditure has generally been below target reflecting low absorption of allocated funds, delays in procurement and increased levels of pending bills.

(c) Contingent Liabilities

Contingent liabilities are frequently not recorded directly in the budget and thus are not subjected to budgetary oversight. These could lead to poor quantification of contingent liabilities and the possibility of large unplanned expenditures if the guarantee materializes. There is need for monitoring of these contingent liabilities to avoid fiscal difficulties in the budget year in case they happen. These include Collective Bargaining Agreements, court rulings, Car and Mortgage Schemes, default payments by revolving funds namely Co-operative Revolving Fund, and Enterprise Revolving Fund.

(d)Environment

Natural disasters often lead to lower economic growth and a worsening in fiscal and external balances. They can also have a significant impact on poverty and social welfare. For instance, flood depending on its magnitude could impact negatively on social amenities, agriculture, infrastructure (roads, bridges) and therefore affect institutions and households both directly and indirectly. The government may feel obligated to prevent social welfare reduction by incurring cost of returning normalcy after an occurrence. The government being privy to some past occurrences has been providing a contingency fund to cushion the fiscal framework from the risks, among others. However, the impact of such likely unforeseen events could be of greater magnitude than the provision and hence pose fiscal risk to the government.

(e) Climate Change

Global temperatures have been on rise and expected to increase over the next century by 2.8^{o} C, with a possibility of rising above 3^{o}C or more. The physical consequences of such a rise include: changed precipitation patterns, more intense and perhaps frequent extreme weather events, and increased prevalence of vector-borne diseases as well as catastrophic events, such as prolonged droughts and flooding in many counties. The potential economic consequences of climate change include:- productivity changes in agriculture and other climate sensitive sectors, stresses on health, biodiversity, fragile ecosystems, water systems, changes in trading patterns, financial market disruption, increased vulnerability to sudden adverse shocks, and altered migration patterns. Climate developments directly affect fiscal positions, through their impact on revenue streams and spending programmes and use of fiscal instruments in mitigating the extent of CC and adapting so as to limit the damage that remains. Mitigation and adaption programmes have been used as fiscal instruments for climate proofing vulnerable sectors of the economy. However, climate change will continue to pose significant fiscal risk especially through potential flooding and drought incidences.

(f) County and National Security Threats

Potential terrorist-related attacks and intercommunity conflicts would affect the tourism sector and may also impact market confidence. Such attacks and conflicts in the past have resulted in loss of lives, destruction of property, loss of businesses, disruption of families, restriction of movement of people, religious animosity and profiling of certain communities. These direct and other indirect costs including loss of jobs have a negative impact on government revenue from tax, increased government spending on security and peace restoration as well as redeeming country's image hence risk to the government's fiscal framework.

(g)Devolved System of Government

The constitution of Kenya provides for two level of government i.e. National and County governments which are both independent and inter-dependent. County governments under Article 209 are assigned roles in collecting assigned revenues, budgeting and spending. They are financed through Central Government Transfers, Own Source Revenues and Conditional Allocations. However, major risks have emerged from Kenya's fiscal decentralization, and which require prudent management especially at the County levels: These include:

(i) Overreliance on national government transfers which doesn't only undermine counties' own fiscal autonomy but it's also unsustainable.

(ii) Dependence by counties on few major own-source revenue streams hence exposing them to fiscal shocks occasioned by a dip in their main revenue streams.

(iii) Unrealistic own-source revenue projections which results to unrealistic expenditure estimates inevitably generating pending bills and causing general cash flow problems.

(iv) Duplication of functions that risk generating intergovernmental conflicts, wasteful spending and financing gaps that could adversely affect implementation of the fiscal framework.

(v) Borrowings from Commercial Banks

The Constitution allows County Governments to raise revenue by way of borrowing subject to guarantee by the National Government. A borrowing framework to operationalize this has been prepared and embedded in the Public Finance (County Governments') Regulations, 2015. However, borrowing from commercial banks without the requisite guarantee is unlawful and a potential source of fiscal risks. In addition, inherent risks associated with borrowings may necessitate unplanned expenditure items such as interest installments.