REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

2017

SEPTEMBER, 2017

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FOREWORD

The Nyeri County Budget Review Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012. The CBROP, 2017, captures updated economic and financial forecasts with sufficient information that will inform the budget proposals for the next financial year. It also reviews previous year's budget and provides an outlook for the forthcoming budget year.

In reviewing the fiscal performance, this paper analyzes the performance of the county revenue in the FY 2016/17. It has included the total revenue realized in comparison to the projected amount for the same year. In addition, the causes of the underperformance in revenue mobilization are also highlighted. Included in the analysis is also performance of county expenditure for the period under review.

This paper has also provided an overview of how the actual performance of the FY 2016/17 affected the financial objectives as detailed in the County Fiscal Strategy Paper (CFSP), 2016. The anticipated performance of the FY 2017/18 budget will form the basis for projecting the FY 2018/19 budget based on the recent economic developments. It is anticipated that, the projected revenue and expenditure for 2017/18 will be achieved through strict expenditure controls and enhanced revenue mobilization measures. This will be achieved through fiscal discipline to ensure proper management of public resources and delivery of expected outputs. Revenue streams will be interrogated to understand the reasons for under performance in 2016/2017 so that appropriate corrective measures are taken during this financial year.

To ensure transparency and accountability the executive will communicate the performance indicators to all stakeholders as required by the Kenya Constitution 2010 and Public Finance Management Act, 2012. This will enable the stakeholders to keep abreast of the all the development programmes being carried out in the county through a quarterly projects implementation status reports.

Dr. Charles G. Githinji, PhD.
Ag. County Executive Committee Member
Finance and Economic planning

ACKNOWLEDGEMENT

The 2017 Nyeri County Budget Review and Outlook Paper (CBROP) is prepared in accordance with the Public Finance Management (PFM) Act, 2012. The document is expected to improve the public's understanding of county's public resources and expenditures hence guide public debate on economic planning and budgeting matters.

The county government is committed to continue building capacity to enhance resource management, raise own revenue and entrench good governance in all departments. The county government will continue to implement priority programs to raise productivity and economy-wide efficiency for sustainable and inclusive growth.

The preparation of the CBROP, 2017 was a concerted effort among all county departments who provided valuable and credible information. We appreciate their inputs in this noble course as a critical process of the county budget preparation. Special thanks go to the office of the Governor, office of the County Secretary, County Directors and other county officials who offered support to come up with this document.

As it is the responsibility of County Treasury to ensure timely preparation and submission of the CBROP, a team from the department of Finance and Economic Planning spent valuable time to put together this document. These officers included the Ag. Chief Officer of Finance and Accounting, Richard Kimani, Eustace Kingóri, Gibson Mwangi and Chris Gathogo whose tireless effort enabled the successful completion of the CBROP, 2017. To all of you I say thank you and assure you that the time spent was not in vain as the CBROP will have great impact in future planning and budgeting process.

FRANCIS MARANGA KIRIRA

CHIEF OFFICER - ECONOMIC PLANNING, MONITORING AND EVALUATION

Legal Basis for the Publication of the County Budget Review and Outlook Paper

The Nyeri County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012 which states that:

1) A County Treasury shall;
    a) prepare a County Budget Review and Outlook Paper (CBROP) in respect of the county for each financial year; and
    b) Submit the paper to the County Executive Committee by 30th September of that year.
2) In preparing the County Budget Review and Outlook Paper, the County Treasury shall specify-
    a) the details of actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
    b) the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
    c) information on-
        i) any changes in the forecasts compared with the CFSP or;
        ii) how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the CFSP for that year; and
    d) reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
3) The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
4) Not later than seven days after the CBROP is approved by County Executive Committee, the County Treasury shall:
    (a) arrange for the CBROP to be laid before the County Assembly; and
    (b) as soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility principles in the Public Financial Management Law

Section 107(2) of the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of county public resources. The PFM Act states that:

(a) the county government's recurrent expenditure shall not exceed the county government's total revenue;

(b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;

(c) the county government's expenditures on wages and benefits 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

(d) over the medium term, the county government's borrowings shall be used only for the purpose for financing development expenditure and not for recurrent expenditure;

(e) the county debt shall be maintained at a sustainable level as approved by the County Assembly.

(f) the fiscal risks shall be managed prudently; and

(g) 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

Background

1. The County Budget Review and Outlook paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012.The Act requires that every county prepares a CBROP by 30th September of that financial year and submit the same to the County Executive Committee (ExCom).The ExCom shall in turn:

- Within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments. Not later than seven days after the ExCom has the approved the paper, the county treasury shall;
- Arrange for the paper to be laid before the County Assembly
- As soon as practicable after having done so, publish and publicize the Paper.

Objectives of CBROP

2. The objectives of this County Budget Review and Outlook Paper is to provide;

- A review of the county fiscal performance in the financial year 2016/17 compared to the appropriation of that year and how this affected the economic performance of the county.
- An updated economic and financial forecast with sufficient information to show changes from the forecasts in the County Fiscal Strategy Paper, 2017.
- Reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and the time estimated for doing so.

3. The CBROP will be a key document in linking up of policy, planning and budgeting. It will be embedded on the Kenya's Vision 2030, Third Medium Term Plan (MTP) priorities and the Nyeri County Integrated Development Plan (CIDP) 2018-2022. Sector Working Groups will be formed to undertake performance reviews of programs currently being undertaken and also develop and prioritize programs for the Medium Term period of FY 2018/19 – FY 2020/21.

4. The updated outlook will thereafter be firmed up in the County Fiscal Strategy Paper (CFSP), 2018 to reflect any changes in economic and financial conditions. In accordance with Section 117 of the Public Finance Management Act, 2012, the CFSP will be submitted to the County Assembly not later than 28th February 2018.

REVIEW OF FISCAL PERFORMANCE IN 2016/17

A. Overview

5. The implementation of the 2016/17 budget was faced by numerous challenges. First the local revenue collection was less than projected due to various reasons as expounded in this paper. In addition there were other expenditure pressures in the FY 2016/2017 as a result of the large pending bills from the FY 2015/16 and the frequent down times of the IFMIS system. Therefore there is need for continued support by the National Treasury in resolving these IFMIS issues. The delay in the enactment of the appropriation bill, 2016 adversely affected the implementation of development projects and programmes.

6. In order to realign the county budget and revenue projections within the prevailing economic trends and the provisions of County Allocation of Revenue Act (CARA), 2016, the County Treasury prepared a supplementary budget arising from the reorganization of the Government and to take into account the recommendations by the Controller of Budget. In the supplementary budget recurrent estimates amounted to Kshs 4,977,493,117 while the development amounted to Kshs 2,304,909,857. These adjustments on the original budget were approved by County Assembly in June, 2017.

B. 2016/17 Fiscal Performance

Revenue Performance

7. During the 2016/17 fiscal year cumulative revenues received by the County amounted to Kshs. 6,859,024,352 compared to the budgeted estimates of Kshs. 7,282,402,974. This represented a revenue shortfall of Kshs. 423,378, 622 as shown in Table 1 below.

Table 1: Revenue Performance in Financial Year 2016/17

Revenue Sources and Expenditure	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Percentage Performance
Balance B/F	-	693,000,176	693,000,176	0	100.00
Equitable Share	4,800,764,767	4,800,764,767	4,800,764,767	0	100.00
Level V Hospital	388,439,306	388,439,306	388,439,306		100.00
Free Maternity	69,215,585	69,215,585	60,515,000	(8,700,585)	87.43
User fee foregone	14,347,664	14,347,664	14,347,664	0	100.00
Compensation for payment of nurses from Ministry of Health		104,874,000	141,861,000	36,987,000	135.27

Danida grant-Health Facilities	22,930,000	11,465,000	11,465,000	0	100.00
Road maintenance fuel levy fund	73,762,719	73,762,719	73,763,719	1,000	100.01
Coffee Cess	-	13,438,245	13,438,245	0	100.00
Tea Cess	-	17,994,512	18,290,322	295,810	101.64
Local Revenue	1,095,101,000	1,095,101,000	643,139,153	(451,961,847)	58.73
Total Revenue	**6,464,561,041**	**7,282,402,974**	**6,859,024,352**	**(423,378,622)**	**94.19**
Salaries & Wages	2,855,964,579	3,020,745,868	2,907,207,521	(113,538,347)	96.24
O&M/ Others	1,667,235,811	1,956,747,249	1,571,247,082	(385,500,167)	80.30
Development	1,941,360,651	2,304,909,857	1,203,846,247	(1,101,063,610)	52.23
Total Expenditure	**6,464,561,041**	**7,282,402,974**	**5,682,300,850**	**(1,600,102,124)**	**78.03**

Source: County Treasury, 2017

8. By the end of June 2017, the projected revenues were fully realized apart from local revenue and free maternal healthcare which is calculated on the basis of actual births in the County. The County had cash balances from the 2015/16 financial year amounting to Kshs. 693,000,176. During the financial year, the County received Kshs. 4,800,764,767 as equitable share of revenue raised nationally, Kshs. 388,439,306 conditional grant to Nyeri Level V Hospital, Kshs. 14,347,664 as compensation for user fees foregone and Kshs. 73,763,719 from the Road Maintenance Fuel Levy Fund. The County also received Kshs. 60,515,000 for free maternal healthcare, Kshs. 11,465,000 as a grant from DANIDA, and Kshs. 31,728,567 as releases for coffee and tea cess. Further a total of Kshs.141.86 million was also released by the National Government as an allocation for additional allowances to health workers.

9. Local revenue collection during the 2016/17 financial year amounted to Kshs. 643,139,153 against a target of Kshs. 1,095,101,000. This represented a shortfall of Kshs. 451,961,847, and translated to a 9.4 per cent decrease when compared to Kshs. 709,554,435 collected during the 2015/16 financial year.

10. The decline in local revenue collection can be attributed to weak enforcement and political interference. Going ahead, the performance of local revenue requires to be enhanced by ensuring that efforts are raised in meeting revenue targets in all streams. The department will strengthen the inspectorate team through provision of right personnel and a vehicle. Further, the revenue staff will be working on rotational basis to ensure no one person is in one collection point for a long period of time.

Table 2: Local Revenue Performance – FY 2016/17

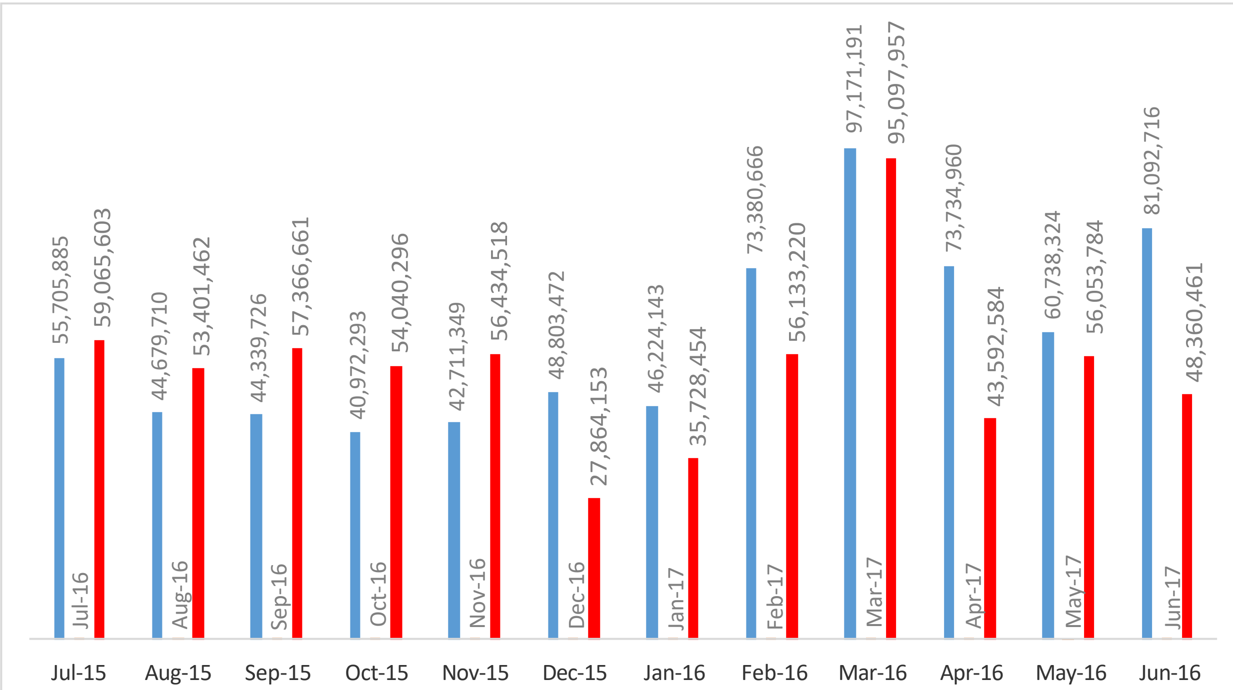
ACCOUNT DESCRIPTION	APPROVED TARGET FY 2016/17	ACTUAL PERFORMANCE	PERCENTAGE ACHIEVED	DEVIATION
	Kshs	Kshs	%	
CILOR Current Year	0.00	0.00	0.00	
DEPARTMENT OF PUBLIC ADMINISTRATION & ICT.				
Liquor Licence	47,889,046.00	35,525,227.00	74.18	12,363,819.00
AGRICULTURE, LIVESTOCK FISHERIES AND COOPERATIVE DEVELOPMENT				
Co-operative Audit	1,574,622.00	1,767,900.00	112.27	-193,278.00
Agricultural Mechanisation Station	1,928,200.00	14,500.00	0.75	1,913,700.00
Wambugu Agricultural Training Centre	8,834,136.00	7,357,317.00	83.28	1,476,819.00
Veterinary Charges	5,743,179.00	3,826,580.00	66.63	1,916,599.00
Slaughtering Fees	3,751,267.00	2,490,620.00	66.39	1,260,647.00
Slaughter House Inspection Fees	1,530,484.00	1,252,396.00	81.83	278,088.00
Nyeri Slaughter House	0.00	320,000.00	0.00	-320,000.00
Kiganjo Slaughter House	0.00	70,600.00	0.00	-70,600.00
Sale of Fertilizer	3,500,000.00	0.00	0.00	3,500,000.00
Tea Cess	50,000.00	0.00	0.00	50,000.00
Coffee Cess	392,000.00	0.00	0.00	392,000.00
TRADE, INDUSTRIALIZATION & TOURISM				
Weights and Measures	1,182,944.00	1,109,130.00	93.76	73,814.00
Business Permits	121,984,610.00	91,749,565.00	75.21	30,235,045.00
Market Entrance/Stalls/Shop Rents	57,721,130.00	33,191,634.00	57.50	24,529,496.00
Ambulant Hawkers Licences (Other than BSS Permits)	501,430.00	373,930.00	74.57	127,500.00
Impounding Charges/Court Fines, penalties, and forfeitures	5,503,200.00	1,118,640.00	20.33	4,384,560.00
Application Fee	18,487,754.00	4,957,500.00	26.82	13,530,254.00
Business Subletting / Transfer Fee	194,660.00	45,500.00	23.37	149,160.00
Central Kenya show annual permit	0.00	0.00	0.00	0.00
HEALTH AND SANITATION SERVICES				
Hospital Services	308,859,938.00	198,329,811.00	64.21	110,530,127.00
Public Health	16,395,572.00	8,919,850.00	54.40	7,475,722.00
Burial Fees	142,660.00	79,500.00	55.73	63,160.00
Public Toilets	551,264.00	236,205.00	42.85	315,059.00
Use of public toilets	0.00	0.00	0.00	0.00
Garbage Dumping Fee/waste disposal charges	2,572,800.00	168,100.00	6.53	2,404,700.00
Refuse Collection Fee	57,647,173.00	15,367,550.00	26.66	42,279,623.00
FINANCE & ECONOMIC PLANNING				
Miscellaneous Income	1,910,055.00	1,219,790.00	63.86	690,265.00
Document Search Fee	264,040.00	405,400.00	153.54	-141,360.00
Tender Documents Sale	2,500,000.00	0.00	0.00	2,500,000.00
Grants	0.00	0.00	0.00	0.00
PUBLIC WORKS, ROADS, TRANSPORT, LANDS, HOUSING & PHYSICAL PLANNING				
Parking Fees	156,451,092.00	91,102,080.00	58.23	65,349,012.00
Parking Clamping/Penalties/Offences fees	3,000,000.00	1,479,990.00	49.33	1,520,010.00
Land Rates	127,771,637.00	53,467,317.00	41.85	74,304,320.00
Other Property Charges	737,597.00	520,199.00	70.53	217,398.00
Ground Rent - Current Year	4,405,532.00	1,999,593.00	45.39	2,405,939.00
Ground Rent - Other Years	3,086,009.00	2,152,116.00	69.74	933,893.00
Stand Premium/Commissioner of Lands	83,000.00	18,190.00	21.92	64,810.00
Temporary Occupation License (TOL),	2,394,000.00	1,667,500.00	69.65	726,500.00

ACCOUNT DESCRIPTION	APPROVED TARGET FY 2016/17	ACTUAL PERFORMANCE	PERCENTAGE ACHIEVED	DEVIATION
	Kshs	**Kshs**	**%**	
New Occupation, Space Rent, Retainers fees				
Hire of Plant & Machinery	0.00	0.00	0.00	0.00
Plot Transfer Fee	1,768,000.00	1,029,300.00	58.22	738,700.00
Cess (Quarry, Produce, Kaolin, e.t.c.)	37,269,376.00	31,862,380.00	85.49	5,406,996.00
Housing Estates Monthly Rent	26,911,457.00	15,086,037.00	56.06	11,825,420.00
Housing Estates Monthly Rent (Kiawara, Majengo & Kingongo ph. 3)	1,834,295.00	429,940.00	23.44	1,404,355.00
Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey, Occupation cert, boundary dispute e.t.c.)	3,342,500.00	1,703,000.00	50.95	1,639,500.00
Sign Boards & Advertisement Fee	23,269,444.00	13,419,707.00	57.67	9,849,737.00
Buildings Plan Approval Fee	13,216,766.00	8,837,662.00	66.87	4,379,104.00
Buildings Inspection Fee	3,643,348.00	2,392,903.00	65.68	1,250,445.00
Right-of-Way / Way-Leave Fee (KPLN, Telkom, e.t.c.)	1,680,000.00	556,264.00	33.11	1,123,736.00
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	1,693,220.00	1,057,500.00	62.45	635,720.00
Agency Fee (Fees from KHC, Insurance Firms, e.t.c.)	1,723,703.00	52,050.00	3.02	1,671,653.00
Sales of Council's Minutes / Bylaws	396,960.00	364,000.00	91.70	32,960.00
Sale of Old Office Equipment and Furnuture	1,000,000.00	0.00	0.00	1,000,000.00
Benevolent Fund	1,776,600.00	1,102,000.00	62.03	674,600.00
Debts Cleareance Certificate Fee	2,774,320.00	1,802,300.00	64.96	972,020.00
Fire-Fighting Services	752,800.00	10,500.00	1.39	742,300.00
GENDER, CULTURE AND SOCIAL DEVELOPMENT				
Social Hall Hire, IFAD Hall	183,420.00	35,000.00	19.08	148,420.00
Stadium Hire	1,552,800.00	425,300.00	27.39	1,127,500.00
EDUCATION,YOUTH AFFAIRS,SPORTS AND ICT				
Nursery Schools Fee (KRT)	300,000.00	287,430.00	95.81	12,570.00
Nursery Schools Fee (Kingongo)	216,160.00	180,300.00	83.41	35,860.00
Nursery Schools Fee (Nyakinyua)	198,800.00	201,350.00	101.28	-2,550.00
Registration of School, Training/Learning Center Fee	56,000.00	0.00	0.00	56,000.00
WATER, ENVIRONMENT AND NATURAL RESOURCES				
Sale of Flowers,Plants, Firewood, Produce e.t.c.	0.00	0.00	0.00	0.00
Exhauster Services Charge	0.00	0.00	0.00	0.00
Private Borehole Operators	0.00	0.00	0.00	0.00
Quarry /Mining Charges-Annual Licence Fee	0.00	0.00	0.00	0.00
Tree Cutting Permits	0.00	0.00	0.00	0.00
Water Bowser/Water vendor licences	0.00	0.00	0.00	0.00
Tipping Charges	0.00	0.00	0.00	0.00
Polluters of Environment Penalties	0.00	0.00	0.00	0.00
TOTAL LOCAL SOURCES	**1,095,101,000.00**	**643,139,153.00**	**58.73**	**451,961,847.00**

Source: County Treasury, 2017

11. Review of local revenue collections on a monthly basis indicates that collections were highest in the month of March 2017, as shown in the figure below. This was attributed to the fact that the Single Business Permit and land rates, being the major revenue streams, have a March deadline for renewal.

Figure 1: Monthly revenue collections in comparison to performance in FY 2015/2016



Source: County Treasury, 2017

Expenditure Performance

12. Total expenditure amounted in the 2016/17 financial year amounted to Kshs. 5,682,300,850 against a budget of Kshs. 7,282,402,974, representing an under spending of Kshs. 1,600,102,124 as shown in Table 3 below. This shortfall was attributed to delayed passage of the county budget leading to low absorption of development funds.

Table 3: Expenditure Performance in FY 2016/17

Economic Classification	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Percentage Performance
Salaries & Wages	2,855,964,579	3,020,745,868	2,907,207,521	(113,538,347)	96.24
O&M	1,667,235,811	1,956,747,249	1,571,247,082	(385,500,167)	80.30
Development	1,941,360,651	2,304,909,857	1,203,846,247	(1,101,063,610)	52.23
Total Expenditure	**6,464,561,041**	**7,282,402,974**	**5,682,300,850**	**(1,600,102,124)**	**78.03**

Source: County Treasury, 2017

13. Recurrent expenditure amounted to Kshs 4,478,534,101 against a budget of Kshs 4,977,493,117 representing an underspending of Kshs 498,959,016. The County spent Kshs. 2,907,207,521 on personnel emoluments and Kshs. 1,571,247,082 on operations and maintenance.

14. Development expenditure amounted to Kshs 1,203,846,247 compared to a revised estimate of Kshs 2,304,909,857, representing an under spending of Kshs 1,101,063,610. The underspending can be attributed mainly to delayed passage of the county budget and late release of funds by the National Treasury.

Performance by Departments and Other County Units

15. Analysis of the performance by departments and other county units indicates that the Department of Health Services and Sanitation had the highest percentage of recurrent expenditure at 98.34 percent while the Department of Tourism and Culture had the lowest at 41.98 percent as shown in Table 4 below.

Table 4 : Performance of Recurrent Budget in FY 2016/17

Head/Department	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Percentage performance
County Assembly	633,206,457.00	644,116,905.00	584,622,123.00	59,494,782.00	90.76
Office of the Governor	105,074,442.00	116,023,888.00	90,184,696.20	25,839,191.80	77.73
County Secretary	205,125,487.00	256,573,837.00	222,600,738.30	33,973,098.70	86.76
Finance and Economic Planning	307,752,950.00	395,486,381.00	288,377,424.45	107,108,956.55	72.92
Lands, Housing and Physical Planning	54,346,469.00	65,276,469.00	38,228,025.95	27,048,443.05	58.56
Health Services and Sanitation	1,914,297,274.00	2,028,029,310.00	1,994,294,044.40	33,735,265.60	98.34
Special Programmes	113,360,560.00	113,360,560.00	92,531,397.45	20,829,162.55	81.63
Public Administration, Information and Communication	393,280,785.00	417,622,749.00	395,923,895.85	21,698,853.15	94.80
Agriculture, Livestock Development and Fisheries Development	301,550,122.00	303,800,122.00	296,087,978.10	7,712,143.90	97.46
Tourism and Culture	9,736,203.00	29,340,615.00	12,317,107.60	17,023,507.40	41.98
Education ICT, Trade and Industrialization	273,950,526.00	276,950,526.00	189,838,035.35	87,112,490.65	68.55
Water, Forestry and Wildlife, Environment and Natural Resources	133,144,141.00	130,682,141.00	122,422,192.30	8,259,948.70	93.68
County Public Service Board	36,572,229.00	36,572,229.00	30,666,119.90	5,906,109.10	83.85
Roads and Infrastructure	99,849,019.00	59,708,366.00	42,907,124.90	16,801,241.10	71.86
Energy	59,708,366.00	103,949,019.00	77,533,197.30	26,415,821.70	74.59
TOTAL	**4,640,955,030.00**	**4,977,493,117**	**4,478,534,101.05**	**498,959,015.95**	**89.98**

Source: County Treasury

16. Analysis of the development outlay indicates that the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 89.9 per cent while the Office of the County Secretary and Department of Public Administration did not incur any development expenditure as shown in Table 5 below.

Table 5: Performance of the Development Budget in FY 2016/17

Head/Department	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Percentage performance
County Assembly	50,000,000.00	62,119,967.00	4,587,724.00	57,532,243.00	7.39
County Secretary	0	7,300,000.00	0	7,300,000.00	0.00
Finance and Economic Planning	63,990,676.00	65,990,676.00	59,304,455.75	6,686,220.25	89.87
Lands, Housing and Physical Planning	38,570,542.00	49,154,519.00	15,244,951.10	33,909,567.90	31.01
Health Services and Sanitation	389,162,876.00	466,561,273.00	244,957,205.65	221,604,067.35	52.50
Special Programmes	118,000,000.00	118,000,000.00	8,544,380.20	109,455,619.80	7.24
Public Administration, Information and Communication	0	8,825,684.00	0	8,825,684.00	0.00
Agriculture, Livestock Development and Fisheries Development	149,789,799.00	119,022,556.00	46,976,751.00	72,045,805.00	39.47
Tourism and Culture	22,084,339.00	14,854,339.00	8,367,223.00	6,487,116.00	56.33
Education ICT, Trade and Industrialization	196,020,692.00	275,020,608.00	128,201,071.10	146,819,536.90	46.62
Water, Forestry and Wildlife, Environment and Natural Resources	162,829,555.00	200,003,383.00	66,430,094.95	133,573,288.05	33.21
Roads and Infrastructure	571,179,042.00	856,078,362.00	568,555,294.65	287,523,067.35	66.41
Energy	61,978,490.00	61,978,490.00	52,677,095.90	9,301,394.10	84.99
TOTAL	**1,823,606,011**	**2,304,909,857**	**1,203,846,247.30**	**1,101,063,609.70**	**52.23**

Source: County Treasury, 2017

C. Fiscal performance of the FY 2016/2017 in relation to fiscal responsibility principles and financial objectives

17. The fiscal performance in the FY 2016/17 has affected the financial objectives set out in the 2016 CFSP and the fiscal responsibility principles in the following ways;

18. Revenue projections has remained on a straight line trajectory based on the CARA (2017) where the equitable share of national revenue allocated to the County was Kshs. 4,952,800,000, which is 3.2 percent higher than FY 2016/17 allocation of Kshs 4,800,764,767. Further, local revenue contribution has remained below 15 percent of the projected total county revenue in both FY 2016/2017 and 2017/2018. Actual contribution of local revenue to total county revenue in FY 2016/17 was only 9.4 per cent.

19. The poor local revenue collection can be attributed to the narrow revenue base being experienced. It is our hope that the approval of the audited accounts of the 2015/16 financial year by the National Assembly will most likely increase the equitable share to the county to counter the ever increasing demand on development expenditure as we strengthen existing and explore on other local revenue streams.

20. The projected revenue and expenditure were broadly in line with the planned outcomes of the FY 2016/17 until the issue of holding the Madaraka Day celebrations on 1st June, 2017 was brought to Nyeri County and specifically Kabiruini ASK show grounds. The final cost of rehabilitating and constructing the arena sheds totaled to Kshs 87,236,738.99 which necessitated the preparation of the second supplementary budget but the cost ended up being a pending commitment to be paid in FY 2017/2018.

21. For the FY 2017/2018 budget, adjustments will be introduced on fiscal aggregates as provided for under section 108 (2) of the PFM Act, 2012; CARA, 2017 and the unspent balances as at 30th June, 2017. The pending bills and commitments from the FY 2016/2017 totaled Kshs 711, 512,990.13 which will be provided during the adjustments.

22. Regulation 25(1) (b) of the PFM (County Governments) Regulations demands that a county should not spend more than 35 percent of its cumulative revenue on salaries and wages. In Nyeri County, a total of Kshs. 3,020,745,868, representing 41.48 percent, had been allocated in FY 2016/2017 due to the large workforce who were inherited either through devolution of both former Central Province and Nyeri County staff or from the defunct local authorities. Other reasons for the high wage bill is the recently approved CBAs for the nurses and medical doctors. Recruitment of professional staff and demand for promotions, whenever they are due, has also contributed to the huge wage bill. By the end of the FY 2016/2017 the percentage spent on salaries and wages to the total expenditure was 50.41 percent.

23. The amount allocated for development expenditure in FY 2016/2017 was 31.65% which was within the requirement of allocating more than 30% in any financial year. By the end of this period only Kshs. 1,203,846,247 had been spent on development representing 20.87% of the total county expenditure. As stated above, this is attributable to late approval of the budget and frequent down times of the IFMIS.

24. During the FY 2016/2017 the county did not borrow and therefore did not incur any debt as per the definition. What was carried over were the pending bills and commitment totaling Kshs 711,512,990.13 and was far below the cash balances carried forward to FY 2017/2018 of Kshs. 1,279, 269,871.

25. As required under the PFM Act, 2012, a finance bill was prepared, through a participatory approach, and approved by the County Assembly. The participation of the public in the process ensures that the charges are explained and therefore will not be a shocker to the rate and fees payers. This notwithstanding, litigations have been experienced in the past thus hampering mobilization of local resources.

26. In the FY 2017/2018 the County Government has prioritized the following development strategies:

- improvement of service delivery in our public health facilities to ensure accessibility and affordability
- provision of water for both domestic and irrigation purposes especially in the arid Kieni Constituency through drilling and equipping of boreholes and construction of water pans
- intensifying extension services and provision of farm inputs such as manure, fertilizer and lime, among other reforms, to drive agriculture so as to ensure food security, create jobs and reduce dependence on imports and relief food
- improve the ECDE and technical training through refurbishment of existing facilities and improving the welfare of the teachers and instructors
- support for the most vulnerable in our society who include the women, youth and the disabled.

III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

27. The county's medium term strategic objectives are dependent on the fiscal and financial developments in the national front, subsequently impacting on the county's current priorities as outlined in the County Fiscal Strategy Paper, 2017.

28. The general elections held on August this year, occasioned a change in county leadership and governance necessitating a review of the already existing policies and development priorities so as to align them with the agenda of the new County Government. Section 108 (2) of the PFM Act, 2012, provides for deviation, by the county government, from the financial objectives in a

County Fiscal Strategy Paper but may not deviate from the fiscal responsibility objectives, if there is a change of County Government.

29. The backbone of the County economy lies in agriculture with tea, coffee, milk and horticulture as the key products that contribute dominantly to households' incomes. It is therefore important to note that major changes in economic and financial trends in the country can drastically affect the expenditure trends by the County Government in the future. Any unfavorable alteration in expenditure trends due to economic shocks will delay the development agenda of the county. These economic changes includes but not limited to inflation and exchange rates and will most likely affect the overall value of the county's products.

30. The county's economic growth is therefore dependent on the way the country plans to cope with exogenous shocks. However, it is unfortunate that incidences of such shocks are ultimately borne by the hard-working coffee, tea and horticultural farmers in the county. Further, the county will continue to enhance investment in irrigation projects, concentrate on improving the quality of our overly cultivated land in an attempt to increase its fertility levels and overall productivity. This will be done through provision of manure and lime to farmers and employ modern farming techniques to reduce dependence on rain fed agriculture and cushion the county from adverse effects of drought.

A. Recent National Economic Developments

31. Heightened political uncertainties following the Supreme Court's decision on 1st of September to invalidate the presidential results of the 8th of August election, along with a devastating ongoing drought, continue to damage Kenya's economic prospects. Economic activity in the private sector was hit by a slump in demand amid escalating concerns over prolonged instability, reflected by a plunge in the Purchasing Managers' Index (PMI), which dropped to a record low in August as unemployment continues to climb. The nation was recently struck by fears of a famine as the drought—which has ravaged the north of the country since the start of the year—worsened, impacting on an estimated 5.6 million people.

32. The real Gross Domestic Product (GDP) is expected to grow at 5.5% in 2017 down from an estimated 5.8% in 2016 due to a combination of domestic and international constraints. Domestic constraints include the general elections and the capping of the interest rates which might inhibit investments. International constraints include disruptive geopolitical events such as the United

Kingdom's impending exit from the EU and Trump's presidency, which are likely to translate to reduced foreign investments to emerging economies. According to the Economic Intelligence Unit (EIU) of World Bank, growth will remain robust between 2017 and 2021, averaging 5.8% as a result of sustained expansion in consumer services, urbanization, EAC integration, structural reforms and investment in infrastructure.

33. On March 2017, the Central Bank of Kenya (CBK) retained the Central Bank Rate (CBR) at 10% so as to anchor prevailing uncertainties such as rising inflation and the impact of the interest rate caps on the effectiveness of monetary policy. The Banking (Amendment) Act, 2016, that came into force in September 2016, capped interest rates charged by lending institutions to 4% above the prevailing CBR set by the CBK. The Act also set the minimum interest rate granted on a deposit held in an interest earning account in Kenya to at least 70% of the base rate.

34. The Kenya National Bureau of Statistics (KNBS) reported that inflation increased from 7.0% in January 2017 to 9.0% in February 2017 on account of rising food and electricity prices. Inflation averaged 6.3% in 2016 due to subdued oil prices, lower electricity tariffs (due to increased reliance on drought-resistant geothermal power) and low food prices due to improved rainfall. The Economic Intelligence Unit (EIU) forecasts inflation to average 5.1% between 2017 and 2020 due to prudent monetary policy and efficiency gains arising from regulatory reform and investment in infrastructure.

35. The agriculture industry in Kenya remains the most prominent, important and dominant industry. As of 2016, the industry accounted for over 26% of the total GDP, 20% of employment, 75% of the labor force, and over 50% of revenue from exports. However other sectors where investment will be directed going forward includes; infrastructure projects, building and construction, manufacturing, retail, wholesale and financial sub sector, among others. The country's economic growth will hopefully stabilize after the repeat presidential election thereby creating room for increased investments and domestic demand, strengthening investor confidence and initiatives to deepen regional integration and cooperation.

B. County Recent Economic Developments

36. In order to improve access in the rural areas, the County Government has continued with the improvement of access and feeder roads through the '8Km per ward' programme and 10Km affirmative action for Kieni. Since 2013 the county has improved about 1120Km of road through gravelling and grading thereby greatly easing access of the farm produce to the markets. The target is to improve all the county roads into all-weather standards. There is also construction of footbridges and box culverts to connect ridges and other areas that had been previously impassable.

37. The county government has continued to focus on improvement of health infrastructure. Since 2013, the county government has operationalized the following 22 dispensaries namely; Karindundu, Gitimaini, Iruri, Ngaru, Thage-ini, Githakwa and Hubu-ini, Gathehu, Chieni, Kianjogu, Gakanga, Githima, Ihwagi, State lodge-Sagana, Kihome, Gathumbi, Mucharage Thung'ari, Thunguri, Thunguma, Gitero and Kianganda.

38. The County Government also concentrated in offering extension services where 2,385 farmers were reached through 252 group trainings in FY 2016/17. In addition 1,150 farmers were reached through 122 demonstrations, 1,148 farmers reached through 119 farmers' field schools and 1,461 farmers reached through 1,175 farm visits. During the central ASK show, over 30,000 farmers trained on new farming technologies and modern farming techniques which will serve to enhance agricultural productivity within the county.

39. In an attempt to reduce overdependence on rain fed agriculture, the county government has focused on provision of water for irrigation. This has been achieved through construction of intakes and water reservoirs, procurement and installation of distribution pipes among others. Most of the implementation works on water projects roll over several years and hence are ongoing.

40. In the FY 2016/2017 the county government allocated Kshs. 100M for bursary, under the programme dubbed 'Elimu fund', where a total of 14,197 students from poor backgrounds have benefited. This is a continuous programme although the amount has been increased slightly from the Ksh. 90 Million allocated during the previous Financial Year.

41. During the FY 2016/2017, the County Government of Nyeri in collaboration with the Ministry of lands, Kenya Informal Settlement Program (KISIP) and the National land commission have seen through the resettlement of colonial villagers across the county. Further, the department of lands undertook Mapping and valuation of county government of Nyeri estates namely; Kimathi, Blue Valley, Ruring'u, Ring Road, Mweiga, NaroMoru, Kiganjo, Mukurwe-ini and Karatina to guide on revenue collection and future development.

42. The County Government has for three consecutive years procured and distributed sanitary towels to the class 8 girls in all the primary schools in the county. This is an initiative aimed at curbing absenteeism of the Standard 8 girl child from school due to lack of sanitary towels during their menstrual period. This will improve the overall academic performance of the girl child in KCPE by alleviating the psychological torture of those from poor background who cannot afford sanitary towels. In the year 2015 a total of 9,873 girls benefited while 9,985 benefited in 2016.

43. In collaboration with NHIF a total of 6,000 vulnerable members of our society have benefited with the county programme of Bima-Afya. The beneficiaries includes; Elderly venerable with over 70 years of age, Extremely poor persons, Persons living with disabilities – Adult, Persons living with disability – Children and Orphaned children below the age of 18 years. Through the programme the beneficiaries are able to meet basic medical needs provided in our public health facilities. There is need for concerted effort to encourage Nyeri residents to acquire medical insurance covers either as a group or as individuals.

44. The county has also embarked on lighting the major trading and market centers through street-lighting and installation of high mast flood lights. Currently there are 75 high mast flood lights installed across the county. This has greatly improved the business environment aimed at creating a 24 hour economy.

C. Economic Outlook

Growth prospects

45. The Gross Domestic Product (GDP) is projected to decelerate to 5.5% this year, a 0.5 percentage point mark down from the 2016 forecast, according to the World Bank's Kenya Economic Update (KEU). This has been occasioned by the ongoing drought which has led to crop failure, dying herds of livestock, and increased food insecurity. Further, with hydropower being the cheapest source of energy in Kenya, poor rains increase energy costs, their effects spilling over to other sectors. The rise in food and energy prices drove inflation to a five-year high of 10.3% in 2017.

46. While the medium to long-term outlook appears favorable, Kenya's economy remains vulnerable to downside risks. These include potential for fiscal slippages, a more prolonged drought in 2017, and external risks from a weaker than expected growth amongst Kenya's trading partners, as well as uncertainties related to US interest rate hikes and the resultant stronger dollar.

Inflation outlook

47. Inflation rate in Kenya, based on consumer prices, increased to 8.04 percent year-on-year in August of 2017, above 7.47 percent in July and market expectations of 7.6 percent. The rise in annual inflation is mainly attributed to higher prices of food, as a consequence of reduced supply. The Consumer Price Index decreased by 0.96 per cent from 185.39 in June 2017 to 183.60 in July 2017. Inflation Rate in Kenya averaged 10.21 percent from 2005 until 2017, reaching an all-time high of 31.50 percent in May of 2008 and a record low of 3.18 percent in October of 2010. In the long-term, the Kenya Inflation Rate is projected to trend around 5.90 percent in 2020.

48. To keep up with the envisioned level of development and attain the desired economic growth, the county government will create an enabling environment for investment and business. The necessary infrastructure will be provided and maintained for ease of access and transport. Exploration and exploitation of alternative sources of energy will also be promoted to supplement the already strained and overpriced electricity. The county will concentrate on improving the soil quality and fertility for optimal productivity at the same time providing adequate skills to farmers on modern farming technology to reduce overdependence on rain fed agriculture.

Medium Term Fiscal Framework

49. Over the medium term, the County Government will continue to pursue prudent fiscal policy of rationalizing expenditures. This will be achieved by reorienting expenditures from recurrent to development, thus ensuring that funding to areas with high impact is intensified. The County will seek to improve efficiency and effectiveness in resource utilization, thereby ensuring value for taxpayers' money.

50. Fiscal policy will support growth within a sustainable path of public spending by maintaining the county expenditures within the budget limits. Therefore, moderation in county expenditures will help assure and intergenerational equity in line with the Constitution of Kenya, 2010 and the fiscal responsibility principles in the PFM Act, 2012. Meanwhile, efficiency and economical spending of County Government resources will be enhanced to create room for critical interventions and pro-poor spending. The county will also ensure full compliance with the national standards and existing legislations to avoid litigations touching on financial administration and management that may delay development and generate possible sanctions impacting negatively on the county financial systems.

51. The ongoing implementation of E-procurement for goods and services will ensure prudence in spending through controlling of government commitments. Additionally, the system will improve cost for government purchasing through increased supplier competition.

52. To address the issue of high wage bill, the county will limit recruitments to only areas with critical needs. Further the existing staff will be rationalized in order to improve productivity.

53. The county will continue seeking development partners (World Bank and UNDP) support in strengthening county taxation, constitutional implementation and revenue collection. The County Government will continue to provide capacity building to the county personnel on financial management and prudence. Citizens' engagement and public participation will be improved to accelerate good working relations and minimize conflicts in county taxation and revenue collection, legislation and business. Therefore, there is need to enhance business activities, investment, revenue mobilization while focusing more on development agenda and cost reduction.

54. On the revenue side, the County Government intends to increase the contribution of the local revenue to between 12-15 per cent of total county resources envelop. Measures to achieve this deliberate effort will include stepping up efforts to ensure departmental revenue targets are met, development of valuation roll, strengthening of the revenue department through capacity building of staff and enhancing enforcement.

Risks to the Fiscal Framework

55. Although the growth of the county's economy is promising, it is still prone to both macro and micro risks. The macroeconomic management and performance of the sectors under the National Government has an effect on how the sectors of the county perform.

56. The risk that affect the country's economy that will have an impact on the performance of the county economy include;

i. The continued weak growth in advanced economies that will impact negatively on Kenya's exports and tourism activities. The main cash crops in the county include coffee, tea and horticulture are mainly for export to the western economies.

ii. Unfavorable political environment, occasioned by the prolonged electioneering in the country, which is likely to affect revenue collection as well as investments in the county.

57. The rapid growth of the county wage bill, driven by upward review of the salaries and allowances for staff working in the health sector, will impact negatively on the amount of resources available for development spending. Public expenditure pressures especially recurrent expenditures pose fiscal risks. With the commitment to improve infrastructure within the county, the share of resources going to the county's flagship programme of infrastructure development will rise over the medium term.

58. Agriculture, which is the mainstay economic activity in the county, remains vulnerable to unpredictable and sporadic weather patterns. Other unforeseen disasters such as pest infestation like the recent army worms and disease outbreaks pose some risk to this outlook. Greater attention need to be taken and structures put in place to address overreliance on rain fed production.

59. The weak local revenue performance, which has led to overreliance on fiscal transfers from the National Government, remains a major fiscal risk. There is also the risk of low resource absorption mainly caused by delays in enactment of budget related legislations and releasing of funds from the National Treasury as was the case in the FY 2016/17.

60. The capacity of the staff in resources management and mobilization, monitoring and evaluation and reporting is a risk to the framework. The government will continue building the capacity of the staff while enlisting the support of the national institutions in assessing the risk areas in budget implementation. Should these risks materialize, the government will undertake appropriate measures to mitigate the impact on the budget.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2017/18 Budget

61. The County fiscal framework supporting the FY 2017/18 is based on improved budget execution, and effective fiscal management of the budget, sustained by improved efficiency. In comparisons, we expect better performance of revenues streams from both local sources and national exchequer transfers. This aims at striking an appropriate balance between support for growth and continued fiscal discipline.

62. Considering the tight fiscal position and the assumptions underpinning the medium term fiscal framework for FY 2017/18, we must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012.

63. Adjustments to the 2017/18 budget will take into account the new administration agenda and government structure in line with section 108(2) of the PFM Act, 2012. This is will include reprioritizing development expenditures in order for the county to live within its means. However resources earmarked for development purposes will be utilized for development projects and will not be expended as recurrent.

64. Any recruitments, promotions and reviews of salaries and benefits for the county public officers will also have an effect on the recurrent budget. This takes into account issues such as the newly signed CBA by the doctors and nurses which has a very big impact on the personal emoluments.

65. The county has identified key strategic directions to accelerate economic growth for social economic transformation and prosperity. The main areas being boosted are agricultural productivity and improved access to quality health care.

66. Further, adjustment to the budget will be guided by the Annual Development Plan 2017/2018 and departmental strategic plans, as this will ensure that the expenditure rationalization process (prioritization and reprioritization) is aligned to the development agenda of the county. Rationalization of expenditure will be guided by the approved revenue allocations, envisaged local revenue collection, revised timeframes for implementation of programmes and emerging issues/concerns. However, county strategic priority areas such as flagship programmes and projects would always have higher allocation of resources.

67. During adjustments, legal apportionment between the recurrent and development expenditures will always be taken into consideration as spelt out in the PFM Act 2012. According to the provisions of the PFM Act Section 107(2) (a), it is stated that, ―*the county government's recurrent expenditure shall not exceed the county government's total revenue*‖. In section 107(2) (b), it is added that, ―*over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure*‖. Reference to the legal framework will ensure compliance to all statutory requirements in handling of public funds.

B. Medium-Term Expenditure Framework (MTEF)

68. In strengthening the linkage between planning and budgeting, the Medium-Term Budget Framework for the period 2017/2018-2019/2020 will sustain allocation of resources to core programmes and sub-programmes identified in the Annual Development Plan 2017/2018, county department's sectoral plans priorities as enumerated in the CFSP 2017. Heightening of public participation in setting of priorities will ensure increased ownership of development projects and programmes by the public.

69. Resource allocation will continue to be aligned to development programmes under the five broad areas of the county's economic transformation. The FY 2017/2018-2019/2020 MTEF Budget will therefore focus on the following:

- Investment in health, through highly motivated staff and availability of medicine and ambulance services, whenever needed, and shifting from curative to preventive services especially for the non-communicable diseases.
- Increasing production, value addition and guaranteed market for all our agricultural products.
- Creating a conducive business environment that encourages innovation, investment and growth.
- Providing clean domestic and irrigation water for increased food production.
- Improving infrastructure and staffing of the ECDE and Vocational training centers.

70. In the FY 2017/18, the approved budget amounts to Ksh 6,832,716,316 as compared to Ksh 7,282,402,974 in FY 2016/2017. This scenario will change once the adjustments are factored in the supplementary budget.

MTEF Budget Ceilings

71. Reflecting the above medium-term expenditure framework, the table 5 below provides the baseline ceilings for the FY 2016/17, and FY 2017/2018 as per the County Fiscal Strategy Paper (CFSP) 2017.

Table 5: MTEF Ceilings by Department.

Department/Spending Unit	2016/2017			2017/2018		
	Recurrent	**Development**	**Total**	**Recurrent**	**Development**	**Total**
County Assembly	644,116,905	62,119,967	706,236,872	615,646,678	166,752,846	782,399,524
Office of the Governor	116,023,888	-	116,023,888	103,321,596	52,521,842	155,843,438
County Secretary	256,573,837	7,300,000	263,873,837	210,325,487	-	210,325,487
Public Administration, Information and Communication	417,622,749	41,921,693	459,544,442	399,027,939	40,752,846	439,780,785
Finance and Economic Planning	395,486,381	65,990,676	461,477,057	298,247,258	269,990,676	568,237,934
Agriculture, Livestock Development and Fisheries Development	303,800,122	94,022,556	397,822,678	299,797,276	109,798,236	409,595,512
Water, Forestry and Wildlife, Environment and Natural Resources	130,682,141	200,003,383	330,685,524	126,191,295	186,281,305	312,472,600
Education ICT Trade and Industrialization	276,950,526	275,020,608	551,971,134	272,197,680	197,773,538	469,971,218
Health Services and Sanitation	2,028,029,310	466,561,273	2,494,590,583	1,912,544,428	410,915,722	2,323,460,150
Lands and Physical Planning	65,276,469	49,154,519	114,430,988	52,593,623	101,752,846	154,346,469
Roads and Infrastructure Development	59,708,366	847,982,353	907,690,719	57,955,520	447,746,839	505,702,359
Tourism and Culture	29,340,615	14,854,339	44,194,954	13,983,357	27,837,185	41,820,542
Special Programmes	113,360,560	118,000,000	231,360,560	111,607,714	119,752,846	231,360,560
Energy	103,949,019	61,978,490	165,927,509	102,096,173	83,731,336	185,827,509
County Public Service Board	36,572,229	-	36,572,229	34,819,383	6,752,846	41,572,229
Total	**4,977,493,117**	**2,304,909,857**	**7,282,402,974**	**4,610,355,407**	**2,222,360,909**	**6,832,716,316**

Source: County Treasury, 2017

C. 2017/18 Budget framework

72. The FY 2017/18 budget framework is set against the background of the updated medium-term framework. The county economy is expected to be boosted through creation of a conducive environment for investment. Inflation is also expected to remain low and stable, reflecting stable food and oil prices as well as low cost of doing business.

Revenue projections

73. The 2017/2018 approved budget of Kshs. 6,832,716,316 will be financed through the equitable share from the national resources with an allocation of Kshs. Kshs. 4,965,660,256, Conditional grants of Kshs. 620,561,752 and internally generated revenue estimated at 1,000,000,000 and balance brought forward from the 2016/2017 financial year of Kshs. 246,494,308**.** The main sources of internally generated revenue will be parking fees, single business permits and land rates.

Expenditure Forecasts

74. In FY 2017/2018 approved budget, recurrent expenditures are at 67.47 percent of county's annual budget, Ksh 4,610,355,407 as compared to 68.35 for the FY 2016/17 budget., Development expenditures are at 32.53 percent of county's annual budget, Ksh 2,222,360,909 as compared to Kshs 31.65 for the FY 2016/17 budget on account of devoting more resources to development as required by the PFM Act.

75. Expenditure ceilings on goods and services for departments are based on allocations in the FY 2016/17 budget as the starting point. Stringent measures need to be put in place to ensure more resources are allocated to development expenditure over the medium term for attainment of the PFM Act, 2012 minimum requirement of thirty percent. Most of the outlays are expected to support critical infrastructure.

V. CONCLUSION

76. The approved budgets for the departments and other county units during the FY 2017/2018 are based on the approved County Fiscal Strategy Paper, 2017. However, with the enactment of CARA, 2017 and change of county government, adjustments will be made based on the new government structures and the administration priorities.

77. The FY 2017/18- 2019/20 MTEF scenario presented in this CBROP is developed for posterity taking into account the key policy challenges facing the county as a whole. It is therefore marked by moderate growth in overall expenditure, taking into account the economic outlook and the need to maintain fiscal discipline in all levels of the county government for maximum return from public resources. The policies, therefore, are broadly in line with the fiscal responsibility principles outlined in the PFM law.

78. Going forward, the set of policies outlined in this document ensures continuity in optimal resource allocation based on prioritized programs that have been earmarked by the government to accelerate growth, create employment and poverty reduction.