



COUNTY GOVERNMENT OF NANDI

COUNTY TREASURY

MEDIUM TERM

FISCAL STRATEGY

PAPER

FY 2016/2017, 2017/2018 AND 2018/2019

**ACHIEVING EQUITABLE SOCIAL AND ECONOMIC DEVELOPMENT IN NANDI
COUNTY**

FEBRUARY 2016

FOREWORD

The 2016/2017 Nandi County Fiscal Strategy Paper is prepared under the theme of “Achieving Equitable Social and Economic Development in Nandi County”. The CFSP seeks to give a foundation sub-structure to the 2016/2017 budget and in the Medium Term. Most significantly, the paper gives significant cognizant to the 3 Pillars of the Second Medium Term Plan of Kenya’s Vision 2030.

This fiscal strategy takes cognizance of the reality of scarce resource and the fact that there is Need to invest on high impact programmes within a framework of sustainable fiscal stance. In the 2016 CFSP the county sets its priorities in line with the County Integrated Development Plan, Departmental Strategic Plans and the Governor’s Manifesto with emphasis on investment in Infrastructure, access to clean water, accessible health care, sustainable farming and quality education.

The County Government remains committed to expanding our Physical infrastructure to ensure support for economic growth and attraction of investors. The county plans to prepare a Physical Development Plan to ensure valuation rolls and plans for key urban centres are upgraded so as to generate more revenue in terms of Land Rents and Rates. Priority will also be given to routine improvement of vital link and access roads, plus bridges.

The paper covers the following broad areas in the review of the fiscal performance of financial year 2016/2017; highlights of the recent economic developments and the economic outlook both locally and Nationally; broad strategic priorities and policies for the Medium Term and the Medium Term Fiscal Framework.

The 2016 CFSP emphasizes on containing costs and improving efficiency across government departments and entities. To this end, we will moderate the pace of public expenditure growth while accelerating the delivery of quality services. Spending baselines which are basis for ceilings allocations have undergone rigorous review taking into account factors which include : the capacity of departments, the link between outcomes expenditure and departmental mandates, proposals from public and programme performance so far.

CHARLES K. MUGE
CEC –FINANCE, ECONOMIC PLANNING & ICT

ACKNOWLEDGEMENT

This is the third county fiscal strategy paper to be tabled in the County Assembly in accordance with the requirements of the Public Finance Management Act, 2012. It outlines the broad strategic fiscal framework, together with a summary of county's spending plans, as a basis of 2016/1017 budget and the Medium-term.

It is worth noting that a lot of effort and dedication have been spent, beyond office hours to ensure that the 2016 County Fiscal Strategy Paper (CFSP) is prepared and submitted on time, as scheduled in the PFM Act 2012. The paper document was as a result of collaborative effort through an elaborate and consultative process involving key departments with much of the information being obtained from the various departments and public views.

Special gratitude goes to the County Executive Committee member in charge of Finance, Economic Planning and ICT, Mr. Charles Muge, for his leadership and guidance in the development of this CFSP.

To this end special recognition goes to the dedicated technical team from the County department of Finance and Economic Planning for their tireless efforts in ensuring that this document was produced in time and is of a high quality. Further, we acknowledge the valuable input and contributions from the public in the preparation of this paper without which this CFSP would not meet the constitutional requirements.

HENRY KOECH

CHIEF OFFICER

FINANCE AND ECONOMIC PLANNING

ABBREVIATIONS AND ACRONYMS

AIA	Appropriation in Aid
BPS	Budget Policy Statement
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
COB	Controller of Budget
CoK	Constitution of Kenya
ECD	Early Childhood Development
EIA	Environmental Impact Assessment
FY	Financial Year
GDP	Gross Domestic Product
M&E	Monitoring and Evaluation
MCA's	Members of County Assembly
MDG	Millennium Development Goals
MTP	Medium Term Plan
PFM	Public Financial Management
PPP	Public Private Partnership
SRC	Salaries and Remuneration Commission
TIVET	Technical Vocational Education and Training
WEO	World Economic Outlook
KPLC	Kenya Power and Lighting Company

LEGAL BASIS FOR THE PREPARATION OF THE FISCAL STRATEGY PAPER

The 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 .

RATIONALE FOR COUNTY FISCAL STRATEGY PAPER

The basis for preparing the CFSP is to indicate:

- The mechanism for aligning the county with the national objectives as contained in the budget policy statement.
- The broad strategic priority areas that will guide the county government in preparing the budget for 2016/17 financial year.
- Create a mechanism for engaging the public in prioritizing the development programs that meet their needs best.
- Details of departmental ceilings for the medium term expenditure framework (MTEF) period for prudent resource allocation and consistency with the MTEF budgeting approach.
- Financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

COUNTY GOVERNMENT FISCAL RESPONSIBILITY PRINCIPLES

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

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

2 RECENT ECONOMIC AND FISCAL DEVELOPMENTS

INTRODUCTION

This 2016 CFSP is the third to be prepared under the County government of Nandi. It sets out the priority programs to be implemented in the Medium Term Expenditure Framework (MTEF) under a devolved system of Government and proposing a review on the current budget with a view to improving efficiency and service delivery.

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

This CFSP is informed by the current financial governance framework -the Public Finance Management Act, 2012 and the Constitution of Kenya 2010.

2.1 GLOBAL ECONOMIC AND FISCAL OVERVIEW.

The CFSP is prepared in view of improving global economic prospects with signs of uneven and moderate global recovery. This is attributed to the declining commodity prices, and increasing financial market volatility, downside risks to the outlook have risen, particularly for emerging markets and developing economies

Global growth is now projected at 3.6 percent in 2016, an increase from a growth of 3.1 percent in 2015 and projected to increase in 2017 to 4.1 percent due to the recovery in growth in advanced economies.

Growth in Sub-Saharan Africa is expected to slowdown in 2016 to 3.8 percent from 5.0 percent in 2015 due to declining commodity prices, particularly oil as well as lower demand from China (the largest single trade partner of Sub-Saharan Africa) and the tightening of global financial conditions for the region's frontier market economies. In view of this, many African countries are hopeful and undergoing structural adjustments and trade liberalization programmes to open up their economies to trading partner countries in and out of Africa which may have an internal economic effect for interest rates may remain unstable and prices determined by industrialized economies as their export is pegged on primary material export.

2.2 NATIONAL ECONOMIC AND FISCAL OVERVIEW

Kenya's economic growth remained resilient in 2015 and its macroeconomic performance remains strong in the face of headwinds from the global economic slowdown.

The robust performance is supported by continued and significant infrastructure investments, construction, mining, lower energy prices and improvement in agriculture following improved weather and reliable rains.

The Kenyan economy grew by 5.3 percent in 2014 and is projected to rise to 5.6 percent in 2015, further rise to 6.0 percent in 2016 and 6.5 percent over the medium term. Inflation is expected to remain within target over the medium term. Interest rates have declined following improved monetary conditions that led to increased liquidity in the money market. The Kenya Shilling exchange rate has stabilized following increased foreign exchange inflows in the money market and Central banks fiscal and monetary measures to ensure stability.

2.3 COUNTY ECONOMIC AND FISCAL OVERVIEW

The county's economic performance is largely dependent on the formulation and implementation of prudent policies for effective service delivery, enactment of crucial money bills as well as the overall county's economic performance.

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

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

3 STRATEGIC PRIORITIES AND INTERVENTIONS

3.1 Overview

The 2016 county fiscal strategy paper, the third to be prepared by county government of Nandi, reaffirms the broad objectives and strategies outlined in the National 2016 Budget Policy Statement with five pillar economic transformation agenda which includes:

i) creating a conducive business environment for job creation(ii) investing in sectoral transformation to ensure broad based and sustainable economic growth, and in particular agricultural transformation to ensure food security(iii) investing in infrastructure in areas such as transport, logistics, energy and water(iv) investing in quality and accessible health care services and quality education as well as strengthening the social safety net to reduce the burden on the households and promote shared and equitable growth; and (v) further consolidate gains made in devolution in order to provide better service delivery and enhanced economic development.

In aligning the county's strategic objectives and policy goals with the five pillars contained in the BPS, five county strategies and policy goals to be implemented in the medium term expenditure framework (2016/17-2018/19) have been identified. These are;

i) Investing in Infrastructure

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

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

In the current financial year, the county invested substantial amount in purchasing phase 1 of roadwork machinery and equipment so as to ensure quality road maintenance and sustainability as well as minimize overall costs in the long run. In the medium term, the county plans to allocate more funds in Phase II of the program to purchase more equipment intended to fully mechanize the roads department.

To promote commerce coupled with security, the county street lighting will be done in all major urban areas by the county government and in partnership with KPLC. As part of branding, beautification of the county will still be prioritized. In addition, efficient waste management system will be put in place as well as proper drainage and sewer lines especially in Kapsabet town and other urban areas.

County government owned houses will be renovated if not rebuilt and refurbished for efficiency. A fire station will also be constructed to house the newly acquired fire engines to respond to emergencies and disasters on time.

His Excellency the Governor's manifesto clearly outlined his intention to provide clean and accessible water to all residents in the county. The county has invested in developing and commissioning major water projects across the county and conservation of water catchment areas by protecting springs and water bodies. Conservation efforts should be geared towards sensitization of community and encourage planting of more trees along the catchment areas.

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 sports 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. In fostering this, the County will be hosting a marathon annually with a view to identify and support new talent in athletics.

Strategies to develop tourism infrastructure that can attract both local and international visitors are put into consideration which entails: rehabilitation of existing sites and marketing the existing tourism attractions

ii) Investing in quality and accessible health care services, quality education as well as strengthening the social sector net

A healthy population is essential for higher productivity and sustained long term development of the county. The county government intends to enable access to modern and well-equipped health facilities with well trained and motivated health personnel.

The strategy is to modernize Kapsabet County Referral hospital with all essential drugs and non-pharmaceuticals with specialized equipment necessary to handle all health related cases. Over the medium term, the county government will continue to Rehabilitate, expand and fully equip all the sub-county hospitals and health centres and adequately stocking with requisite drugs, establishing maternity wings as well as have Kapsabet and Nandi hills morgue fitted with facilities necessary to handle relevant cases. The county will also collaborate with the National government and other development partners in the area of training so that the county will have healthcare workers with all the necessary and sufficient knowledge and skills for quality health care services.

The Government signed the leasing programme for medical equipment with the national government which when implemented will improve the quality of service delivery.

Education -Proper and early development of a child lays good foundation necessary for entry into primary school education. The county government appreciates this and therefore, intends to develop ECDE in the county. The county expects to complete constructing and equip ECDE centers across the county, and continue investing in capacity building of ECDE teachers and their management. The county will continue to equip the youth with skills necessary to enter the labour market by equipping the existing county polytechnics and establishing more.

Culture is an integral part of a community and its promotion is a noble course. The Nandi Culture is rich and county government will promote this by partnering with community leaders to identify those with cultural knowledge, identify and collect cultural artifacts and promote intercultural partnerships. Cultural sites will also be protected and developed which include the proposed Nandi and Terik cultural centres.

The county since its inception has continued to support less advantaged groups in the community which include the vulnerable children, persons living with disabilities. The county will have targeted programmes to support this disadvantaged group and also collaborate with existing National government and NGO programmes that targets them to enhance outreach.

iii) Sectoral transformation and creating conducive business environment

Over the medium term, the county intends to focus on expanding agricultural output to increase food supply, create employment and improve incomes. Increased food supply reduces food related prices, brings down the cost of living and ensures food security.

The strategy entails unlocking agricultural productivity among small-holder and livestock farmers through subsidized AI services, research and extension services and wide application of appropriate technology and mechanization of agriculture to achieve the highest level of production. In addition the county will invest in installing milk cooling plants in every Sub-county to save farmers from loss of agricultural produce; construct water pans in areas with seasonal water sources.

The county intends to support farmers' cooperatives to improve agricultural production and incomes.

The County Government intends to create conducive business environment to improve economic developments and support Small and Medium Enterprises(SMEs).Legislations are being put in place to allow businesses operate in lawful engagements, by deepening structural and governance reforms to encourage innovation, investment, growth and expansion of economic and employment opportunities in the county. Structural reforms aimed at improving efficiency and effectiveness of public service delivery facilitates private sector growth. In addition specific measures will be undertaken to provide incentives to both local and international investors in order to position Nandi County as the premier investment hub in the country and within the North Rift Economic Bloc (NOREB).

iv). Good governance for efficient service delivery

Nandi County continues to receive its shareable revenue. It is imperative that devolution achieves the objectives of better service delivery and rapid local economic development as well as job creation in line with the Vision 2030. However, this can only be realized if accountability and fiscal discipline in the use of devolved resources are entrenched and macroeconomic environment remains stable.

The county will improve efficiency in revenue collection through automation. Plan is also underway to set up information and communication centers in the county as well as developing ICT infrastructure. It is also worth noting that our local revenue ratio to National Governments' transfers stands at 8% and thus the need to put more emphasis on any programme(s) that are geared to raising this percentage.

This fiscal year the County government aims to serve and improve the lives of residents through good leadership, innovative technology and efficient infrastructure.

In order to improve staff morale, productivity and enhance efficiency, the County government of Nandi intends to introduce a reward system for instance pay bonus, mortgages and other loan facilities, incentives and scholarships.

The government is set to undertake civic education on various legislations to create public awareness on existing Bills and enacted Acts by the County Assembly.

Further, the County government intends to carry out consultative forums towards cohesion and integration among communities living within the county boundaries. This is to ensure a peaceful coexistence among the various communities thus promoting development.

FISCAL POLICY AND BUDGET FRAMEWORK

In developing the CFSP, the county is cognizant of consequential assumptions underlying its fiscal strategy in the short and medium term. In this respect, the fiscal framework is anchored on assumptions of (i) Reliable local revenue collection, (ii) the county's equal share from the National Treasury, (iii) a commitment to sound expenditure controls, and (v) a commitment to maintaining sound balance between development and recurrent spending. Equally important in this regard is the need to eliminate non-essential expenditures, inefficient spending and leakages

PERFORMANCE OF FY 2015/16 BUDGET

This section covers the performance of the FY 2015/16 budget for the period July 2015 to January 2016.

The County revenue for the this period was mainly from the National Government allocation as provided in the County Allocation of Revenue Act, 2015 and the County own revenue which consists of property rates, entertainment taxes and fees and charges as provided in the County Finance Act, 2015.

The expenditure units during the year were the County Assembly and the County Executive consisting of the Governor's office, the Deputy Governor's office, the Public Service Board, and Public Finance Management staff in the following areas;

- i. Department of Transport and Infrastructure.
- ii. Department of Land, Environment and Natural Resources
- iii. Department of Health and sanitation
- iv. Department of Trade, Investment and Industrialization Development
- v. Department of Youth, Sports and Social Services
- vi. Department of Tourism, Culture and Co-operative Development
- vii. Department of Agriculture, Livestock and Fisheries
- viii. Department of Finance, Economic Planning and ICT
- ix. Department of Devolved Units and special programmes
- x. Department of Education, Research and Vocational training

Table 1:**Performance of FY 2015/16 Budget as at the end of January 2016**

BUDGET PERFORMANCE for FY 2015/2016 as at 31-Jan-2016					
		FY 2015/2016			
		PRINTED ESTIMATES	ACTUAL EXPENDITURE	BALANCE	% utilization
1	TOTAL REVENUE	5,443,182,868	2,717,647,472	2,725,535,396	49.93
1.1	National Government Allocation	5,187,417,915	2,594,648,658	2,592,769,257	50.02
1.1.1	Equitable share	4,755,105,868	2,594,648,658	2,160,457,210	54.57
1.1.6	Balances B/F	432,312,047	432,312,047	0	100.00
1.2	Own revenue	255,764,953	122,998,814	132,766,139	48.09
2	TOTAL EXPENDITURE	5,443,182,868	2,415,650,565	3,027,532,303	44.38
2.2	RECURRENT	2,770,602,394	1,739,328,453	1,031,273,941	63
R4411	County Executive	373,034,461	262,234,282	110,800,179	70.30
R4413	Devolved units and Special Programs	56,026,000	30,497,426	25,528,574	54.43
R4412	Finance and Economic Planning and ICT	437,529,495	255,192,662	182,336,833	58.33
R4415	Agriculture and Livestock ,Vetinary Services and Fisheries	172,936,050	91,642,707	81,293,343	52.99
R4418	Education Research and Vocational Training	184,034,311	85,653,778	98,380,533	46.54
R4414	Health and Sanitation	754,471,254	624,663,237	129,808,017	82.79
R4421	Trade ,Industrial Development and Investments	45,192,300	23,193,478	21,998,822	51.32
R4420	Roads,Transport ,Infrastructure and Public Works	87,330,622	60,090,015	27,240,607	68.81
R4417	Youth,Gender and Social	36,590,501		26,848,465	26.62

	Services		9,742,036		
R4416	Tourism ,Culture and Co-Operative Development	26,808,786	6,832,730	19,976,056	25.49
R4419	Land,Housing ,Environment and Natural Resources	35,950,200	29,745,155	6,205,045	82.74
R4422	Public Service and Labour	36,500,200	12,796,725	23,703,475	35.06
R4423	County Assembly	524,198,214	247,044,222	277,153,993	47.13
2.3	Development	2,672,580,474	676,322,112	1,996,258,362	25
D4411	County Executive	78,000,000	4,458,445	73,541,556	5.72
DR4413	Devolved units and Special Programs	147,000,000	39,306,864	107,693,136	26.74
D4412	Finance and Economic Planning and ICT	747,989,774	-	747,989,774	0.00
D4415	Agriculture and Livestock ,Vetinary Services and Fisheries	43,765,000	6,860,181	36,904,819	15.68
D4418	Education Research and Vocational Training	161,000,000	14,672,559	146,327,441	9.11
D4414	Health and Sanitation	417,892,500	205,280,850	212,611,650	49.12
D4421	Trade ,Industrial Development and Investments	13,910,200	-	13,910,200	0.00
D4420	Roads,Transport ,Infrastructure and Public Works	441,410,000	187,192,952	254,217,048	42.41
D4417	Youth,Gender and Social Services	130,820,000	-	130,820,000	0.00
D4416	Tourism ,Culture and Co-Operative Development	43,710,000	1,690,500	42,019,500	3.87
D4419	Land,Housing ,Environment and Natural Resources	336,525,000	216,859,762	119,665,238	64.44
D4423	County Assembly	110,558,000	-	110,558,000	0.00

The Approved printed Estimates for the financial year 2015/2016 under review had a total of Kshs. 5,443,182,868 appropriated to various votes and items of expenditure. This comprised of 50.9% and 49.1% allocations to Recurrent and Development expenditures respectively.

Total expenditures for personnel emoluments amounted to **Kshs. 1,561,824,801** translating to 56.4 percent of the total recurrent expenditures and 28.7 percent of the total budget.

Revenues

The approved expenditures were to be financed from two main sources: the allocation from the National Government and County own revenue. These were projected at **Kshs. 4,755,105,868** and **Kshs. 255 million** respectively, equivalent to 95% from national government and 5% from local sources implying that government financing is risky since it relies on 95% external funding.

Performance of Revenue

As at the end of January 2016, cumulative revenue (both national and local) receipts amount to **Kshs. 2.7 billion** against a target of **Kshs. 5.4 billion** translating to 50 percent of the set target.

The fair performance has been mainly supported by fairly timely disbursement of revenue from National Government. To date it is also worth noting that the Government has received 9 million from DANIDA and 12 million from user fee and charges (including maternity fee) which are conditional grants.

The County Government is in the process of installing a revenue collection system which is at an advanced stage of development that will help in curbing revenue leakages and enhancing revenue data base for efficient and effective revenue management. We also look forward to acquiring vehicles that will facilitate the movement of staff within the County on monitoring and evaluation on both revenue and expenditure programmes.

Expenditure Performance

The County recorded a performance (excluding commitments) of 57 percent of the approved expenditures on Recurrent and 25% on Development for the first six months of the financial year. The recurrent expenditures were within the set targets. The major part of these recurrent expenditures were on personnel emoluments where the county had to cater for the deductions that spell over from 2014/2015 given late disbursement of June shareable revenue, the continued upsurge in personnel ratio by continued deployment of staff from the national government which now stands at 31%.

The County also did confirmed ESP health workers which led to the rise in the wage bill.

However there were quite significant delays in the execution of the development programmes as hampered by delayed approval of the development budget estimates due to lack of regulations

operationalizing the ward development fund, emergency fund and bursary fund, which has led to the revision of the budget to allow re-direction of the finances tied up in in the said funds allocation to specific programmes.

FISCAL OUTLOOK TO END JUNE 2016

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 2015/2016 and has been able to work within the set programmes.

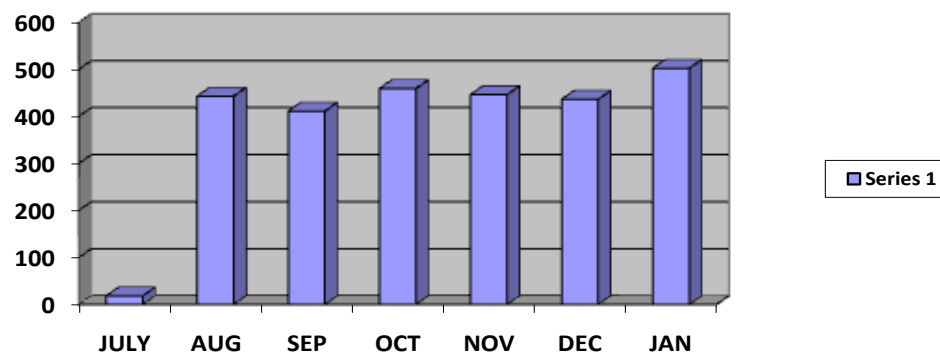
We do foresee having a shortage on personnel emoluments caused by huge amounts of deductions that spilled out from 2014/2015 due to delayed release of June 2015 disbursements. These occurred after the completion and submission of the 2015/2016 Estimates.

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 2015/2016 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, 2015.

Diagram 1: Performance of revenue July 2015 – Jan 2016: (Kshs Millions).



In July the County never received any funding from the exchequer due to delayed budget preparation and hence its execution.

To overcome the challenges of revenue shortfall against expenditure pressures, the county will 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. In addition, automation of revenue collection is on an advanced stage.

The County shall further rationalize some expenditure so as to create savings for the additional expenditures. In this vein the County Treasury issued a circular on October 2015 for prudent and objective execution of recurrent expenditures. Specifically, most recurrent expenditure shall not be increased except of 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.

BUDGETARY CHALLENGES ENCOUNTERED IN THE CURRENT YEAR (2015/2016).

The implementation of this budget was not without challenges. During the period under review, the following challenges were encountered;

- Delays in the disbursement from National government.
- Shortfall in collection of local revenue more specifically on cess.
- Political interference on revenue collections and persistent demonstrations
- Unclear devolved functions due to lack of specific guidelines on devolved functions.
- Public expenditure pressures especially on recurrent expenditure thus limiting the continued funding for development expenditure.
- Delayed release of the Development funds by the Office of Controller of Budget and tied up funds on ward development fund.
- Procurement challenges posed by introduction of e-procurement.

STRATEGIC PRIORITIES OVER THE MEDIUM TERM

Budget estimates for the FY 2016/2017 and over the Medium Term, shall be based on the priorities outlined herein which are guided by the County Integrated Development Plan (CIDP) and aimed at accelerating growth, employment creation, poverty reduction, improvement of social welfare and security.

These shall be attained through;

- i. Investing in Infrastructure
- ii. Investing in quality and accessible health care services, quality water, quality education as well as strengthening the social sector net
- iii. Sectorial transformation and creating conducive business environment
- iv. Good governance for efficient service delivery

The 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 the county expenditures.

Main areas of intervention over the medium term will include:

- i. Agriculture development – crop production, Livestock, and Fisheries Development.
- ii. Roads, transport and public works – Infrastructure, mainly on roads and street lighting
- iii. Supporting Investment and Trade
- iv. Security
- v. Provision of Health and Sanitation Services- preventive and curative health care
- vi. Provision of Water and Spring/water catchment protection.
- vii. Lands and Environment – Energy, Lands, forestry and Wildlife, Research and Development.
- viii. Public Service
- ix. Tourism development – identifying and developing existing tourist attraction sites.
- x. Promotion of Education, Research and Vocational Training

Enhancement of Agricultural Productivity

Investing in Agricultural sector not only promotes 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. This will be achieved through improvement of land use and crop development, enhanced accessibility to

affordable farm inputs, adding value to agricultural produce and link the farmers to markets for their produce, extension services, use of environmentally friendly products, promotion of agro based industries and development of post - harvest farm management systems.

The county shall focus on milk production where it shall endeavor to provide animal breeding services through provision of AI services. Currently a programme is underway in construction of cooling plants at each ward to enhance milk collections and boost marketing of these milk produce from farmers. The government is also looking forward to promoting rearing of dairy goats within our county to subsidize of cow milk.

Over medium term the government looks forward to providing subsidized avocado seedlings and coffee for farmers to boost their production.

Continuing Investment in Infrastructure

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

In the current financial year, the county invested substantial amount in purchasing phase 1 of roadwork machinery and equipment so as to ensure quality road maintenance and sustainability as well as minimize overall costs in the long run. In the medium term, the county plans to allocate more funds in Phase II of the program to purchase more equipment intended to fully mechanize the roads department.

The government intends to allocate more resources towards equipping of its hospitals and all other health centers to ensure quality healthcare for all the residents. Of high importance also is the construction of early childhood educational facilities (classrooms) as well as ensuring well established youth polytechnics infrastructure. With the scarcity of resources, the County Government over the medium term shall consider employing asset financing and other borrowings to address whatever the shortage as may occur while implementing the development programs as envisaged in the CIDP.

To promote commerce coupled with security, the county street lighting will be done in all major urban areas. As part of branding, beautification of the county will still be prioritized. In addition, efficient waste management system will be put in place as well as proper drainage and sewer lines especially in Kapsabet town and other urban areas.

County government owned houses will be renovated and refurbished for efficiency. A fire station will also be constructed to house the newly acquired fire engines to respond to emergencies and disasters on time.

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 sports 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. Strategies to develop tourism infrastructure that can attract both local and international visitors are put into consideration which entails: rehabilitation of existing sites and marketing the existing tourism attractions.

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, facilitating capacity building, simplifying and modernizing 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 expand and increase market opportunities for small and medium industries.

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, support entrepreneurship and industrial development and promote exports. In addition specific measures will be undertaken to provide incentives to both local and international investors in order to position Nandi County as the premier investment hub in the country. Other measures will include maintaining law and order and providing security.

Local businesses will be promoted through promotion of agro-based industries, training of entrepreneurs and enhanced licensing of businesses. To this end, the upcoming investment shall play a crucial role in showcasing Nandi County as a preferred investment hub and destination.

Security Programme

Security is a foundation for stability, individual social welfare and economic development by creating investor and business confidence. The county will coordinate with the national government with a view to improving this area. The programme is expected to enhance the provision of efficient and effective services to the people of Nandi and facilitate an enabling environment for other sectors to thrive in. This fiscal year the County government aims to serve and improve the lives of residents through good leadership, innovative technology and efficient infrastructure.

The government is set to undertake civic education on various legislations to create public awareness on existing Bills and enacted Acts by the County Assembly.

Further, the County government intends to carry out consultative forums towards cohesion and integration among communities living within the county boundaries. This is to ensure a peaceful coexistence among the various communities thus promoting development.

Provision of Health and Sanitation Services

In line with Vision 2030, the county shall ensure provision of equitable and affordable healthcare at the highest affordable standards. A healthy population is essential for higher productivity and sustained long term development of the county. The county government intends to enable access to modern and well-equipped health facilities with well trained and motivated health personnel.

The strategy is to modernize Kapsabet County Referral hospital with all essential drugs and non-pharmaceuticals with specialized equipment necessary to handle all health related cases. Over the medium term, the county government will continue to Rehabilitate, expand and fully equip all the sub-county hospitals and health centres and adequately stocking with requisite drugs, establishing maternity wings as well as have Kapsabet and Nandi hills morgue fitted with facilities necessary to handle relevant cases. The county will also collaborate with the National government and other development partners in the area of training so that the county will have healthcare workers with all the necessary and sufficient knowledge and skills for quality health care services.

In the medium term, the County government will seek to address health related challenges through 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 construction and upgrading of health facilities, and procurement of medical inputs, management of childhood illnesses through sensitization and provision of immunization services and create awareness through campaigns.

Provision of water and Sanitation

His Excellency the Governor's manifesto clearly outlined his intention to provide clean and accessible water to all residents in the county. The county has invested in developing and commissioning major water projects across the county and conservation of water catchment areas by protecting springs and water bodies. Conservation efforts should be geared towards sensitization of community and encourage planting of more trees along the catchment areas. This will redirect the energies used by most women and children for collecting water far away at rivers to more useful purposes.

Over medium term the county shall continue the completion of ongoing water projects.

Maximizing the use of the County's Natural Resources

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 and natural resources and also

ensure provision of reliable and affordable energy through exploration of environmentally friendly and renewable energy sources; and rehabilitation and protection of water resources.

Public Service

The County will promote best labour practices in recruitment, allocating, motivating and effectively utilizing human resources for improved public service delivery and promote public service integrity.

Promotion of Tourism and Culture

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 rehabilitation of existing sites, construction of monuments of our heroes and heroines, marketing the existing tourism attractions and promoting our cultural heritage including sports. Some of the initiatives already put in place like the Kamatargui conservancy, the Kapsabet stadium etc shall be fast-tracked. Culture is an integral part of a community and its promotion is a noble course. The Nandi Culture is rich and county government will promote this by partnering with community leaders to identify those with cultural knowledge, develop Koitalel Samoei Museum, identify and collect cultural artifacts and promote intercultural partnerships. Cultural sites will also be protected.

The county since its inception has continued to support less advantaged groups in the community which include the vulnerable children, persons living with disabilities. The county will have targeted programmes to support this disadvantaged group and also collaborate with existing National government and NGO programmes that targets them to enhance outreach.

Promotion of Education, Research and Vocational Training

Education -Proper and early development of a child lays good foundation necessary for entry into primary school education. The county government appreciates this and therefore, intends to develop ECDE in the county. The county expects to complete constructing and equip ECDE centers across the county, and continue investing in capacity building of ECDE teachers and their management. The county will continue to equip the youth with skills necessary to enter the labour market by equipping the existing county polytechnics and establishing more.

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 2014, 2016 and 2016 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. 4,992,861,161** during the FY 2016/17. 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 2016/17. We anticipate receiving DANIDA funds, 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 2016.

The County own revenue is projected at **Kshs. 370.3 million**. 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. 5.67 billion** in FY 2016/17 increasing to **Kshs. 5.9 billion** and **Kshs. 6.2 billion** in FY 2017/2018 and FY 2018/2019 respectively.

EXPENDITURES

Recurrent expenditures

Kshs. 3.44 billion is projected to be spent on Recurrent Expenditures in the FY 2016/2017 and **Kshs. 2.225 billion** on development translating to 60% and 40% respectively.

Recurrent expenditures are projected to increase to **Kshs. 3.51 billion** and **Kshs. 3.57 billion** in FY 2017/18 and FY 2018/19 respectively.

Development expenditures

Total development expenditures shall account for 40 percent in FY 2016/17. 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 2016/2017 and subsequent years:-

RESOURCE ENVELOPE

MEDIUM TERM FISCAL FRAMEWORK FY 2016/17, 2017/18 to 2018/19

CODE	REVENUE ITEMS	Printed Estimates	Medium Term Projections		
		2015/2016	2016/2017	2017/2018	2018/2019
1	Total Anticipated Revenue	5,443,182,868	5,666,145,055	5,949,452,308	6,246,924,923
1.1	Local Revenue	255,764,953	273,283,894	286,948,088	301,295,493
1520100	LAND RATES	31,537,953	37,845,544	39,737,821	41,724,712
1520500	PLOT RENT	1,060,000	1,113,000	1,168,650	1,227,083
1420328	SINGLE BUSINESS PERMIT	30,500,000	32,025,000	33,626,250	35,307,563
1420405	MARKET FEE	11,300,000	11,865,000	12,458,250	13,081,163
1330405	AGRICULTURE	6,600,000	6,930,000	7,276,500	7,640,325
1420345	CESS	13,800,000	14,490,000	15,214,500	15,975,225

1420507	KIBORGOK TEA PROCEEDS	20,100,000	21,105,000	22,160,250	23,268,263
1580401	SLAUGHTER FEE	972,500	1,021,125	1,072,181	1,125,790
1550105	HOUSE RENT/STALLS	3,896,000	4,090,800	4,295,340	4,510,107
1550000	TRADE AND FAIR	3,880,000	4,074,000	4,277,700	4,491,585
1420404	PARKING FEE	33,642,700	35,324,835	37,091,077	38,945,631
1450100	CATTLE DIPS	8,477,300	8,901,165	9,346,223	9,813,534
1580100	HEALTH AND SANITATION	80,530,000	84,556,500	88,784,325	93,223,541
1420403	SEWERAGE AND WATER	332,400	349,020	366,471	384,795
1530000	OTHER FEES	9,136,100	9,592,905	10,072,550	10,576,178
1.2	GOVERNMENT FUNDING	5,187,417,915	5,392,861,161	5,662,504,219	5,945,629,430
1.2.1	CRF Fund Balances	432,312,047	400,000,000	420,000,000	441,000,000
1.2.2	CRA EQUITABLE SHARES	4,755,105,868	4,992,861,161	5,242,504,219	5,504,629,430
1.3	CONDITIONAL GRANTS	352,677,747	365,524,400	383,800,620	402,990,651
1.3.1	DANIDA -HSPS3	18,310,000	19,225,500	20,186,775	21,196,114
1.3.2	FREE MATERNAL H. C.	67,048,800	70,401,240	73,921,302	77,617,367
1.3.3	COMPENSATION OF USER FEE	17,551,588	18,429,167	19,350,626	20,318,157
1.3.4	LEASING OF MEDICAL EQUIPMENT	95,744,681	95,744,681	100,531,915	105,558,511
1.3.5	COUNTY EMERGENCY FUND	93,617,021	98,297,872	103,212,766	108,373,404
1.3.6	RMLF	60,405,657	63,425,940	66,597,237	69,927,099

Note:

That all the conditional grants are offered with the intended purpose pre-determined. The departments responsible shall realize these amounts in their estimates as they are vested with the management.

		Printed Estimates	Medium Term Projections		
		2015/2016	2016/2017	2017/2018	2018/2019
2	TOTAL EXPENDITURE	5,443,182,868	5,666,145,055	5,779,467,956	5,895,057,315
2.2	RECURRENT	2,770,602,394	3,440,803,360	3,509,619,427	3,579,811,816
R4411	County Executive	373,034,461	493,544,483	503,415,373	513,483,680
R4413	Devolved units and Special Programs	56,026,000	70,281,301	71,686,927	73,120,666
R4412	Finance and Economic Planning and ICT	437,529,495	657,473,155	670,622,618	684,035,070
R4415	Agriculture and Livestock and Fisheries	172,936,050	182,936,000	186,594,720	190,326,614
R4418	Education Research and Vocational Training	184,034,311	284,031,500	289,712,130	295,506,373
R4414	Health and Sanitation	754,471,254	834,472,000	851,161,440	868,184,669
R4421	Trade ,Industrial Development and Investments	45,192,300	46,196,500	47,120,430	48,062,839
R4420	Roads, Transport ,Infrastructure and Public Works	87,330,622	186,100,400	189,822,408	193,618,856
R4417	Youth, Gender and Social Services	36,590,501	37,950,601	38,709,613	39,483,805
R4416	Tourism ,Culture and Co-Operative Development	26,808,786	28,870,300	29,447,706	30,036,660
R4419	Land, Housing ,Environment and Natural Resources	35,950,200	40,230,400	41,035,008	41,855,708
R4422	Public Service and Labour	36,500,200	34,350,200	35,037,204	35,737,948
R4423	County Assembly	524,198,214	544,366,520	555,253,850	566,358,927
2.3	Development	2,672,580,474	2,225,341,695	2,269,848,529	2,315,245,499

D4411	County Executive	78,000,000	50,355,000	51,362,100	52,389,342
D4413	Devolved units and Special Programs	147,000,000	76,051,045	77,572,066	79,123,507
D4412	Finance and Economic Planning and ICT	747,989,774	105,300,650	107,406,663	109,554,796
D4415	Agriculture and Livestock ,Vetinary Services and Fisheries	43,765,000	110,635,000	112,847,700	115,104,654
D4418	Education Research and Vocational Training	161,000,000	115,500,000	117,810,000	120,166,200
D4414	Health and Sanitation	417,892,500	452,000,000	461,040,000	470,260,800
D4421	Trade ,Industrial Development and Investments	13,910,200	45,000,000	45,900,000	46,818,000
D4420	Roads, Transport ,Infrastructure and Public Works	441,410,000	630,000,000	642,600,000	655,452,000
D4417	Youth, Gender and Social Services	130,820,000	104,600,000	106,692,000	108,825,840
D4416	Tourism ,Culture and Co-Operative Development	43,710,000	30,000,000	30,600,000	31,212,000
D4419	Land, Housing ,Environment and Natural Resources	336,525,000	405,000,000	413,100,000	421,362,000
D4423	County Assembly	110,558,000	100,900,000	102,918,000	104,976,360

In 2016/2017 we anticipate spending highly on Health and Sanitation with an allocation of 24% of the total expenditure followed by Roads and infrastructure with 15% the least being the department of Public service and labour whose allocation is approximately 1%.

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 2015/2016 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 throughout 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 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 his 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.