



REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

COUNTY TREASURY

COUNTY FISCAL STRATEGY

PAPER, 2020

**HARNESSING THE 'BIG FOUR' FOR JOB CREATION
AND ECONOMIC PROSPERITY**

FEBRUARY, 2020

FOREWORD

The County Fiscal Strategy Paper (CFSP), 2020 has been prepared against a resilient national economy as compared to the weak global economy. The policies outlined in this CFSP are based on the Budget Policy Statement (BPS), 2020. The BPS is a Government policy document that sets out the broad strategic priorities and policy goals that will guide the National Government and the County Governments in preparing their budgets both for the following financial year and over the medium term.

Global economy is anticipated to grow marginally at 3.4 percent in 2020 from the estimated 3.0 percent in 2019. This is of great concern to our county as these are the primary markets of our agricultural products and majorly coffee and tea. The Kenyan economy is expected to grow by 6.1 percent in 2020 and further by 7.0 per cent over the medium term from the 5.6 per cent in 2019. This will be favored by the robust services sector, steady macroeconomic environment and progressing investments strategic priorities of the Government under the “Big Four” Agenda. With a strong agricultural sector, Nyeri County is expected to greatly gain from the expansion of the national economy and accord vastly through investment in the infrastructural development.

The County Fiscal Strategy Paper (CFSP),2020) sets out the County Governments’ priority programs and reforms to be implemented in the Financial Year 2020/2021. The programs and policies herein have taken into account priorities as articulated in the CIDP 2018-2022, the ADP for Financial Year 2020/2021, Medium Term Plan III of the Kenya Vision 2030 and the “Big Four” agenda. Evident development has been attained in different sectors in the county in the implementation of her strategic plans which have contributed immensely to stimulating the economy and improving the lives of Nyerians. Building on these gains, the county will strengthen implementation of programmes that make growth more inclusive.

The policy measures outlined in this County Fiscal Strategy Paper prioritize investments in the “Big Four” Agenda and are anchored on the National Development Plan as outlined in the Third Medium Term Plan (MTP III) of the Kenya Vision 2030. The County Government will continue to provide an enabling environment for economic growth and job creation, quality services to its citizens, and serve the residents in an accountable and transparent manner.

The policy goals, priority programs and fiscal framework in this CFSP reflect emerging realities and priorities in the ADP 2020-2021 and CIDP 2018-2022. The expenditure priorities in this CFSP have been intensely reviewed in accordance to the County Government strategic priorities including the “Big Four” Agenda. Subsequently, budget allocations have been premised on the sustainability, affordability and the degree to which the programmes contribute towards job creation and reduction in poverty and inequality.

The culmination of this CFSP was as a result of lengthy deliberations with all stake holders within and outside the county. I would like to thank H.E the Governor, the entire County Executive for overseeing the formulation of this document. Finally, I would wish to thank the general public who provided useful comments that contributed in reshaping the policy as we concluded the preparation of this document, through the open participation forums held across the county.



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ACKNOWLEDGEMENT

The Nyeri County Fiscal Strategy Paper (CFSP), 2020 has been prepared in accordance with section 117 of the Public Finance Management Act 2012. This Strategy Paper outlines the current state of the economy, setting out the macroeconomic outlook over the medium term and broad strategic priorities and policy goals, with a summary of county spending plans that will guide the preparation of the budget for the Financial Year 2020/2021. This publication is intended to enhance understanding of County's public finances and hence guide public debate on economic planning and budgeting matters.

The County Government of Nyeri will continue to ensure prudent management of public resources for maximum benefit to the citizens. The Public views will be greatly taken into account, as they represented the actual needs of the county residents, as we come up with the financial year 2020/21 budget proposals. The Projects and programmes which will be budgeted for will be those in line with the national and county development agenda as outlined in the Medium Term Plan (MTP) III of vision 2030 and CIDP - 2018-2022.

The focus will be directed towards financing of the Flagship projects and completing the ongoing projects. This will invaluablely create employment and support the productive sectors for the benefit of all citizens. The government will also continue to pursue equity in allocation of resources in recognition of the fact that wards have diverse needs and are at different levels of development.

The preparation of this County Fiscal Strategy Paper was a collaborative effort from an array of expertise of professionals and key stakeholders in the County. We are grateful for their inputs. We are also grateful to those who provided inputs during the various public participation fora conducted in the County. The contributions you made have gone a long way to make this important publication a success.

Immense appreciation goes to the County Executive Member for Finance and Economic Planning for the good will and guidance provided during the entire period of preparation of this document. We are particularly grateful to the county departments and spending units for the incalculable contribution and input in the development of this policy document. Thanks to the core team in the Economic Planning unit who spent significant amount of time and energy consolidating and developing this policy document.



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LIST OF ABBREVIATIONS

ADP	Annual Development Plan
AMS	Agriculture Machinery Station
CBD	Central Business District
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agency
EAC	East African Community
EAMU	East African Monetary Union
ECDE	Early Childhood Development Education
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographical Information System
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
KCSAP	Kenya Climate Smart Agricultural Project
KDSP	Kenya Devolution Support Program
KEMSA	Kenya Medical Supplies Agency
KUSP	Kenya Urban Support Program
MTP	Medium Term Plan
MTEF	Medium Term Expenditure Framework
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NEMA	National Environment Management Authority
NHIF	National Hospital Insurance Fund
NMK	National Museum of Kenya
PFM	Public Finance Management
SGR	Standard Gauge Railway
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage
UNOP	United Nations Office for Projects services

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Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:

- 1) 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.
- 2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
- 3) 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 their budget both for the coming financial year and over the medium term.
- 4) 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.
- 5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of -
 - (a) the commission of revenue allocation;
 - (b) the public;
 - (c) the interested persons or groups;
 - (d) Any other forum that is established by legislation.
- 6) 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.
- 7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
- 8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

Fiscal Responsibility Principles for the National and County Governments

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. The PFM act, 2012, (Section 15) states that:

- 1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure
- 2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
- 3) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly.
- 4) Over the medium term, the national and county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the county assemblies for the County Governments.
- 6) Fiscal risks shall be managed prudently; and
- 7) 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.

INTRODUCTION

The County Fiscal Strategy Paper (CFSP) is a county government policy document that sets out the broad strategic priorities and policy goals that will guide the county departments and entities in preparing their budgets, both for the following financial year and over the medium term. It looks at how the past and the present setting of the budget process can inform the future.

It is prepared in line with the aspirations of the Budget Policy Statement that guides the National Government and the County Governments in preparing their medium term budgets. Prudent and transparent management of public resources is demonstrated by adherence to the fiscal responsibility principles in line with the Constitution and the Public Finance Management (PFM) Act, 2012 and all relevant regulations

The County Treasury shall prepare and submit the County Fiscal Strategy Paper to the County Executive Committee for approval. The County Treasury shall then submit the approved Fiscal Strategy Paper to the County Assembly by 28th February of each year as per Section 117 of the PFM Act 2012. Subsequently, the county assembly shall then consider the Fiscal Strategy Paper and may adopt it with or without amendments not later than fourteen days after it is submitted.

The County Executive Committee shall take into account resolutions passed by County Assembly in finalizing the budget for the relevant financial year. The budget for the FY 2020/2021 will be anchored on the approved CIDP 2018-2022 and the Annual Development Plan for the FY 2020/21 that clearly outlines the aspirations of the government.

The County Fiscal Strategy Paper contains:

- (a) an assessment of the current state of the economy including macroeconomic forecasts and the likely impact on the county;
- (b) the financial outlook with respect to Government revenue and expenditures for the next financial year and over the medium term;
- (c) the proposed expenditure ceilings for the County Government departments and units, including those of the County Assembly.

The preparation of the CFSP was a consultative and all-inclusive process that involved engagement of all the stakeholders in development taking into consideration the views of: County Governments departments; the public; and any other interested persons or groups.

I. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

1.0 Overview

1. The economy of Kenya continued to be robust and grew by an average of 5.5 percent in the first three quarters of 2019, mostly supported by strong performance in the services sector. Growth momentum is expected to pick up to 5.6 percent in 2019, 6.1 percent in 2020 and further to 7.0 percent over the medium term supported by a strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector, and investments in strategic areas under the “Big Four” Plan.

2. The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate to support exports. At 5.8 percent in December 2019, year-on-year overall inflation remained stable and within the 5 (+/-2.5) percent target largely due to lower food prices following favorable weather conditions. Inflation is expected to remain within target in 2020, largely due to lower energy prices and expected stability in food prices.

3. The foreign exchange market remains stable supported by the narrowing of the current account deficit. The current account deficit is estimated at 4.3 percent of GDP in 2019 down from 5.0 percent in 2018. The narrowing deficit reflects strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports due to lower food imports and the decline in international oil prices.

1.1 Recent Economic Developments

1.1.1 Global and Regional Economic Developments

4. Global growth is projected to rise to 3.4 percent in 2020 from an estimated 3.0 percent growth in 2019. This is attributed to recoveries in strained emerging markets and macroeconomic policy support in major economies.

5. In advanced economies, growth is expected to slow down to 1.7 percent in 2020 from an estimated 2.3 percent in 2018 mainly due to trade tensions between the United States of America (U.S.A) and China, uncertainties in Brexit outcome, rising global oil prices, and the pace of normalization of monetary policy in the advanced economies. While in the developing economies, growth is expected to pick up to 4.6 percent in 2020 from an estimated 3.9 percent in 2019 reflecting recoveries in stressed economies.

6. In the sub-Saharan Africa, growth is projected to improve to 3.6 percent in 2020 from 3.2 percent in 2018 and 2019, due to higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

7. In the East African region, growth is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly braced by the stable macroeconomic environment, recovery in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

1.1.2 Domestic Economic Developments

8. Kenya's economic growth has continued being strong and resilient despite emerging global challenges, reinforced by strong public and private sector investment and appropriate economic and financial policies. The broad-based economic growth has averaged 5.7 percent for the last six years (2013 to 2018) outperforming the average growth rate of 4.7 percent in the period 2008 to 2012 and 5.4 percent in the period 2003 to 2007. However, this is expected to rise to an estimated 5.6 percent in 2019 and projected to recover to 6.1 percent in 2020.

9. The agriculture sector's contribution to GDP growth declined to 0.6 percent in the third quarter of 2019 compared to 1.3 percent in the same period in 2018. On the other hand, the service and industry sector remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from a growth of 6.5 percent in a similar quarter in 2018.

1.1.3 Inflation Rate

10. In the period 2018-2019, overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent. In December 2019, inflation rate was at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices.

11. The delay in the onset of rains resulted in lower agricultural activities and raised food inflation from March 2019. Food inflation increased from 2.6 percent in December 2018 to 9.3 percent in December 2019 reflecting rising prices of key food items.

12. However, Kenya's rate of inflation compares favorably with the rest of Sub-Saharan African countries and its peers such as Nigeria and Ghana whose inflation rates were 11.9 percent and 8.2 percent, respectively in November 2019

1.1.4 Kenya Shilling Exchange Rate

13. The Kenya Shilling has remained relatively stable due to continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling strengthened against the US Dollar and the Euro exchanging at an average of Kshs 101.4 and Kshs 112.7 in December 2019 from Kshs 102.3 and Kshs 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Kshs 133.0 in December 2019 compared to Kshs 129.7 in December 2018.

14. The Kenya Shilling has continued to exhibit relatively less volatility, compared to most Sub-Saharan currencies. This stability mirrors strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services such as tourism.

1.1.5 Interest Rates

15. Interest rates were low and stable for the period 2008 to 2011 due to sufficient liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in the period 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. The reduction in Central Bank Rate to 8.5 percent on 25th November 2019 from 9.0 percent in August 2018 created room for easing monetary policy stance to support economic activity.

16. The interbank rate declined to 5.9 percent in December 2019 from 8.2 percent in December 2018 due to enhanced liquidity in the money market. The interest rates for government securities have been declining indicating that the implementation of government domestic borrowing program supported market stability. The 91-day Treasury bills rate declined to 7.2 percent in December 2019 compared to 7.3 percent in December 2018. The 182-day Treasury bills rate declined to 8.2 percent from 8.4 percent while 364-day increased to 9.8 percent from 9.7 percent.

1.1.6 Money and Credit

17. In the year 2019, growth in broad money supply slowed down to 5.9 percent by November 2019 compared to a growth of 8.4 percent in the same period by November 2018. This was due to the decline in both net foreign assets (NFA) and net domestic assets (NDA). This was also supported by an improvement in the growth of demand deposits despite a decline in the time and savings deposits, foreign currency deposits, and currency outside banks.

18. Annual lending to the private sector grew by 7.3 percent in the year to November 2019, compared to a growth of 3.0 percent in the year to November 2018. In particular, credit to consumer durables, manufacturing, trade, finance and insurance and mining and quarrying sectors experienced strong growths of 25.9 percent, 5.7 percent, 7.3 percent, 15.8 and 31.2 percent, respectively. Private sector credit growth is expected to strengthen in 2020 relative to 2018, due to the repeal of interest rate cap.

1.1.7 Balance of payments

19. The overall balance of payments position was a deficit of US\$ 873.3 million (0.9 percent of GDP) in the year to October 2019 an improvement from a deficit of US\$ 1352.4 million (1.5 percent of GDP) in the year to October 2018. This deficit was due to a decline in the capital and financial account despite an improvement in current accounts.

20. The current account balance reduced by 35.4 percent to a deficit of US\$ 3783.2 million (4.0 percent of GDP) in the year to October 2019 compared to a deficit of US\$ 4,452.8 million (5.1

percent of GDP) in the year to October 2018. This reflects resilient performance of exports particularly horticulture and manufactured goods, strong growth in diaspora remittances, higher tourism and transport services receipts and lower imports of food and SGR-related equipment. The current account deficit is expected to reduce to 4.3 percent in 2020.

1.1.8 Foreign Exchange Reserves

21. Foreign exchange reserves have increased from about 3.0 months of import cover in 2003 to above 5.0 months of import cover in 2019. This fulfils the requirement to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover thereby providing an adequate buffer against short term shocks in the foreign exchange market.

22. The banking system's foreign exchange holding remained strong at US\$ 13,343.9 million in October 2019 from US\$ 11,667.9 million in October 2018. The official foreign exchange reserves held by the Central Bank improved to US\$ 9,336.8 million (5.7 months of import cover) in October 2019 compared with US\$ 8,553.9 million (5.6 months of import cover) in October 2018. Commercial banks holdings stood at US\$ 4,007.2 million in October 2019 up from US\$ 3,114.0 million in October 2018.

1.2 Fiscal performance

1.2.1 FY 2019/20 Budget

23. The implementation of projects and programs started late due to the stalemate on the approval of Division of Revenue Act (DORA), 2019 between the Senate and the National Assembly. Only a few projects were implemented in the first half of the FY 2019/20 and most of them are commencing at this time. This means that the absorption of budget is very low so far and remains an area of concern going forward.

24. It is also worth noting that significant number of projects and programmes planned for implementation in the FY 2018/19 were either complete but not paid for by the end that financial year, or were incomplete and therefore rolled over to the FY 2019/20. This gave rise to pending bills and commitment expected to be settled in the current financial year. The County Government will continue strengthening monitoring of projects and programmes both at the departmental and county level to ensure value for money and optimal benefit accrue to the Nyeri Citizenry. The county treasury has allocated Kshs. 61 million for payment of all pending bills from the FY 2019/20.

25. The County Assembly approved the first supplementary budget for the FY 2019/20 in December 2019 to realign it with the County Allocation of Revenue Act, 2019 whose enactment was delayed by the stalemate on the approval of the Division of Revenue Act, 2019 between the National Assembly and the Senate. The total approved budget estimates for the financial year is Kshs. 8,843,027,684 comprising of Kshs 5,787,876,207 for recurrent and Kshs 3,055,151,477

for development. These expenditures are financed by the locally collected revenue, the equitable share, conditional grants and transfers from other government entities as shown below;

Table 1: Sources of Revenue for the Supplementary Budget FY 2019/20

NO	DESCRIPTION	SPECIFIC GRANTS	AS PER CARA, 2019
1	Equitable Share		5,412,150,000
2	Conditional Grants	Level 5 Hospitals	407,861,272
		Road maintenance levy fund	153,627,469
		Compensation for user fees foregone	13,701,379
		Development of Youth Polytechnics	55,143,298
		Kenya Urban Support Program (UIG)	8,800,000
		Kenya Urban Support Program (UDG)	236,639,100
		Kenya Devolution Support Program (KDSP)	73,740,801
		Transforming Health Systems for Universal Health Care (THSUCP)	50,181,184
		DANIDA	15,000,000
		Agriculture Sector Development Support Programme (ASDSP)	15,187,858
		Kenya Climate Smart Agriculture Project (KCSAP)	186,033,960
		Universal Health Coverage-	159,894,390
			1,375,810,711
3	Estimated Local Revenue		1,000,000,000
4	Balance brought forward		1,055,066,973
	Estimated total amount for budgeting		8,843,027,684

1.2.2 Revenue Performance

26. By end of December 2018, cumulative revenue receipts amounted to Kshs. 2,452,253,039.85, comprising of Kshs 2,182,049,723.85 from the national sources and Kshs 331,021,907 as local revenue. The amount of local Revenue collected during the first half of the FY 2019/20 was Kshs 270,203,316 as compared to Kshs 331,021,907 over the same period in the FY 2018/2019. This indicates a decrease of 22.51 percent which can mainly be attributed to introduction of Universal Health Coverage that drastically reduced the revenue collected from health services. The main sources of county own source revenue are market fees, cess, hospital and sanitation levies, parking fees, single business permit, liquor license and land rates.

Table 2: Cumulative Revenue Out-turn, July – December 2019

SOURCES OF REVENUE	AMOUNT RECEIVED AS AT 31.12.2019
Equitable Share	1,915,901,100.00
Level 5 Hospitals	181,090,405.00
Road Maintenance Fuel Levy Fund	0.00
User Fees Forgone	0.00

SOURCES OF REVENUE	AMOUNT RECEIVED AS AT 31.12.2019
Development of Youth Polytechnics	0.00
Kenya Urban Support Program (UIG)	0.00
Kenya Urban Support Program (UDG)	0.00
Kenya Devolution Support Program (KDSP)	0.00
Transforming Health Systems for Universal Health Care (THSUCP)	6,206,087.75
DANIDA	7,500,000.00
Agriculture Sector Development Support Programme (ASDSP)	0.00
Kenya Climate Smart Agriculture Project (KCSAP)	71,352,131.10
Universal Health Coverage-	0.00
TOTAL EXCHEQUER	2,182,049,723.85
LOCAL REVENUE	270,203,316.00
TOTAL REVENUE	2,452,253,039.85

Source: Department of Finance and Economic Planning, 2020

1.2.3 Expenditure Performance

27. Recurrent expenditure for the first half of FY 2019/20 was Kshs. 2,423,069,399 representing 41.86% of the approved supplementary budget. The department of Lands, Housing, Physical Planning and Urbanization led in absorption at 51.99 percent while Office of the County Secretary absorbing the least at 18.88%.

Table 3: Recurrent Expenditure - July To December 2019

Head/Department	Approved Estimates	Actual Expenditure	Percentage Absorption
County Assembly	676,085,232	321,389,679	47.54
Executive Office of the Governor and Deputy Governor	149,920,638	42,561,615	28.39
Office of the County Secretary	308,391,164	58,223,534	18.88
Finance & Economic Planning	814,464,447	258,891,582	31.78
Lands, Housing, Physical Planning and Urbanization	46,961,612	24,413,001	51.99
Health, Public Health and Sanitation Services	2,647,844,894	1,284,405,361	48.51
Gender, Youth and Social Services	71,078,597	20,989,473	29.53
County Public Service Management	61,391,918	26,918,343	43.85
Agriculture, Livestock and Fisheries	264,517,572	107,319,172	40.57
Trade, Culture, Tourism and Cooperative Development	57,075,517	22,850,959	40.04
Education, Sports, Science and Technology	388,577,646	119,778,017	30.82
Water, Sewerage and Sanitation, Environment and Natural Resources	133,664,918	68,922,210	51.56
County Public service Board	36,966,959	15,976,734	43.22
Transport, Public Works, Infrastructure and Energy	130,935,093	50,429,719	38.52
TOTAL	5,787,876,207	2,423,069,399	41.86

28. Development expenditure for the first half of FY 2019/20 was Kshs. 115,885,628 representing 3.79 percent of the approved supplementary budget. The department of Agriculture, Livestock and Fisheries led in absorption at 32.82 percent. Most of the departments had not started absorbing their budgets by end of this period. This can be attributed by the delay in the approval of Division of Revenue Act arising from the National Assembly stalemate with the Senate on the same.

Table 4: Development Expenditure- July to December 2019

Head/Department	Printed Estimate	Actual Expenditure	Percentage Absorption
County Assembly	50,000,000	1,576,648	3.15
Executive Office of the Governor and Deputy Governor	0	0	0.00
Office of the County Secretary	7,507,781	0	0.00
Finance & Economic Planning	280,368,818	0	0.00
Lands, Housing, Physical Planning and Urbanization	678,761,626	193,720	0.03
Health, Public Health and Sanitation Services	228,309,790	2,905,507	1.27
Gender, Youth and Social Services	45,700,000	0	0.00
County Public Service Management	0	0	0.00
Agriculture, Livestock and Fisheries	300,104,220	98,497,074	32.82
Trade, Culture, Tourism and Cooperative Development	66,372,834	0	0.00
Education, Sports, Science and Technology	133,762,444	0	0.00
Water, Sewerage and Sanitation, Environment and Natural Resources	211,065,356	0	0.00
	0		0.00
Transport, Public Works, Infrastructure and Energy	1,053,198,608	12,712,679	1.21
TOTAL	3,055,151,477	115,885,628	3.79

1.3 Fiscal Policy

29. Over the medium term the overall fiscal deficit will be maintained at sustainable levels to ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 7.7 percent of GDP in FY 2018/19 to 3.3 percent by FY 2023/24. This deliberate fiscal consolidation plan, also resonates well with the East African Monetary Union (EAMU) protocol target ceiling of 3.0 percent of GDP.

30. To achieve this target, the Government will continue to restrict growth in recurrent spending at the same time doubling its effort in domestic resource mobilization. In the FY 2019/20, the Government enactment and started implementation of the Finance Act 2019 thereby easing administrative blockages, improve compliance and boost revenue collection, thereby supporting the fiscal consolidation efforts.

31. Further, the establishment of Service Delivery Unit (SDU) at the Governor's office will play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency,

effectiveness, transparency, and accountability of public spending. As a share of GDP, expenditures are projected to decline from 26.0 percent in the FY 2018/19 to 23.6 percent in the FY 2020/21 and further to 21.7 percent in the FY 2023/24.

1.4 Economic Outlook

32. Due to weak trade and investment at the global level coupled with subdued investment, rising energy prices and demand for consumer durables in emerging markets and developing economies growth is quite unpredictable. Despite the challenging global environment, Kenya's economy has remained strong and resilient.

33. In 2019, the economy expanded by an average of 5.4 per cent. The latest economic indicators over this period point to continued economic recovery that will culminate to an overall projected growth of about 6.2 percent in the FY 2020/21 and 7.0 percent by FY 2021/22. The growth outlook for the period is supported by a stable macroeconomic environment, investments in the strategic areas under the "Big Four" Plan and their enablers, and existing business and consumer confidence in the economy.

34. To achieve a continued growth momentum, focus should be channeled towards improving agricultural and manufacturing activities armored by improved weather conditions, strong service sector, stable macroeconomic environment, continued public infrastructural investments and sustained business and consumer confidence. The Government policies will endeavor to back the agenda of consolidating the monetary matters within sustainable debt levels and thereby providing flexibility for counter cyclical fiscal policy interventions where possible.

1.5 Risk to the Economic Outlook

35. The Kenyan Economic outlook is subject to various risks at both the global and the domestic scenes. Globally, financial markets have continued to record high volatility levels, resulting from tensions between major players such as the United States and China, reduced economic growth rates in China, uncertainties arising from the BREXIT and low pace of financial policies stabilization in advanced economies.

36. This economic outlook is further threatened by deteriorating international trade relationships arising from disputes in trade agreements between regions such as the United Kingdom and the European Union. The uncertainties in trade agreements in the free trading area comprising of Canada, Mexico, and the U.S.A are also likely to adversely affect this economic outlook. This forecast may also be hampered by the declining and uneven growth rate in both emerging and advanced markets.

37. Another major risk that may have a negative impact on the realization of this economic outlook is the potential decline in the cost of commodities and the increase in the price of energy

as a result of the increasing global tensions. Failure to calm these tensions may adversely affect the country's exports.

38. On the local scene, this forecast may be hampered by an increase in government spending on recurrent items such as wages. Furthermore, climate change has led to an increase in the occurrence of disastrous eventualities such as landslides, droughts and destruction of physical infrastructure. Such calamities may impede this achievement of the forecasted growth. The Locust invasion experienced in the country in late 2019 and early 2020 may also reduce the prospects of agricultural productivity and food security. These risks may negatively affect energy generation and agricultural output leading to higher inflation rates and consequently, lower rates of economic growth.

39. Despite these challenges, the Government is committed towards ensuring continuous monitoring of the risks at both the international and the local scenes and developing mitigation measure to protect macroeconomic stability. The Government has continued to reform the financial sector in an effort to develop stronger financial systems to counter the highlighted global risks. On the other hand, the Government has developed initiatives such as the "Big Four" Plan, with the aim of promoting faster and sustainable growth. These initiatives are expected to improve the standard of living of Kenyan households by reducing poverty and creating more job opportunities.

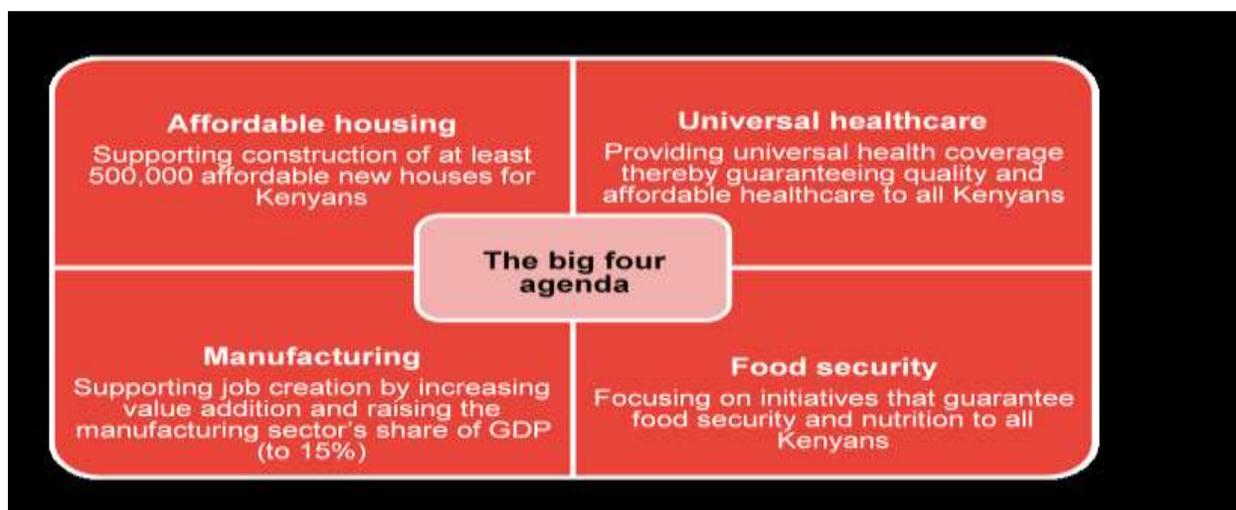
2.0 UNLOCK ECONOMIC POTENTIAL BY HARNESSING "THE BIG FOUR"

2.1 Overview

40. The 2020 CFSP is informed by the Budget Policy Statement, 2020 and it seeks to accelerate the implementation of the "Big Four" Plan which has gained traction over the past two years. The "Big Four" (**illustrated in the chart below**) is a solid development agenda designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution.

41. Thus, actualization of policies and programmes under each pillar is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society in which every Kenyan is guaranteed of affordable and decent housing.

Chart: The “Big Four” Plan



2.2 The Big Four Plan

2.2.1 Supporting Value Addition and Raising the Share of Manufacturing Sector to GDP

42. In order to enhance the manufacturing sector, the National Government continues to put up reforms to encourage investment and protect local industries against dumping. This includes development of Special Economic Zones (SEZ) and Industrial Parks across the country in order to enhance job creation.

43. On agro processing, the Government is committed to revitalizing and restoring the contribution of major cash crops to the national income. This is through continued support to cotton, tea and coffee farmers to stimulate productivity and value addition.

44. Kenya remains a leading producer of hides and skins in Africa. The Government continues to put up measures to promote value addition and make locally produced goods competitive in various export markets. The Government also continues to improve infrastructure at Kinanie Leather Park and the development of other leather industrial parks.

45. Kenya's coastal and marine environment is endowed with rich natural resources with massive economic potential. The recent launch of the Kenya Coast Guard has provided a major boost to fish production with fish stocks having more than doubled within a period of six months at the Liwatoni Fishing Complex. To further boost fish production, the Government in collaboration with Canada, is in the process of constructing fisheries infrastructure along the coast.

46. A National Automotive Policy is being developed in order to boost the automotive industry, thus targeting to gradually and systematically reduce and eliminate the imports of used vehicles and used parts share in the domestic market by promoting assembly and production of automotive products locally. This is a positive beginning for the sector that is expected to rapidly

expand and make Kenya the regional Motor Vehicle Assembly hub with resultant job opportunities for Kenyans, particularly for the youth.

47. Further, the Government continues to improve the business environment and fight illicit trade and contrabands. More efforts will be put in order to reduce the time and processes involved in establishing businesses, issuing construction permits, acquiring electricity, ease in accessing credit, paying taxes, and trading across borders. The Government will also continue investing in the energy sector, embrace ICT and sustain the war against corruption.

2.2.2 Enhancing Food and Nutrition Security to all Kenyans by 2022

48. On food and nutrition security, the Government aims at ensuring that this plan is accomplished by expanding irrigation schemes, supporting large-scale production of staples, increasing access to agricultural inputs, implementing programmes to support smallholder farmers and promoting use of appropriate farming techniques. In an attempt to eradicate child malnutrition, the Government has carried out the Cost of Hunger in Africa (COHA) Kenya Study and estimated the economic and social impact of child under-nutrition in Kenya. Further, the Government plans to develop an implementation strategy and mobilizes resources to facilitate the execution of this policy recommendations and findings.

49. The Government has made great progress towards increasing the land under irrigation under the National Expanded Irrigation Programme. Further, the recently enacted Irrigation Act, 2019 is expected to hasten and improve coordination of irrigation activities in the country. These measures will greatly reduce the overreliance on rain-fed agriculture.

50. Provision of subsidized fertilizers and farm inputs has greatly boosted maize production. Further, expansion of irrigation schemes through National Irrigation Board by constructing dams in rice growing regions has contributed to increased rice production. Increasing fish production is also one of the strategies that the Government is employing to attain food and nutrition security. Significant progress has made in this area with fish production doubling only six months after the launch of the Kenya Coast Guard Service at the Liwatoni Fishing Complex.

51. To enhance income levels of farmers, the Government is promoting agriculture through structured trading by negotiating market access of their produce in international markets and restructuring the Kenya National Trading Corporation to better receive and manage farm produce. This will help reduce post-harvest losses and improve post-harvest handling of agricultural produce. In addition, the Government will continue to promote local produce abroad to deepen markets and further explore marine and aquaculture resources in view of the new global blue economy model.

52. Operationalization of the Warehouse Receipt System (WRS) Act, 2019 with an aim of issuing warehouse receipts as collaterals to the financial sector has enhanced credit accessibility

among maize farmers. Currently, the Government is in the process of establishing a Warehouse Receipt Council which will be charged with seamless operationalization of the WRS.

2.2.3 Providing Universal Health Coverage to Guarantee Quality and Affordable Healthcare to All Kenyans

53. Under the Universal Health Coverage (UHC) program, the Government is committed to ensuring that every Kenyan has access to quality primary healthcare. Notably, the Programme has transformed and enhanced access to essential health services, with an average of 39 percent reported in the pilot counties. The programme has affirmed that robust primary healthcare system is the right vehicle to secure sustainable Universal Health Coverage. In this regard, the Government has planned for the full rollout of this programme in 2020 to cover the remaining 43 counties.

54. In order to enhance primary healthcare, the Government will progressively address human resources needs, provide basic equipment in all Health Care facilities and ensure availability of Pharmaceutical and non-pharmaceutical commodities in all health facilities. The Government will also forge multi-sectoral collaboration to make UHC a success in the rest of the 43 counties upon full roll out of UHC slotted in early 2020.

55. The Government through the Ministry of Health is in the process of reviewing community health strategy since Community Health Workers are crucial to the success of the UHC program. Accordingly, the Government will create a sense of ownership and increasing motivation among community health workers through training, equipping, and provision of stipends.

56. To further enhance access to UHC, the Government is working towards building strong referral system which will reduce overcrowding and waiting times and at the same build patient confidence with the goal of changing treatment seeking behavior. The Government has continued to increase NHIF uptake by availing resources in order to provide comprehensive medical cover to students in public secondary schools, elderly and vulnerable persons in all the NHIF-accredited mission and private hospitals.

2.2.4 Provision of Affordable and Decent Housing for All Kenyans

57. Access to adequate and affordable housing remains a key concern in Kenya. The recently concluded population census, estimates that 10 million Kenyans dwell in slums while over 90 percent of Kenyans living in urban areas live in rented houses, 65 percent of whom live in informal settlements. Access to financing is also a major problem for majority of Kenya evident in the fact that there are only 25,000 mortgages in the country. The Affordable Housing Program is therefore designed to address these challenges.

58. To realize the goal of constructing 500,000 affordable housing units by 2022, forging partnerships with the private sector and development partners is paramount. The recently

launched Habitat Height, a project of the United Nations Office for Project Services (UNOPS), is an example of such strategic partnerships.

59. The National and County Governments have committed to avail their land for affordable houses projects at no cost. In addition, County Governments through the Kenya Urban Support Programme have committed to prioritize funding and development of infrastructure that will support the creation of sustainable affordable settlements.

2.3 Enablers for the “Big Four” Plan

To ensure success of the “Big Four” Plan there is need to investment in its enablers. This resonates well with the country’s Economic Transformation Plan and the need to improve the welfare of Kenyans. To achieve this, the Government has prioritized spending in the following strategic areas and has realized notable progress.

2.3.1 Creation of Conducive Business Environment for Investment, Trade and Job Creation

The Government remains dedicated to creating and sustaining a more conducive business environment through achieving a stable macroeconomic environment, deficit financing policy, supporting business regulatory reforms, and enhancing security to attract investors, promote trade leading to job creation.

2.3.2 Investing in Infrastructure Development to Unlock Growth Potential and Drive the “Big Four” Plan

Infrastructure development contributes enormously towards improving our competitiveness and interconnectivity and laying ground for achieving the “Big Four” Plan. For this reason, the Government has continued to scale-up on a network of high-standard roads, railways, sea and airports, enhancing access to adequate, affordable and reliable energy supply and promoting the use of Information, Communication and Technology (ICT) to enable Kenyans enjoy the benefits of expanded infrastructure facilities.

2.3.3 Investing in Sectoral Transformation for Broad Based Sustainable Economic Growth

The Government is focused to achieve this through promotion of environmental conservation and water supply, stimulating tourism recovery, sports, culture, and arts, and sustainable management of land for social-economic development.

2.3.4 Enhancing Service Delivery through Devolution

The National Government has remained committed to ensuring the success of devolution. Since 2013, the National Government has supported service delivery at the County Governments through sufficient funding as required by law and provision of technical capacity to improve on governance and ensure effective service delivery.

2.3.5 Investing in Kenyans for a Shared Prosperity

Investment in human capital is key to development and delivering substantial economic benefits. For this reason, the Government strategically invests human capital to support the achievement of the “Big Four” Plan and to meet the requirements of the Fourth Industrial Revolution. The Government has been investing in all social sectors leading to improvements in the country’s human capital index. These includes; quality and relevant education for all Kenyans, strengthening the social safety nets and empowering youth, women and persons with disabilities.

2.3.6 Entrenching Structural Reforms to Support the “Big Four” Plan

The government strives to achieve this by; strengthening governance and the fight against corruption, deepening public financial management reforms and fostering financial sector developments and reforms.

2.4 The County Development Agenda

60. The County Government is committed to deliver towards the aspirations of its citizens in line with the medium term development agenda. The development agenda of the county is founded on the principles of Kenya’s Vision 2030, the Sustainable Development Goals, the Big Four Agenda, the Governor’s Development Agenda and the CIDP. Over the years, the county government has been faced with numerous challenges such as the huge wage bill, underperformance of local revenue among others. These challenges have not however slowed down the development agenda of the county.

2.4.1 Food and Nutritional Security

61. Agriculture remains the backbone of county’s economy and the focus is to ensure food security and nutrition to all Nyeri residents, while striving to create employment both directly and indirectly from Agricultural activities. Nevertheless, this sector has not been receiving the much-required attention as a key focus area for employment creation, manufacturing, health and wealth creation for the residents.

62. The Government has therefore identified the priority agricultural value chains through consultations with the private sector and the entire farming community. Agriculture in the regions continues to suffer from low productivity per unit input, low value addition, and unstructured markets. In addition, low involvement of the youth has been identified as a major gap that needs to be addressed.

63. The County Government of Nyeri in the 2019-20 Financial Year has allocated over Kshs 89 Million to the agriculture sector. To reduce poverty, promote food security and environmental stability as well as biodiversity conservation, the County Government will continue with the greening program as a priority. To contribute towards this program, the department has established a fruit tree nursery at Wambugu ATC and has allocated Kshs 6 million for its

expansion with the aim of providing quality seedlings to the farmers. The department is also mobilizing farmer groups to form a marketing body for both avocado and macadamia to link them to exporters such as Kakuzi.

64. During this year, the department plans to procure five small capacity vehicles for AI services to release the other vehicles for mobility of the agricultural extension officers. This will greatly enhance the AI service delivery and coverage in the County, and thereby help farmers to upgrade their breeds and enhance milk production.

65. To diversify production and nutrition security, the department has been aggressively promoting fish farming in the County. To address this, 226 ponds were rehabilitated and installed with pond liners. In addition, demonstrations on cage fishing technology in the county have been set up at Chinga dam. Where 10 cages were established, and each stocked with 1,000 monosex post-fingerlings. The County Government has also stocked eight public dams, five of them using cage culture technology. This will increase fish production from the current estimated production of 18 tons to 25 tons annually. The County Government has also allocated Kshs 6M to procure more fingerlings and other materials for farmers to enhance production. The Wamagana Fish Factory has also been operationalized to enable the processing of the produced fish.

66. To diversify production in livestock, the County department in charge of livestock has allocated Kshs 7.96 Million to promote poultry production through provision of chicks to farmers and also dairy goats. This will help diversify the livestock production base and also its income, and especially so to the vulnerable groups.

67. The Agriculture Mechanization Station (AMS) at Naromoru has been operating under capacity due to inadequate plants and equipment. The county government has procured additional agricultural equipment and implements with the aim of reviving the Agriculture Mechanization Station. In addition, this current financial year, the station has been allocated Kshs 6 million to procure more farm machineries. This initiative will greatly improve not only mechanization service delivery but has also increased the revenue generated from this source.

68. Wambugu Agricultural Training Centre has continued to serve as a source of good and appropriate agricultural technologies for farmers. This is achieved through formal trainings, field days and demonstrations. It also serves as a bulking site for clean seed planting materials. To strengthen its capacity and make it a centre of excellence, the County Government has put up a modern hostel. In addition, this financial year the centre has been allocated Kshs 10.5 million for renovations of its facilities to enhance farm production and service delivery.

69. The County Government through the Department of Agriculture, Livestock and Fisheries has also attracted funding from World Bank through the Kenya Climate Smart Agriculture Project. This project will fund various agricultural projects in the County including water harvesting and conservation and funding of group micro projects.

70. On coffee, the County Government continues to partner with the over 50% of the farming community from across six Sub Counties that grow coffee as the primary source of income. One of the most notable challenges in coffee production is the low productivity of about 1.5Kg per tree. The low productivity is as a result of increased soil acidity and reduced use of incorrect fertilizers due to high cost, and generally poor agricultural practices.

71. Nyeri is now recognized as a key potato producing county in the Country. The major reason for the low productivity has been unavailability, and the high cost of clean seeds coupled with poor agricultural practices. To address this, the Government recently distributed 45 tons of clean seed to farmer groups in the two Kieni Sub Counties for multiplication. Additionally, two potato storage facilities have been setup in Kieni West to ensure that farmers no longer need to sell their produce in haste.

72. To ensure that the right fertilizers are matched with the soil, the County Government has purchased three soil scanning machines to offer services to individual farmers at sub county levels with one of them permanently placed at Wambugu ATC. This can be accessed by farmers at any time at a highly subsidized rate of Kshs 300 per sample compared to the current average of Kshs 1500 charged by private service providers.

73. The County Government has continued to partner with the National Government in the provision of subsidized fertilizers from the NCPB stores in Kiganjo. The subsidy program is currently being reviewed, with an aim of including more inputs, and moving from a manual voucher to an e-voucher system. Nyeri is one of the very first Counties to implement this starting with Othaya and Mathira East Sub Counties.

2.4.2 Efficient and Effective Public Service

74. The County Government of Nyeri has a total of four thousand and fifty-two (4,052) employees who fall under three categories i.e.:

- Employees devolved from the National Government,
- Employees inherited from the defunct Local Authorities
- Employees engaged by the County Public Service Board.

75. As an incentive, the County Government continually offers in-service trainings both locally and internationally and promotes eligible staff subject to availability of vacancies. The Department with the assistance of the County Public Service Board also engages Interns in a one-year contract with various specializations according to vacancies declared by departments. The internship program is used as part of on-job training for purposes of molding interns to fit in the work environment.

76. The county through the department of public service management in collaboration with the Kenya School of Government-Embu campus developed a staffing plan with the aim of ensuring that the staffing needs are met. The plan will guide on matters related to staff establishment,

recruitment and development. In addition, the Department digitized records for all County employees through file tracking system called Integrated Records Management System (IRMS) to improve records management activities. The Performance Management and Automated Dashboard System is another milestone which has digitized Performance Contracting and Performance Monitoring and Reporting.

77. To facilitate decentralization of services to the County residents the County Government has constructed ward offices in Rugi, Mahiga, Iria-ini, Wamagana and Mugunda with construction of eight more ward offices slated in the current Financial year.

2.4.3 Trade, Tourism and Enterprise

78. The department of trade, tourism and Cooperative development has constructed and rehabilitated eight county markets across the county. To ensure equitable distribution of resources, the government will construct and rehabilitate 14 markets under ward specific projects. The county is further set to benefit from Chaka market hub being funded by the National Government which is expected to be one of the biggest market hubs in East and Central Africa when completed.

79. To support fair trading practices, the government has procured a mobile verification unit which will enable weights and measures officers to ensure that all weighing and measuring equipment's have met the pre-requisite standards of trading.

2.4.4 Investment Attraction, Retention and Expansion

80. To attract more investment to the County, the Government has published The Nyeri County Investment Portfolio document which provides details of investment opportunities which are enabled by the trade licensing regime, development policies, County Government business enabling systems and legislation. The Government plans to digitize access to this investment information by creating an interactive investment website which will help potential investors in real time with timely, relevant and reliable information.

81. Further, as a way of marketing Nyeri county and present the many opportunities existing for investment and as destination of choice, the Government in collaboration with National Museums of Kenya (NMK) undertook mapping of Nyeri heritage and tourist sites in the county and produced a documentary which has been uploaded online on YouTube.

82. The Government has also completed fencing of Dedan Kimathi Memorial site, at Kahigaini and constructed a hero's monument at the same site. This project was done in honor of our freedom fighters. Plans are underway to develop Kabarú Mt Kenya climbing route by constructing porters and guides offices and also training of the same to increase both domestic and international visitors for economic growth. Ndomboche / Kahuru falls / Mau Mau caves site will be developed in this financial year to promote adventure tourism in Nyeri county to diversify our tourism products in line with Kenya vision 2030.

2.4.5 Accessible and Quality Health Care

83. The Constitution of Kenya 2010 introduced major focus areas for the Health Sector, primarily captured under the Bill of rights in Chapter 4 which describes health as an economic and social right. In this regard, Nyeri County continues to facilitate progressive realization of the rights guaranteed in articles 43(a &b), within the constraints of fiscal space and priority interventions. As such, the following objectives have been prioritized:

- a. Eliminate Communicable conditions to lessen morbidity and mortality rates associated with such illnesses
- b. Halt, and reverse the increasing burden of Non communicable conditions
- c. Reduce the burden of Violence & Injuries
- d. Provide essential Medical services at various health facilities.
- e. Minimize exposure to health Risk factors
- f. Strengthen collaboration with Health Related Sectors in strengthening health services.

84. The County experiences a 'double burden' of disease that entails a lingering communicable disease burden with an increased burden of non-communicable conditions including diabetes, cancers, hypertension and cardiovascular diseases. Due to this, Nyeri County was among the four pilot counties under the Universal Health Coverage (UHC) phase 1 programme. The County Government of Nyeri in partnership with National Hospital Insurance Fund and Pharm Access trained 2000 enumerators who supported the UHC registration process resulting in subsequent registration of 715,800 translating to 94% of the county population.

85. On Health Service delivery, the County Government has operationalized 6 Intensive care Unit beds from the previous 3 making it 100% operational. Renal and dialysis unit which has a full time Oncologist was provided with 2 additional machines. This has greatly improved access to oncology services to patients especially with the additional oncology products supplied from KEMSA under UHC. As a result of the free cancer drugs and the acquisition of 6 new chemo chairs, the number of patients attending Chemotherapy centre continues to increase.

86. The County has a well-established Community Health system with 2,510 Community Health Volunteers who provide basic health services at the grassroots. To strengthen the existing workforce to match with the current demand as a result of the UHC program 198 Health workers were recruited across all cadres while in-service trainings for those in service is on progress.

87. As a legal requirement the County has inaugurated Hospitals boards for 5 hospitals to improve management of the hospitals. At the same time all the primary healthcare facilities have conducted elections for the new Health Facility Management Committees awaiting gazettelement.

88. To boost the health infrastructure, Renovation works have also been undertaken in three sub-county hospitals, two health centres and six dispensaries. Further, Nyeri County Referral

Hospital, 3 sub-county hospitals and six Rural health facilities have been equipped with various medical equipment to offer efficient medical services.

2.4.6 Education and Technology

89. Tuition fees have become a burden to parents and the County Government has continued with Elimu fund to ease this problem. Currently the allocation of Kshs. 100 Million has been set aside for disbursement as bursary to needy learners thereby ensuring fair and transparency in distribution of the fund.

90. Subsequently, the County Government has also employed caregivers in all our ECDE centers and ensured proper supervision through our sub-county education officers to ensure value for money. The Education department has received and disseminated learning materials donated from Longhorn Publishers Limited Nairobi for all ECDE Centers. The County also built a model ECDE system that is expected to deliver the highest quality of pre-primary education to future generations.

91. The County Government is also in process of procuring tools and equipment of the Vocational Training Centers (VCTs). During the current financial year all VTCs will receive grants that will ensure the youth and other disadvantaged groups have access to quality and relevant education and skills training as envisaged in the Constitution of Kenya 2010. Through capitation grant the department has been able to undertake major repair and maintenance works in the institutions.

92. The county has continued with improvement of infrastructure including ECDEs, YPs, and sport stadia. By the end of FY 2018/2019 Karatina, Kinunga & Ruring'u Stadium Boundary Wall were constructed.

93. The County Government staff team was able to participate in the 7th edition of KICOSCA games in Kericho County in August, 2019. Nyeri County also emerged position one in the Aberdare regional games where our TVET Institutions participated. The Dr. Wahome Gakuru Half Marathon-2nd Edition; an annual event was successfully held on 10th Nov 2019 at Kamukunji Grounds. Over 700 athletes participated during the event.

2.4.7 Spatial Planning and Housing.

94. The County Government is in the process of preparing the County Spatial Plan which is a 10-year GIS based County Physical Development plan meant to sustainably guide Social, Economic and Infrastructural developments in the County. Further, to finalize the planning, survey and registration of colonial villages, the County has collaborated with the National Government under KISP Program (lot 3 & 4) to ensure that the beneficiaries are issued with title deeds. The titles will not only provide security of tenure to the beneficiaries but will also spur economic growth in these areas.

95. Nyeri Municipality Board has embarked on preparation of the Nyeri municipality valuation roll with the aim of expanding the revenue base, land rates bracket and harmonize the disparities accruing from the previous valuation roll.

96. The Asian quarters transport terminus is one of the county flagship projects funded under the KUSP program of World Bank. The project is aimed at reducing congestion within the CBD and boosting urban economy with the first phase of the project expected to cost 600M. The project comprises of 600 market stalls, 3 sanitation blocks, access roads, office block, elevated tank, solid waste chamber and street lighting.

97. On the Nyeri Integrated Urban Development Plan (ISUDP), the county has prioritized the following projects in the year 2020/2021

- Preparation of Narumoru Integrated Urban Development Plan and SEA Report
- Preparation of a strategic environmental assessment (SEA) for the county spatial plan.
- Planning and surveying of 25 trading centres.
- Fencing of county housing estates at Mukurweini and Mweiga and upgrading of liquid waste management system within Mweiga estate.
- Construction of high-rise developments at Bluevalley (Densification).
- Awareness creation on ABMT (Appropriate Building Materials Technology) in the 8 sub-counties to help in actualization of the President Uhuru Kenyatta Big four agenda on housing.

2.4.8 Empowering the Youth and Other Vulnerable Groups

98. The County Government has made significant investment to ensure the county disaster preparedness is at its best. The Department of Gender, Youth and Social Services received two fire engines and continues to support in the management of fires and other disasters in the county through the two existing fire stations that is Karatina and Nyeri fire station.

99. The disasters handled include fire, structural collapse, road traffic accidents, drowning among others. There are ongoing efforts to decentralize disaster management further by establishing fire stations and operationalizing them at Kieni West, Kieni East and Othaya Sub County. The structures for Othaya and Kieni West are complete awaiting equipping and staffing which will be carried out in the next financial year.

100. The county has initiated various interventions that include coordinating donor support through various programs. The youth department has started a County Leather Development program where 10 Training of Trainers were trained in KIRDI to help the county train more than 3000 youth. Rukira Polytechnic has also been equipped to make it a leather training TVET and establish a leather hub in Nyeri town to go fully industrial. Through the 'Kuza kazi Program', 150 youth in the county will benefit from a collaborative effort between the department and identified stakeholders where they will be offered business start-up kits with merchandise.

101. The County Government has also partnered with the National Youth Service (NYS) on the establishment and implementation of the Nyeri County Youth Service (NCYS) phase one. This aims to direct the untapped potential and energies of the youth in the County towards both personal and National socio-economic development and it will be implemented in 3 phases targeting 100 youth this year and scale up in the next financial year.

102. On child protection, the Department of Gender, Youth and Social Services has continued to support needy children through Karatina Children's home as well as working closely with the National Government to streamline child protection in the County.

103. In addition, the County continues to give leadership through partnership with Centre for Rights Education and Awareness (CREAW) to train on community Gender based violence (GBV) TOTS/champions in the county. This is geared towards evaluating the root causes of GBV and the best ways to mitigate them.

104. Further, the county will continue to implement a menstrual hygiene project targeting vulnerable girls who are not currently in school. The program will encompass issuing of sanitary towels, capacity building on personal hygiene, HIV and AID's, financial literacy. Through the department, the county fully supported 40 boys living in the streets and from vulnerable homes undergo the right of passage in December at the Kamoko health center in Othaya Sub County. During the two weeks, they were capacity built on personal hygiene, drug and substance abuse, HIV and AIDS among others. The county government is committed to continue providing safety nets to the most vulnerable persons in our society to guarantee human dignity and reasonable care through various efforts.

105. In the last financial year, the County Government in partnership with NACADA embarked on the construction of a drug and treatment center at Ihururu, Dedan Kimathi ward at a cost of Kshs.19,960,485.40. The facility is expected to complement the rehabilitative and treatment effort against drug and substance abuse currently being offered at Karia rehabilitative center. It is expected that the facility will be operationalized this financial year. The facility is expected to accommodate approximately 100 patients at any given time to get the much-needed treatment

2.4.9 Infrastructural Development.

106. The County Government is committed towards enhancing interconnectivity within the region and 100% market access for the farm produce. During the 2018/2019 financial year a total of 280 km of earth roads were upgraded to gravel standards distributed across the County. This financial year, 240 km of access roads will be improved through gravelling. In financial year 2018/2019 a total of 4.5 km bitumen roads in Nyeri town, Karatina and Othaya towns were re-carpeted.

107. In the 2019/2020 financial year the County Government will re-carpet 6 km of roads. It's important to note that during the period from January 2019 to date 318 km of road have been graded, 40.20 km gravelled and 33.7 km compacted using county equipment. In the financial year 2018/2019, a foot bridge was completed with an additional nine bridges constructed, seven of which have been

completed. In the 2019/2020 financial year to continue improvement of communication between villages, the following 17 bridges have been proposed.

108. In the 2018/2019 financial year a total of 35 street lights projects were carried out, three of which were solar powered. There was also refurbishment of high mast lights and introduce more efficient energy saving lamps. In 2019/2020 a total of 88 street light projects are proposed to be carried out in various parts of the County. All these are geared to enhance security and promote a 24-hour working economy.

2.4.10 Water Resource Sustainability

109. In the Financial Year 2018/19 the county government allocated over Kshs 320Million for water infrastructure development, waste water management, solid waste management as well as environmental conservation. The county constructed seven water Masonry tanks for Kirinyaga, Nyange, Embaringo, Kinyaiti, Gatarakwa, Endarasha and Kimathi-Muhoya water projects. The department continue to construct 2 treatment plants at Narumoro and Titie which are almost complete.

110. Due to the frequent low river flows, there is need to explore on the ground water resource. In this regard the county drilled four boreholes while six more are ongoing. Equipping of the boreholes with pumps has been procured through (REA) Rural Electrification Authority and the works are ongoing. Dams and pans remain a major source of water for livestock use in some areas and hence rehabilitation and construction of dams remains a priority. One dam at Kiguru in Mweiga is ongoing.

111. In the FY 2018/19 Kshs 121.43 Million was used for procurement and delivery of pipes and fittings. These were used for the completion of Muthira, Narumoru Township, Mukore and Kimathi-Muhoya water projects and Bamboo intake for Gatarakwa Water project. Water Service Providers (NAROWASCO, MAWASCO, TEAWASCO and NYEWASCO) who also benefited from supply of pipes for extension of their service lines.

112. In collaboration with Tana Water Works Development Agency, UpperTana/IFAD project, National Irrigation Board, and Kenya Climate Smart Agriculture (KCSAP) the following projects have been implemented: tanks for Mutitu B, Trefos Kiburuti and Gatarakwa Bellevue; Desilting and Rehabilitation of Kamangura and Iuso water pans; Desilting and Rehabilitation of Mbiricha and Kiboya dams; Construction of pans at Mukurweini TTI, Kiamuya Secondary school; construction of Kienjero dam; Construction of 4 boreholes at Kagumo college, Bishop Gatimu, Narumoro girls and Kabiruini secondary schools; and Riamukurwe irrigation project.

113. In the FY2019/2020 the county has planned to undertake the following: Completion of already ongoing projects; Equipping of 15 ongoing boreholes with pumps; Drilling and Equipping of 11 new boreholes; Implementing of 23 community water and Irrigation projects.

114. The County has continued to invest in solid waste management which is critical in environmental management. The County, signed an MOU with one youth group who have been supplying the CBD with dustbins, and will continue to partner with more institutions/groups for more effective litter management. The department has also partnered with various youth groups, who get an earning through waste recycling notably Nyeri Youth and Women Empowerment Group and Universal Revolution, showing for sure that waste is wealth. The County formulated a Solid Waste Management Policy which when effected will further assist in addressing various gaps in waste management.

115. Further to this, the county plans to purchase a bull dozer which is assisting in dumpsite management, a Skip loader and 16 skip bins and construction of 15 refuse chambers across the sub counties. The county is set to begin construction of a waste transfer station in Nyeri Municipality that will allow for sorting and recycling of the collected waste materials. In this financial year, the county is set to legalize the dumping sites and is undertaking environmental audits and with assistance from NEMA to meet their set standards. Rehabilitation and improvements of Karindundu and Gikeu dumpsites is set to begin with fencing of the 2 sites.

116. The county is undertaking an Environmental Impact Assessments and developing Environmental and Social Management Plans to ensure that in the process of economic empowerment the very environment that we are dependent on does not undergo irreversible destruction. The County is also developing a County Environmental Action Plan that will not only set an information base for environmental monitoring in Nyeri but also act as a guide and lead into sustainable development initiatives.

2.4.11 Efficient, Effective and Prudent Use of Resources

117. The county has been very supportive to the business community by ensuring minimal pending bills as confirmed by the Cabinet Secretary for National Treasury and Planning in a recent circular. Nyeri County was among the only 12 counties which were commended for having paid all eligible pending bills. Additionally, the County Government has also endeavored to ensure timely payment of salaries in an effort to promote the welfare of the employees.

118. Up to now, the County has automated revenue collection in 56 out of the 63 revenue streams and they have already been uploaded into the new system. After the automation, the county experienced a notable increase the own revenue collection from Kshs. 760m in the FY 2017/2018 to Kshs. 837m in the FY 2018/2019. The payment of rates, licenses and parking fees has been made easy while eliminating possible revenue leakages.

119. The County Government is also committed towards upholding its participatory approach in budget making which has seen the county budgets approved on time and in accordance with the requirements of the PFM Act. It is also important to note that due to adherence to the existing public finance management laws, participatory planning, budgeting process and public grievances addressing mechanism, the County was awarded Kshs. 229m by the World Bank

under the performance-based Kenya Devolution Support Programme (KDSP) during the FY 2018/2019. These funds will go towards the completion of the Narumoru Level 4 hospital to address the health challenges of the vast Kieni Constituency which covers 52% of our land mass and reduce the congestion at the County Referral Hospital.

120. An Audit Opinion is an indicator of how a county is spending its allocated funds for the benefit of the public. For the last two years, Nyeri County Government has attained a qualified opinion from the audit outcomes, which is an indication of good management and utilization of public funds unlike for the financial year 2016/2017 which was adverse. The Government remains committed to continue with this outstanding performance.

121. The county's Wage bill remains to be a significant challenge. However, it is important to note that the percentage has dropped from 50% of the recurrent budget in FY 2017/2018 to 47.8 in FY 2018/2019. The administration will continue to develop and implement strategies to ensure that the County operates below or within the required percentage of 35%. One such strategy is the recently initiated voluntary early retirement a programme to help rationalize the county's staff and to shed off most of the inherited wage bill that was beyond the administration's control.

2.4.12 Engaged Citizenry

122. The County Government is in process of capacitating the Civic Education and Public Participation Unit. This will help in rolling out a robust Civic Education program to the Sub-Counties as well as putting in place necessary legislation and mechanism for complaints handling for efficient and effective service delivery.

123. Participation and cooperation of the County citizenry shall be key in implementing important programmes and projects as well as in resource mobilization. Nyeri citizens will be involved in various budgetary process including identifying projects and programmes that the County Government will be undertaking. These will make the residents appreciate the County Government's initiatives while at the same time providing a sense of ownership and addressing or reducing the conflicts between the "wananchi" and the County Government.

III. BUDGET FY 2020/21 AND THE MEDIUM TERM FRAMEWORK

3.1 Fiscal Framework Summary

124. The FY 2020/2021 Budget framework will continue with the fiscal consolidation policy to strengthen our debt sustainability position. Through the fiscal consolidation approach, all county departments and entities will have to adopt efficiency in allocation of resources and ensuring

value for money to promote sustainability and affordability. This will ensure efficiency not only in revenue administration but also in how revenues are utilized.

125. The fiscal framework for the FY2020/21 Budget is based on the National and County Government's development priorities with keen consideration to the macroeconomic factors as set out in Chapter I and Chapter II. The county will continue enhancing prudent fiscal policies to guarantee sustainable economic growth and development.

126. These policies will be geared towards smooth implementation of the projects and programs as well as promoting economic activities in the county. The fiscal framework will also ensure resources allocated for capital investments are aligned to the county priorities for optimal benefit to the county citizenry.

3.1.1 Revenue Projections

127. The Own Source Revenue in FY 2020/21 is projected at Kshs 1 billion similar to the projection in FY 2019/2020. This revenue is expected to be enhanced by the County Revenue Administration (Amendment) Act, 2018 already in force and approval of the Finance Act, 2020 that will streamline the challenges that are currently being experienced. The automation of revenue streams through the Revenue Management System, Nyerpay, is also expected to boost revenue collection once all the streams are fully automated. It is hoped that the leakage of revenue will be eliminated since the process is completely cashless.

3.1.2 Expenditure Projections

128. The CIDP (2018-2022) spells out the medium term development priorities of the County Government which are aligned to the "Big Four" Plan and thus guiding its expenditure decisions. In addition, the Annual Development Plan outlines the priority projects and programme expected to be implemented in the FY 2020/2021 and this shall be adhered to when preparing the budget estimates for the same period.

3.1.3 Deficit Financing

129. Considering the projected expenditures and revenues, the fiscal policy will ensure a justifiable path of public expending within the budget limits. The county expenditures will therefore be restrained to guarantee debt sustainability and intergenerational equity in line with the Constitution of Kenya, 2010, Section 107 of the PFM Act, 2012 and Regulation 25 of the PFM (County Governments) Regulations, 2015. The law sets out the Fiscal Responsibility Principles which the County Governments have to observe and enforce through the County Treasury.

130. The overall budget for the Financial Year 2020/2021 will be balanced where only pending bills and possible carry overs from FY 2019/2020 will be settled through the vote on budgetary reserves in FY 2020/2021. This may result from shortfall in the current projected revenue

collection and late disbursement of funds by the National Treasury necessitating seeking ways of addressing the outcomes of the deficit.

131. The County Treasury remain dedicated in strengthening the fiscal policy to eliminate possible deficit. This will be achieved through strengthening revenue mobilization, widening revenue base, conducting revenue potential study, containing unproductive expenditures and leakages during the medium term period.

3.1.4 Key Priorities for the 2020/2021 Medium Term Budget

132. In order to achieve the aspirations of Nyeri county as outlined in the CIDP (2018-2022) and Annual Development Plan (2020/21), the Medium-Term Budget 2020/21 – 2022/23 will take into account the need to optimize use of the scarce resources during the programming period. The ongoing activities will also be given first priority for the achievement of the county's development agenda.

133. In this regard the Annual Development Plan (2020/21) focuses on better quality services based on strong links between resources, budgeting, monitoring and clear expectations for delivering planned outcomes. The Government will continuously strive to ensure that public spending leads to high quality outcomes. Consequently, the medium-term spending programme will continue to focus on the quality of public spending. Further, Sustainability, affordability and strict prioritization are expected to be the norm

3.1.5 Allocation Baseline Ceilings

134. The current departmental allocation and spending levels on various programmes forms the baseline estimates. Payment of salaries and gratuity for employees, medical and motor vehicle insurance covers, water and electricity bills among other non-discretionary expenditures take first charge in recurrent expenditures.

135. Development expenditures have been shared out on the basis of the county flagships in CIDP (2018-2022) and ADP (2020/21) priorities. The public participation forums, held in preparation of this document, observed and recorded various views and have been considered in prioritization of projects. The following criteria was used in apportioning development budget:

- *On-going projects:* prominence has been given to completion of on-going capital projects and in particular infrastructure projects that help unlock economic potential by harnessing “the big four.”
- *Conditional grants and donor funds:* priority was also given to adequate allocations for donor funds and other conditional grants which is the portion that the County Government must finance in accordance with the underlying conditions governing these funds by development partners.

- *Strategic policy interventions:* further priority was given to policy interventions covering the entire county with benefit to a wide cross section of the society, social equity and environmental conservation.

3.1.6 Finalization of Spending Plans

136. In finalization of the Medium-Term Budget 2020/2021 – 2022/2023, there will be thorough scrutiny to curb spending on non-productive areas and ensure resources are directed to priority projects and programmes. Any additional resources will be used to fund key county strategic priorities which includes;

- Projects and Programmes identified during the public participation forums for the FY 2020/2021 budget and subsequent ones over the medium term.
- Areas aimed at improving food security, improving infrastructure and other social economic enablers of development as outlined in the CIDP 2018-2022.
- Initiatives focusing on enhancement of job creation for the youth.

IV. DEPARTMENTAL ALLOCATION OF RESOURCES

4.0 Introduction

137. The Constitution of Kenya 2010 and the PFM Act 2012 requires collection and consideration of views of the public and other stakeholders to inform the choice of projects and programmes to be implemented in a particular Financial Year. The preparation of this County Fiscal Strategy Paper, 2020 takes into account the above requirements. The public participation forums also provided a platform for project prioritization considering the scarcity of resources available for the competing needs.

138. The County Integrated Development Plan (2018-2022) and the Annual Development Plan 2020/2021 outlines the County Government's transformative agenda and are the basis for preparation of this document. However, it is important to note that significant changes have occurred in E-procurement and IFMIS processes. These changes demand capacity building of the technical personnel to equip them with necessary skills to adopt and efficiently operate with the system updates and changes for optimal service delivery.

139. Due to the emerging challenges, there is dire need for continuous training and capacity building in budget making process, resource allocation, and prioritization of projects. Further, there is need to identify and train staff at departmental levels on monitoring, evaluation and reporting on budget and projects implementation.

4.1 Departmental Budgeting

140. The County Executive Committee Member in charge of Finance and Economic Planning will issue guidelines to the county departments and spending units on the preparation of FY 2020/2021 budget with specific ceilings as adopted by the County Assembly. The departments are expected to prepare their budgets within the approved ceilings. Each department is expected to plan, formulate, execute and report on their budgets. The FY 2020/2021 budget for the County will therefore be prepared in line with the Public Finance Management Act, 2012 and its attendant regulations of 2015.

4.2 Resources available

141. In line with the government's commitment to spend within its means and adhere to the austerity measures instituted by the National Treasury, the County Treasury projects a total budget of Kshs 7,161,364,244 for the 2020/2021 financial year as provided for in the Budget Policy Statement, 2020. This translates to a 17.43 per cent decline as compared with the FY 2019/2020 revised estimates. This difference can be partly attributed to the inclusion of balance brought forward from the FY 2018/2019, reduction in allocation for equitable share, loans and grants and transfers to youth polytechnics. The budget will be funded through external and internal revenue sources.

4.3 External Sources

142. This will consist the equitable share of revenue raised nationally and conditional grants from the National Government entities and donors. It will also include transfers from National Government Ministries and Agencies channeled through the County Revenue Fund.

143. In financial year 2020/2021, the county expects to receive Kshs 5,095,650,000 as equitable share from the consolidated fund as proposed in the Budget Policy Statement, 2020. In addition, the County Government expects to receive Conditional grants from the national government as contemplated under Article 202(2) of the Constitution. The anticipated amount is Kshs 407,861,272 for Nyeri Level V Hospital, Kshs 13,701,379 for compensation for user fees foregone, Kshs 48,949,894 for youth polytechnics, Kshs. 151,875, 577 for Road Maintenance Levy Fund and Kshs. 413,326,122 from loans and grants.

4.4 Internal Sources

144. These are the own source of revenues from specific county revenue raising measures through imposition of land rates, parking fees, entertainment taxes, as well as any other tax and user fees and charges as authorised to impose. In the FY 2020/21 budget the local revenue is projected at Kshs 1 billion, the same amount estimated in the FY 2019/2020. The installation and commissioning of the revenue management system, dubbed 'Nyeri Pay' and the enactment of the

Revenue Administration (Amendment) Act. 2018 and Finance bill 2019 is expected to ensure realization of the targeted collection.

4.5 Allocation of Revenue among Departments

145. Departmental allocation for recurrent and development spending during FY 2019/20 is provided in table 4 below;

Table 5: Approved Supplementary Budget Allocations by County Departments and Units, July 2019 – June 2020

DEPARTMENT	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL	% OF TOTAL
Executive Office of the County Governor and Deputy Governor	149,920,638	2.59	0	0.00	149,920,638	1.70
Office of the County Secretary	308,391,164	5.33	7,507,781	0.25	315,898,945	3.57
Finance and Economic Planning	814,464,447	14.07	280,368,818	9.18	1,094,833,265	12.38
Lands, Physical Planning, Housing and Urbanization	46,961,612	0.81	678,761,626	22.22	725,723,238	8.21
Health Services	2,647,844,894	45.75	228,309,790	7.47	2,876,154,684	32.52
Gender, Youth and Social Services	71,078,597	1.23	45,700,000	1.50	116,778,597	1.32
County Public Service Management	61,391,918	1.06		0.00	61,391,918	0.69
Agriculture, Livestock and Fisheries Development	264,517,572	4.57	300,104,220	9.82	564,621,792	6.38
Trade, Culture, Tourism and Cooperative Development	57,075,517	0.99	66,372,834	2.17	123,448,351	1.40
Education, Sports, Science and Technology	388,577,646	6.71	133,762,444	4.38	522,340,090	5.91
Water, Sewerage and Sanitation Services, Environment & Natural Resources	133,664,918	2.31	211,065,356	6.91	344,730,274	3.90
County Assembly	676,085,232	11.68	50,000,000	1.64	726,085,232	8.21
County Public Service Board	36,966,959	0.64		0.00	36,966,959	0.42
Transport, Public Works, Infrastructure and Energy	130,935,093	2.26	1,053,198,608	34.47	1,184,133,701	13.39
TOTAL	5,787,876,207	100.00	3,055,151,477	100.00	8,843,027,684	100.00

Source: Department of Finance and Economic Planning, 2020

4.6 Fiscal Discipline

146. The county government budget for the FY 2020/2021 will be balanced in line with the PFM Act, 2012. Prudent measures will be observed to reduce appropriations or increase revenues with minimal effects on public service delivery. This necessitates a tight balancing act to ensure optimal allocation of the available funds to the most deserving priorities and ensure that the quality of spending is enhanced within the context of the Public Finance Management Act, 2012.

147. To sustain fiscal flow, the County Government will continue expanding the revenue base and opening up more revenue streams. This coupled with other strategies will reduce over reliance on external sources of revenues from the National Government and development partners thereby releasing more resources to capital projects and programmes.

4.7 Equity in Allocation of Resources

148. The fiscal strategy will be guided by present-day events which have impacted on the economy, the ADP 2020/2021 and the realities of the FY 2019/2020 actual revenue collections

and expenditures. In this view, the 2020 fiscal strategy paper has been designed to continue addressing these specific challenges by placing greater focus on critical infrastructural development and human capital such as education and health as a means of promoting long-term economic growth and scale up investments in the county's priority areas. Critical consideration continues to be given to affirmative action for marginalized and underdevelopment areas in resource allocation to ensure overall fairness.

V. 2020/21 EXPENDITURE FRAMEWORK

5.0 Resource Envelope

149. The resource envelope that is utilized for the setting of the departmental ceilings and allocations is based on the fiscal and budget framework outlined in Section IV and was based on the proposed county allocations as indicated in the Budget Policy Statement, 2020. In this resource envelope, the Equitable share from national government is expected to finance approximately 71.53 percent of the total county budget for FY 2020/2021.

150. The proportion of income received from the National Government as equitable share is determined by the formulae determined by the Commission on Revenue Allocation (CRA). However, it is important to note the ratio of equitable share relative to the Own Source Revenue for FY 2020/2021 remains high. In this regard, it is important for the County Government to be more committed in developing strategies to improve the performance of local revenue over the medium term. In financing the FY 2020/2021 budget, the county's own revenue collection is projected to be 13.98 percent of the entire budget.

151. The difference between the budgetary estimates and the equitable share will be funded through the county own generated revenue, loans and grants. The County will also strengthen its resolve to increase its local revenue collection as an approach to meet the expanding and strained budgetary needs. Further, the county will continue engaging and partnering with the private sector and development partners to fund some of the development activities during the financial year FY 2020/21.

152. The County Government envisions a balanced budget that will be fully funded by the resource envelope in order of priority as outlined in this document. The resource basket will therefore be sourced from the revenue collected from local sources, equitable share, donor funds and conditional grants.

5.1 Spending Priorities

153. The County has been implementing the second-generation County Integrated Development Plan (CIDP) for the period 2018-2022 and Annual Development Plan 2020-2021 in which the county residents were involved in all inclusive consultative forums to identify and prioritize

strategic development projects and programmes. These programmes are also guided by the Medium-Term Plan (MTP) III of the Kenya's vision 2030, and the National's "big four" agenda. The following criteria was used in appropriating of capital projects:

- **Ongoing projects:** Emphasis was given to completion of ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity, and employment creation.
- **County flagships:** These are projects that are considered to have a huge impact or a multiplier effect cutting across multiple wards and sectors and require a significant proportion of the county appropriation.
- **County newly proposed projects:** Proposals from the public participation and the departments were also considered in the determining of the departmental allocations.
- **Strategic policy thrusts and interventions:** Further, priority was given to policy intervention covering the entire county for social equity and environmental conservation.

154. The above projects and policy interventions as contained in the planning documents have high impact on poverty reduction, investment, equity, employment and wealth creation. In addition, the Constitution and the PFM Act, 2012 requires the national and county governments to promote budgetary transparency, accountability and effective financial management of their respective jurisdictions. Therefore, inefficient and wasteful public expenditure will continue being eliminated at all costs in order to promote public trust in public spending.

155. In finalizing the preparation of the 2020/2021 MTEF budget, the County Government will continue to advocate for austerity measures aimed at minimising expenditure on the non-productive areas and programmes and ensuring that resources are allocated optimally to priority programmes that have immense impact accruing to the intended beneficiaries.

5.2 2019/20 Expenditure Estimates

156. In the process of budget implementation, several challenges that emerged during the first half of the FY 2019/20. They included the stalemate in approval of Division of Revenue Act (DORA) between the National Assembly and the Senate, which led to delay enactment of County Allocation Revenue Act (CARA) and subsequent delay in disbursement of funds. This had a greater effect on absorption of funds affecting implementation of planned programme and projects.

157. Further, there were changes in the IFMIS by introduction of a new platform in the procurement process for settlement of pending bills requiring the technical staff to undergo on-job training and are still facing problems. In addition, the introduction of the ward specific projects and programme is also posing a challenge where the projects identified for implementation keeps mutating and continuous shifting of priorities thus delaying implementation in the long run.

5.3 Medium-Term Expenditure Estimates

158. The table below shows the projected baseline ceilings for the FY 2020/21 budget estimates classified by county departments and spending units.

Table 6: Proposed Budgetary Allocations for Financial Year 2020-2021

Department/Entity	2019/2020 BUDGET						2020/2021 BUDGET		
	APPROVED BUDGET			REVISED BUDGET			PROPOSED CEILINGS		
Department/Entity/Unit	RECURRENT	DEVELOPMENT	TOTAL(Kshs)	RECURRENT	DEVELOPMENT	TOTAL (Kshs)	RECURRENT	DEVELOPMENT	TOTAL(Kshs)
Office of the County Governor and Deputy Governor	115,420,638	80,000,000	195,420,638	149,920,638	0	149,920,638	124,752,337	20,000,000	144,752,337
Office of the County Secretary	219,556,582	0	219,556,582	308,391,164	7,507,781	315,898,945	283,353,266	45,000,000	328,353,266
Finance and Economic Planning	547,250,163	30,000,000	577,250,163	814,464,447	280,368,818	1,094,833,265	505,873,494	47,000,000	552,873,494
Lands, Physical Planning, Housing and Urbanization	46,961,612	400,600,000	447,561,612	46,961,612	678,761,626	725,723,238	43,122,583	368,538,735	411,661,318
Health Services	2,664,135,137	205,217,234	2,869,352,371	2,647,844,894	228,309,790	2,876,154,684	2,498,492,815	170,614,815	2,669,107,630
Gender, Youth and Social Services	70,968,597	35,500,000	106,468,597	71,078,597	45,700,000	116,778,597	64,909,974	20,000,000	84,909,974
County Public Service Management	57,291,918		57,291,918	61,391,918		61,391,918	63,777,027	0	63,777,027
Environment & Natural Resources and Sanitation Services	0	0	0	0	0	0	46,950,781	89,000,000	135,950,781
Agriculture, Livestock and Fisheries Development	164,517,572	271,598,808	436,116,380	264,517,572	300,104,220	564,621,792	184,932,274	191,582,572	376,514,846
Trade, Culture, Tourism and Cooperative Development	57,185,517	88,422,834	145,608,351	57,075,517	66,372,834	123,448,351	51,538,810	104,000,000	155,538,810
Education, Sports, Science and Technology	376,914,348	117,190,974	494,105,322	388,577,646	133,762,444	522,340,090	279,495,963	58,500,000	337,995,963
Water & Irrigation	133,664,918	228,765,356	362,430,274	133,664,918	211,065,356	344,730,274	76,410,989	170,869,171	247,280,160
County Assembly	659,447,249	50,000,000	709,447,249	676,085,232	50,000,000	726,085,232	676,085,232	50,000,000	726,085,232
County Public Service Board	34,466,959		34,466,959	36,966,959		36,966,959	39,546,848	0	39,546,848
Transport, Public Works, Infrastructure and Energy	130,935,093	1,001,063,913	1,131,999,006	130,935,093	1,053,198,608	1,184,133,701	73,712,576	813,303,980	887,016,556
Total	5,278,716,303	2,508,359,119	7,787,075,422	5,787,876,207	3,055,151,477	8,843,027,684	5,012,954,971	2,148,409,273	7,161,364,244

Source: Department of Finance and Economic Planning, 2020

5.4 Baseline ceilings

5.4.1 Recurrent expenditure projections

159. The total recurrent budget for FY 2020/2021 will be Kshs 5.01 billion as compared to Kshs 5.79 billion in FY 2019/20 revised Budget estimates, representing a significant decrease by 13.39%. The recurrent estimates account for approximately 70% of the total county budget which consist of all non-discretionary expenditures namely, personal emoluments, pension, gratuity and utilities.

160. The county wage bill is worrying as it has risen to 54.7 percent of the total allocation thereby leaving very little amount for operations and maintenance especially after considering the county wide needs and programmes. The allocation for operations and maintenance is also further compounded by the fact that 30 percent of the budget must be allocated to development activities.

5.4.2 Development expenditure projections

161. On the other hand, 30 percent of the total budget estimate is reserved for funding planned development projects and programmes in line with the PFM Act, 2012. The development allocation is shared out on the basis of the county priorities as outlined in the CIDP (2018-2022) and the Annual Development Plan for FY 2020/2021. First consideration is completion of ongoing projects and programmes and the county flagship projects. In finalisation of the distribution, the views of the public and stakeholders were taken into consideration as collected during the public participation forums.

VI. CONCLUSION

162. In order to enhance performance of the County departments, the County Treasury in conjunction with the National Treasury and Planning will continue to build the capacity of the staff and ensuring optimal allocation and utilization of resources. The ceilings set in this document will guide in the preparation of the FY 2020/2021 budget. In addition, this document is prepared at a time when the needs of the county by far outweigh the available resources. It is therefore, crucial for all county departments to ensure that they optimally allocate the available resources in a manner that reduces possible wastage and ensures the attainment of maximum social and economic benefits to Nyeri citizens.

ANNEX I: OWN REVENUE SOURCES COLLECTED IN THE FIRST HALF OF THE FY 2019/2020

ACCOUNT DESCRIPTION	ANNUAL TARGET (KSHS.) Kshs	TOTAL HALF- YEAR Kshs	PERCENTAGE PERFORMANCE %
Liquor Licence	52,154,900	6,963,628	13.35
Commision 3%	2,000,000	2,132,732	106.64
Co-operative Audit	2,000,000	334,520	16.73
Agricultural Mechanisation Station	1,155,400	170,501	14.76
Wambugu Agricultural Training Centre	7,900,000	2,466,132	31.22
Veterinary Charges	5,380,000	2,657,601	49.40
Slaughtering Fees	3,776,780	1,049,425	27.79
Slaughter House Inspection Fees	1,726,890	390,405	22.61
Nyeri Slaughter House	702,000	320,000	45.58
Kiganjo Slaughter House	120,720	60,000	49.70
Sale of Fertilizer/Lime	2,204,890	606,600	27.51
Gura Fishing Camp	0	24,000	100.00
Weights and Measures	1,425,920	1,646,500	115.47
Business Permits (e-SBP)	131,712,154	14,004,614	10.63
Market Entrance/Stalls/Shop Rents	51,803,210	18,866,666	36.42
Ambulant Hawkers Licences (Other than BSS Permits)	452,000	730,505	161.62
Impounding Charges/Court Fines, penalties, and forfeitures	2,037,060	1,030,666	50.60
Application Fee	20,735,690	5,442,085	26.25
Business Subletting / Transfer Fee	124,160	5,000	4.03
Central Kenya show annual permit	500,000	60,000	12.00
Hospital Services	290,333,510	58,870,953	20.28
Public Health	17,131,050	5,054,260	29.50
Burial Fees	174,060	62,000	35.62
Public Toilets/ Use of public toilets	600,000	215,117	35.85
Garbage Dumping Fee/waste disposal charges	1,051,960	28,000	2.66
Refuse Collection Fee	40,331,880	13,267,899	32.90
Miscellaneous Income	1,242,820	3,991,742	321.18
Document Search Fee	555,470	161,750	29.12
Tender Documents Sale	1,759,800	0	-
Parking Fees	67,207,372	15,306,345	22.77
Enclosed Bus Park	75,788,760	41,027,738	54.13
Parking Clamping/Penalties/Offences fees	2,966,560	3,335,630	112.44
Land Rates	85,456,080	5,239,398	6.13
Other Property Charges	698,970	11,100	1.59
Ground Rent - Current Year	3,343,060	422,961	12.65
Ground Rent - Other Years	2,902,141	728,381	25.10
Stand Premium/Commissioner of Lands	100,000	0	-
Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees	2,249,510	58,000	2.58
Hire of Plant & Machinery	0	0	-

ACCOUNT DESCRIPTION	ANNUAL TARGET (KSHS.)	TOTAL HALF- YEAR	PERCENTAGE PERFORMANCE
	Kshs	Kshs	%
Plot Transfer Fee	1,555,000	315,000	20.26
Cess (Quarry, Produce, Kaolin, e.t.c.)	35,783,528	22,412,868	62.63
Housing Estates Monthly Rent	18,582,300	12,493,322	67.23
Housing Estates Monthly Rent (Kiawara, Majengo & Kingongo ph. 3)	1,234,800	0	-
Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey, Occupation cert, boundary dispute e.t.c.)	1,565,800	2,649,370	169.20
Sign Boards & Advertisement Fee	25,498,425	6,629,673	26.00
Buildings Plan Approval Fee	11,572,000	3,351,811	28.96
Buildings Inspection Fee	3,818,570	1,213,700	31.78
Right-of-Way / Way-Leave Fee (KPLN, Telkom, e.t.c.)	1,765,800	8,415,502	476.58
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	1,789,800	963,000	53.80
Agency Fee (Fees from KHC, Insurance Firms, e.t.c.)	100,000	0	-
Sales of Council's Minutes / Bylaws	406,000	176,000	43.35
Benevolent Fund	1,646,000	660,000	40.10
Debts Clearance Certificate Fee	3,457,200	989,600	28.62
Fire-Fighting Services	4,877,000	1,933,815	39.65
Social Hall Hire, IFAD Hall	235,000	152,600	64.94
Stadium Hire	3,500,000	964,029	27.54
Nursery Schools Fee (KRT)	315,000	0	-
Nursery Schools Fee (Kingongo)	227,000	72,300	31.85
Nursery Schools Fee (Nyakinyua)	208,000	68,450	32.91
Registration of School, Training/Learning Center Fee	58,000	0	-
Sale of flowers, plants, firewood, produce e.t.c	0	0	-
Exhauster Services Charge	0	0	-
Private borehole operators	0	0	-
Quarry /mining charges-annual licence fee	0	0	-
Tree cutting permits	0	0	-
Water bowser/water vendor licences	0	0	-
Tipping charges	0	0	-
Polluters of Environment Penalties	0	0	-
TOTAL LOCAL SOURCES	1,000,000,000	270,203,316	27.02

Source: Directorate of Revenue, 2020

ANNEX II: SOURCES OF BUDGET FUNDING IN FY 2020/2021

No.	Description	Total in Kshs
1	Equitable Share	5,095,650,000
2	Conditional Grants	
	County Referral Hospital	407,861,272
	Compensation for user fees foregone	13,701,379
	Rehabilitation of village polytechnics	48,949,894
	Road maintenance levy fund	151,875,577

No.	Description		Total in Kshs
			622,388,122
	Loans and Grants	Kenya Climate Smart Agriculture Project (KCSAP)	117,297,000.00
		Kenya Devolution Support Program - Level 1 (KDSP)	30,000,000.00
		Kenya urban Support Program (KUSP-UIG)	8,800,000.00
		Kenya urban Support Program (KUSP-UDG)	234,738,735.00
		DANIDA	15,390,000.00
		Transforming Health Systems for Universal Health Care (THS -UCP)	27,614,815.00
		Agriculture Sector Development Support Programme (ASDSP)	9,485,572.00
		Total	1,065,714,244
3	Estimated Local Revenue		1,000,000,000
	Estimated total amount for budgeting		7,161,364,244

ANNEX III: HIGHLIGHTS ON PUBLIC PARTICIPATION ON PREPARATION OF THE CFSP, 2020 AND THE MTEF BUDGET 2020/2021-2022/2023 HELD IN ALL THE EIGHT SUB-COUNTIES HEADQUARTERS ON 19.02.2020

- The participants in every forum advocated for installation of street lights and high mast so as to provide security and enable the traders extend business hours.
- The participants in all forums requested for gravelling of feeder roads and tarmacking of major roads in their sub-counties.
- Participants requested for the renovation and equipping of ECDEs and polytechnics. They also, requested for construction of classes and ambulation blocks in all ECDEs, polytechnics and markets places.
- The participants in Kieni sub-counties advocated for the drilling of boreholes, piping and ensure sustainability of water catchment system.
- The participants recommended for staffing, provision of drugs and equipping in all health dispensaries to reduce congestion at Nyeri County Referral Hospital.
- The participants requested for improvement of drainage system within the town centers and identification of specific areas where picking and disposing of garbage will be done.

- The participants of Karatina ward raised their concern on the situation of the market where they requested for installation of a lift, signage and extension of the roof on the 3rd floor so as to prevent their products being rained on.
- The participants in Karima ward requested for the upgrading of bridges in their areas so as to ease movement of people, goods and services.
- The participants in Narumoru requested for provision of fire engines and hydrants within the town so as to help fight the rampant fire outbreaks.
- The participant (especially those in the mental field) were of the opinion that we need to establish a talents academy and social halls covering all aspects so as to help tackle the issue of mental health among the people living in the county.

PRIORITY SECTORS AND THE SPECIFIC RREQUESTS

Health Services

There was an issue concerning staffing, equipping and provision of drugs, they say that the current ones are just offering first aid and referring them to the hospitals that can offer help to them. Also construction of laboratories and consultation rooms will help them to get all the services required at one point.

Agriculture, Livestock and Fisheries

Provision of subsidized fertilizer and seeds. Irrigation is highly recommended and completion of ongoing schemes which will in turn increase the productivity. Construction of fruit processing factories which will lead to value addition and increase incomes. Further, they suggested coolers for storage of milk which will help in reduction of wastage at times of surplus production.

Education and Sports

Construction, renovation and equipping of ECDE and youth polytechnics. Renovated and equipped youth polytechnics will increase the technical skills which are on demand in the job market. There is urgent need for renovation of ablution blocks which were destroyed by floods as the children are suffering. Youth groups requested for games kit and renovation of stadiums for recreation activities, they are of the opinion that this will keep them away from anti-social activities.

Trade, Culture, Tourism and Cooperative Development

Upgrading of Karatina Market by extension of the 3rd floor roof to keep off the rains from destroying the traders' products and installation of lift to ease movement especially for those with disability and traders with bulk goods. There is an urgent need to address the Pakoni Market to

safe the traders who were evicted from the rail lines by KENHA as their merchandises and wares are prone to destruction by adverse weather and the security is not guaranteed at night. They therefore requested installation of security lights, ablution blocks, fencing and roofing of the market.

Some women groups requested for cultural costumes so as to grace special events which could lead to generating of income. The public especially those living around Mt. Kenya are requesting for the upgrading of the foot ways leading to the top of the mountain so as to increase the number of visitors, which will in return lead to generation of more revenue.

Transport, Infrastructure, Public Works and Energy

There is an issue on road maintenance as members of the public raised concern on potholed roads where those with bodabodas and vehicles are complaining that it's causing high cost of vehicle maintenance. They requested for tarmacking, murraming and fixing of culverts on the roads to make it easy for movement during rainy seasons. Installation of street light and 'High mast' would help in security matters and help traders work till late hours in the evening. They also advocated for increase in number of transformers at all points where the current ones are being strained.

Water and Irrigation

Members of the public requested for drilling of boreholes and installing water pipes so as to distribute the water to the public who have suffered from walking long distance to fetch water. They also advocated for gutter installation in public institutions so as to help with water reservation and running of day to day activities. The members advocated for afforestation in every public land so as to help in achieving a coverage that can help the country to achieve the 2030 national vision of a ten percent forest cover.

Gender Youth and Social Services

Naromoru residents requested for fire engine and hydrants so as to safeguard their property in case of fire incidents which have become rampant in the past and has claimed much of their property. The public also requested for social halls to empower youths and also offer a platform to fight mental issues in the community (The issue was raised by specialist and members who have overcome mental problems) and also help them share their experiences and vision.

Lands Housing, Physical Planning and Urbanization

The public were concerned with issuance of title deeds (especially the informal settlement/villages) to members of the public as they will be able to develop their lands/plots and plan their future. They also called for protection of public land and reclaiming the ones which have been grabbed.