REPUBLIC OF KENYA
COUNTY GOVERNMENT OF
NYANDARUA
THE COUNTY TREASURY

# COUNTY FISCAL STRATEGY PAPER (CFSP) FOR 2020/2021 AND THE MEDIUM TERM



***ACTUALIZING NYANDARUA COUNTY SOCIO-ECONOMIC TRANSFORMATIVE AGENDA***

**FEBRUARY 2020**

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## FOREWORD

The County Fiscal Strategy Paper (CFSP), 2020 highlights policy priorities for the County Government which will be implemented in 2020/21 FY and over the Medium Term. These priorities are anchored in the County Integrated Development Plan (2018-2022), and it's Annual Development Plan for 2020/21 FY. The envisaged priorities are equally in line with the Big Four Agenda as well as the current County Administration's Transformative Agenda through the **Six Pillars** aimed at setting tone and creating sound enablers towards the County's development and prosperity in the long run.

In preparation of the Fiscal Outlook and Strategy, The County is dependent on the economic performance of the Globe and Kenya and is therefore hooked on the formulation and implementation of practical strategies and policies on the basis of the Global and Country's Economic Performance. Kenya's economy continues to be robust and elastic, basically as a result of effective structural reforms and reliable economic policies. On the same note, Nyandarua County is operating on a generally stable macroeconomic environment appropriate for attaining the stated policy priorities and better service delivery. Thus, it is prudent to have a strong economic underpin and fiscal discipline to aid in the creation and proper utilization of resources. The CFSP outlines the Medium-Term Fiscal Framework, which offers mechanisms for entrenching sustainable growth and development for efficient service delivery in Nyandarua County. This calls for openness, transparency, accountability, responsiveness, and abiding by the rule of law to facilitate fiscal discipline and maintain macroeconomic stability.

The main sources of County revenue in the Medium Term will be Equitable Share from National Government, Local Revenue Collections and Donor Funding. In the 2020/21 FY and the Medium Term, the County Government proposes a series of measures to increase revenue and balance its fiscal spending. The County will thus focus on strengthening the potential it is endowed with to stimulate economic growth and development. The County Government's Fiscal Policies in FY 2020/21 will focus on re-orientation of expenditure from recurrent to development.

This Paper therefore puts into perspective how the County anticipates to expend its scarce resources in the 2020/21 FY and the Medium Term.

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**COUNTY EXECUTIVE COMMITTEE MEMBER**
**FINANCE AND ECONOMIC DEVELOPMENT**

**ACKNOWLEDGEMENT**

The generation of this crucial Paper was as a result of concerted efforts by various actors key in shaping the destiny of the County. The Paper which aims at laying the fiscal framework is a buildup of the County Budget Review and Outlook Paper (CBROP) 2019, and provides a fiscal framework for implementation of the FY 2020/21 Budget and the Medium Term. It presents the broad strategic macroeconomic issues and fiscal framework, alongside a summary of Nyandarua County's spending plans. The expected outcome of the document is to enhance stakeholder understanding of the County Public Finances and to guide the Budget making process.

Preparation of the CFSP for FY 2020/21 was a collaborative effort from various stakeholders namely: County Executive Committee; Technical County Departments; Members of the Public; County Budget and Economic Forum; and other individuals and organized groups who submitted their inputs which have greatly informed the content of this Paper.

We are particularly grateful to Hon. Mary Mugwanja, CECM for Finance and Economic Development for spearheading the preparation process up to the stage of its approval by the County Executive Committee. Special thanks go to the technical team in the Directorate of Economic Planning and Development who met and worked tirelessly to prepare this document.

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**<u>ECONOMIC PLANNING AND DEVELOPMENT</u>**

## Contents

## LIST OF TABLES



## LIST OF FIGURES

## LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY FISCAL STRATEGY PAPER

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

1. The County, Treasury shall prepare and submit to the 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 the 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 its budget 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 on Revenue Allocation;
    b) The public;
    c) Any interested persons or groups; and
    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; and
8. The County shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the County Assembly.

## RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENT LAW

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudency and transparency in the management of Public Resources. The PFMA (Section 107(b)) states that:

1. The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
2. Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure;
3. The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations;
4. Over the medium term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
5. Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG);
6. Fiscal risks shall be managed prudently;
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.

## TRASFORMATIVE AGENDA

### Background

The County Fiscal Strategy Paper (CFSP), 2020 is the third to be prepared under the new County Administration and the seventh since the advent of devolution. It seeks to actualize the priorities laid down under the **Six Pillars** of the County Administration as well as the Socio Economic Transformative Agenda spelt out in the Second County Integrated Development Plan (CIDP2). These include:

i. Creating an enabling environment for business in order to encourage investment growth and expansion of economic opportunities;
ii. Development of key infrastructure facilities including roads, water and ICT in order to stimulate growth, create employment and reduce poverty;
iii. Promotion of health and education services;
iv. Promotion of value addition for agricultural produce, environment management and food security; Promotion of equitable economic and social development;

v. Enhancing governance, transparency and accountability in the delivery of public goods and services.

In line with the devolved functions of the County Governments and the concurrent functions between the National and County Governments, the CFSP sets out priority programmes to be implemented in 2020/21 and the medium term under the Medium-Term Expenditure Framework (MTEF). The updated National Economic Outlook as contained in the 2020 Budget Policy Statement (BPS) has informed the economic and financial projections in this CFSP. In this regard, the CFSP has been aligned to the BPS released in January, 2020.

Further, the experience and lessons learnt from implementation of the last two Financial Years' development plans have played a significant role in informing the priorities for 2020/21 and the Medium Term. The 2020 CFSP is therefore framed against a backdrop of various reports by the oversight bodies including the Controller of Budget, Office of Auditor General among others. These reports have indicated that the County is faced with limited fiscal space resulting from limited local revenue generation capacity as well as rising recurrent expenditure and moderate development budget execution due to various challenges and shortcomings. In the Medium Term therefore, the County Government will explore possibilities for financing the resource gaps from within and outside the County, come up with austerity measures to manage the recurrent expenditure and come up with corrective strategies to ensure maximum prioritization of development budget execution. Recognizing the enormous resources and potential that the County has in Agriculture, Tourism, Sports, Water and Forestry portends a huge potential for investors which will be a key driver of the County economy. The County Government will continue to support investment in infrastructure development and other social economic enablers to complement these Sectors to ensure the County economy and all those who participate in it reap the benefits from the enormous resources.

Participation and cooperation of the County citizenry shall be key in implementing important programmes and projects as well as in resource mobilization to fulfil the initiatives contained herein.

**Objectives of the CFSP**

The objective of the 2020 County Fiscal Strategy Paper is to lay down the framework for the preparation of the County Budget. It is a requirement under Section 117 of the Public Finance Management Act, 2012 that each County Treasury shall prepare and submit to the County Executive Committee the Fiscal Strategy Paper for approval, and the County Treasury shall submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February of each year.

Pursuant to the provisions of the PFM Act 2012, this County Fiscal Strategy Paper addresses the following:

i. The Medium-Term macroeconomic framework and its outlook as contained in the Budget Policy Statement and how it impacts on the County economic environment;
ii. A statement of fiscal responsibility principles, as specified in the PFM Act, 2012 and regulations indicating how the Fiscal Strategy Paper adheres to these principles;
iii. The economic assumptions underlying the County budgetary and fiscal policy over the Medium Term;
iv. Indicative allocation of available resources among County Government entities; and
v. A medium-term fiscal framework defining a top-down aggregate resource envelope and broad expenditure levels.

## CHAPTER ONE-ECONOMIC FRAMEWORK AND OUTLOOK

### 1.0 OVERVIEW

Nyandarua County is not in isolation from the effect of National and Global economic issues that do arise. These issues have had either positive or negative effects on the economic development of the County.

This Section highlights recent economic developments on the National and Global levels and the impact it has on the County Economic Development.

### RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

### GLOBAL AND REGIONAL ECONOMIC DEVELOPMENT

*Global;* In the year 2020, the global growth is projected to pick up to 3.4 percent from an estimated 3.0 percent growth in 2019. The projected pick up is on account of recoveries in stressed emerging markets and macroeconomic policy support in major economies.

The growth is expected to slow down to 1.7 percent in 2020 in advanced economies 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 surrounding the Brexit outcome, rising global oil prices due to tensions between U.S.A and Iran, and the pace of normalization of monetary policy in the advanced economies. Among emerging markets and 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 such as Turkey, Argentina and Iran as well pickup in growth for Brazil, Mexico, India, Russia and Saudi Arabia which recorded significant slowdowns in 2019 relative to 2018.

*Sub Saharan Africa*; Growth prospects for sub-Saharan Africa continue to strengthen. Growth is projected to improve to 3.6 percent in 2020 from 3.2 percent in 2018 and 2019, supported by higher commodity prices, improved capital market access and contained fiscal imbalances in many countries.

*East African Community*; Growth in the East African Community (EAC) region is estimated to improve to 6.0 percent in 2020 from 5.6 percent in 2019 mostly supported by the stable macroeconomic environment, rebound in agricultural activities on the backdrop of favorable weather conditions, ongoing infrastructure investments, and strong private consumption.

## 1.2 NATIONAL MACRO-ECONOMIC OUTLOOK

### Domestic Economic Developments

Kenya's economic growth has remained strong and resilient even under emerging global challenges, supported 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. Growth is estimated at 5.6 percent in 2019 and projected to recover to 6.1 percent in 2020.

The Kenyan economy remains resilient 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.

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.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

Per capita income rose from Kshs. 113,539 in 2013 to an estimated Kshs.202,859 in 2019, a 79 percent increase. This enabled generation of around 831,000 new jobs per year in the period 2013 - 2018 up from 656,500 new jobs per year in the period 2008 -2012.

The Agriculture Sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 compared to a growth of 6.9 percent in a similar quarter of 2018, as a result of delayed long rains. Consequently, the 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.

The non-agricultural sector (service and industry) remained the main source of growth and expanded by 5.7 percent in the third quarter of 2019 compared to a growth of 6.5 percent in the same quarter of 2018. It has the largest percentage point's contribution to real GDP growth at 4.0 in the third quarter of 2019, mainly supported by the Services Sector. The Service Sector was supported by improved growth in accommodation and restaurant (9.0 percent), transport and storage (7.1 percent) and financial and insurance (5.6 percent). Growth of activities in information and communication (8.4 percent) and real estate (4.9 percent) also remained vibrant.

The performance of industry declined to 4.5 percent in the third quarter of 2019 compared to 5.8 percent in the same quarter in 2018 following subdued activities in the manufacturing, electricity and water supply and construction Sectors. The slowdown in the Manufacturing Sector was attributed to the fall in agro-processing activities, a reflection of declining agricultural production.

Growth in the electricity and water supply remained vibrant, driven by increased use of less input intensive sources of energy such as hydro generated electricity supported by sufficient rainfall, wind power and geothermal power generation coupled with growth of thermal generation.

The Industry Sector accounted for 0.8 percentage points of growth in the third quarter of 2019, largely driven by construction and manufacturing sectors with a contribution of 0.4 and 0.3 percentage points respectively.

**Domestic Growth Outlook**

The growth outlook for the FY 2020/21 and the Medium Term is supported by a stable macroeconomic environment, investments in the strategic areas under the "**Big Four Agenda** and their enablers, and existing business and consumer confidence in the economy. Further, the ongoing public investments in infrastructure projects, growth in tourism, resilient exports and the associated benefits from regional economic integration in the sub region will reinforce the projected growth. The economic growth projections over the medium term are aligned to those of the MTP III.

**Inflation Rate**

Year-on-year overall inflation remained low, stable and within the Government target range of 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 reflecting higher food prices

Core inflation (Non-Food-Non-Fuel) remained below 5.0 percent in the period under review reflecting subdued demand pressures in the economy. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 on account of declining energy prices

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.

The contribution of core inflation to overall inflation has been low and stable reflecting muted demand pressures in the economy on account of prudent monetary policies. The major driver of overall inflation from December 2018 to March 2019 was fuel inflation. However, beginning March 2019 food inflation has been the major driver of inflation

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

**Kenya Shilling Exchange Rate**

The Kenya Shilling has been relatively stable supported by continued narrowing of the current account deficit and adequate foreign reserve buffer. The Shilling appreciated against the US Dollar and the Euro exchanging at an average of Ksh 101.4 and Ksh 112.7 in December 2019 from Ksh 102.3 and Ksh 116.4 in December 2018, respectively. However, against the Sterling Pound, the Shilling weakened exchanging at an average of Ksh 133.0 in December 2019 compared to Ksh 129.7 in December 2018. Compared to most Sub-Saharan currencies it has continued to display relatively less volatility. This stability reflects strong inflows from tea and horticulture exports, resilient diaspora remittances and improved receipts from services particularly tourism.

**Interest Rates**

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. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations. The Central Bank Rate was reduced to 8.5 percent on 25$^{th}$ November 2019 from 9.0 percent in August 2018 as there was room for easing monetary policy stance to support economic activity.

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.

**Balance of Payments**

The overall balance of payments position improved to a deficit of US$ 873.3 million (0.9 percent of GDP) in the year to October 2019 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.

The capital account declined by US$ 38.6 million to US$ 223.6 million in the year to October 2019, reflecting a decline in project grants. The current account balance narrowed 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.

**Foreign Exchange Reserves**

Foreign exchange reserves have increased from around 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 and thus provide an adequate buffer against short term shocks in the foreign exchange market.

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.

**Fiscal Performance**

Budget execution started on a slow note in the first quarter of the FY 2019/20. The slowdown was due to delays in the county allocation of revenue proposed in the revised Division of Revenue Bill, 2019. In addition, expenditure rationalization was effected to reflect lower revenues after the realization that the revenues would perform less than earlier projected leading to a wider fiscal deficit.

The exercise to clean-up the development project portfolio triggered by the budget rationalization on inclusion of new projects in the budget also slowed down the uptake of development expenditures in the first quarter of FY 2019/20. However, this picked up strongly in the second quarter of FY 2019/20.

The Government embarked on expenditure rationalization to ensure a sustainable fiscal position in the FY 2019/20 and the medium term, and reaffirm its commitment to the fiscal consolidation plan and to prudent fiscal management in general.

**Fiscal Policy**

Going forward into the Medium Term, the Government will continue in its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the BPS. This will 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's (EAMU) protocol target ceiling of 3.0 percent of GDP.

To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. In the FY 2019/20, the Government is implementing a draft of tax policy measures through the tax amendment law and the Finance Act, 2019 whose revenue yield is estimated at about 0.3 percent of GDP. In addition, the modernized Income Tax Bill currently undergoing legal drafting, will also ease administrative bottlenecks, improve compliance and boost revenue collection, thereby supporting the government's fiscal consolidation efforts.

Expenditures as a share of GDP 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.

On the other hand, revenues as a share of GDP are projected to remain at 18.0 percent in the medium term. The additional resources are expected to support the fiscal consolidation program and bring the fiscal deficit down to 3.3 percent of GDP by FY 2023/24.

The Government continues to implement initiatives to boost revenue performance and enhance tax compliance. These revenue supporting initiatives have been implemented at considerable cost and will over the medium to long term help drive revenue performance. The initiatives include:

i. Government systems integration to allow for 3rd party data matching and improve service delivery;

ii. Implementation of a Consolidator framework to enhance trader traceability and accountability of all imports coming through the Eldoret International Airport;

iii. Integration of scanners which has drastically reduced cases of mis-declaration and concealment while simultaneously allowing for non-intrusive inspection;

iv. Identification and elimination of revenue administration gaps and stop revenue leakages, including leveraging on information technology to improve collection efficiency, through the use of third party data and ensure compliance of registered professionals;

v. Identification and implementation of strategies to improve Value Added Tax collection including fast tracking automation, enhanced tax payer education;

vi. Carrying out a comprehensive audit of all exemptions over the past 5 years to identify multiple use of a single exemption and make relevant tax demands; and,

vii. Fast track Tax Appeals Tribunal cases and get cases to move from Court to Alternative Dispute Resolutions

Given the expenditure rationalization and the revenue enhancement measures put in place, fiscal deficit inclusive of grants is projected to reduce from Ksh 715.2 billion (equivalent to 7.7 percent of GDP) in the FY 2018/19 to Ksh 569.4 billion (equivalent to 4.9 percent of GDP) in the FY 2020/21 and further to Ksh 547.2 billion (equivalent to 3.3 percent of GDP) in the FY 2023/24. To finance the fiscal deficit in the FY 2020/21, domestic borrowing is projected at Ksh 318.9 billion, foreign financing at Ksh 247.3 billion and other domestic financing Ksh 3.2 billion. In the medium term, debt is projected to remain sustainable.

**Risks to the Economic Outlook**

The Country Economic Outlook is not without risks, it is expected to face a number of risks and challenges that may derail or hinder the implementation of the County Government's Agenda in fulfilling the people's needs.

**Some of the risks that will be involved with the Implementation include;**

- **Unfavourable weather conditions,** The Lightening that struck on 6th September 2019 led to the destruction of County Headquarter Offices Network servers thus slowing down the County Offices operations such as sourcing and payments which are done online through E-procurement, Integrated Financial Management Information System (IFMIS) and Internet Banking (IB), normal commencement of activities then resumed.

    - The expected heavy downpour within the County and in other parts of the country may lead to poor farm produce and Impassable roads that link to market and to other productive economic activities places.

    - The predicted heavy down pour is also expected to slow down the Implementation of County Civil Works Projects.

- **County Allocation Revenue Stand-Off,** The standoff that was between the National Assembly and the Senate is a risk that led to the late release of the County's Funds. The County Allocation Revenue Act (CARA) that clearly outlines the County's equitable share was released a little late. This led to some delay in the Implementation process.

- **Change of the Kenyan Currency Notes,** The Kenyan Central bank monetary policy on change of currency to be in line with the Kenyan Constitution is in effect. The bank released the new currency notes on 1st June. 2019 and recalled the old Sh1,000 notes which became obsolete on 30th September 2019. This poses a huge risk in the Economy if the directive to change the Sh1000 note is not followed thereby affecting the National's and County's cash flow.

- **Bank Interest Capping rates,** the Banks interest capping rate Act is set to change after the Kenya Banker Association took the Central Bank's to court and a court order was issued to suspend the law. This will be expected to affect both the National and County economies whereby the Loans borrowing will become more expensive to the Kenyans decelerating the current Economic growth;

- **Political risk,** The Country is in a heightened political mood due to the ongoing Referendum debate which is commonly characterized by divisive politics that may lead to political disputes plunging the country into economic depression. In addition, different priorities between the County Assembly and the County Executive may derail the implementation of programs and projects.
    - A degree of sobriety is required from all stakeholders to ensure the Country's Development and Economic Agenda is not affected; and

- **Low National Economic performance,** the low national economic performance due to Uncertainties associated with Global and National influences such as price of crude oil that affect the cost of production and exchange rate fluctuations will eventually have an impact on the performance of the County's economy. This causes contributed risks and spending pressure that should/must be managed prudently.



## 1.3 NYANDARUA COUNTY OUTLOOK

County Government of Nyandarua has been working to implement the **CIDP2** which is inclusive of the Governor's Socio Economic Transformative Agenda, the County's Flagship Projects, the County Residents' Aspirations, the "Big Four" Agenda, Vision 2030 and other Initiatives in order revive the **County's Economy.**

Among the **"Big four"** Agenda programmes the County is in the process of implementing:

i) **Manufacturing**, this is to be implemented through Industrialization and Enterprise Programme whereby Cottage Industries, Processing Plants and Industrial Parks are in high level progress;

ii) **Enhancement of Food Security**; this is being facilitated through Crop Development, Fisheries Development, Agricultural Extension Services, Agricultural Mechanization Services Programme and also through farmer training at the Agricultural Training Centres;

iii) **Provision of Universal Health Care**; this is being facilitated through Construction of Health facilities and implementation of Preventive and Curative Health Programme; and

iv) **Provision of Affordable Housing Units** in Ol-Kalou and to other urban areas within the County; this Agenda is also facilitated by planning and survey of residential parcels of land carried out by the Lands Department.

**Nyandarua County Government** intends to propel part of the County's Economy through implementation of **key projects** which among them **includes**;

i) Installation of **Countywide Fiber Optic** and **Internet Connectivity**; this is to enhance workplaces productivity through business processes optimization and improved business efficiency,

ii) Setting of Cottage Industries, Processing Plants, Small and Medium scale factories in the County; this is to enhance job creation, contribute to our Own Source Revenue and enhance economic growth,

iii) Upgrade and Maintenance of All-Weather Roads to gravel standards; this is to enhance connectivity and accessibility of farm produce to the markets and eazy movement of people,

iv) Finalization of the County Spatial Plan which will promote County as a favorable investment destination,

v) Construction of Affordable Housing units in the County Urban areas; this is to provide decent housing to the Nyandarua County staff and its residents,

vi) Upgrade of Ol-Kalou town to a Special Municipality Status and improvement of facilities in other urban towns which will uplift the living standards and therefore create more confidence and attract more investors,

vii) Introduction of new agricultural crop varieties, subsidized inputs and agricultural equipment to the farmers; this will enhance food production and security within and outside the County, and

viii) Provision of Micro Finance Fund to the County residents; this will facilitate enlarging access to finance of households and as a result improve the Standards of Living for the County residents.

# CHAPTER TWO: MEDIUM TERM FISCAL FRAMEWORK

## 2.1 Overview

The County Government reiterates its commitment to fiscal discipline in order to promote productive sector growth and overall economic growth. The government shall continue to strengthen revenue mobilization and expenditure rationalization by removing non-core expenditures from the budget in order to narrow the fiscal deficit.

In this regard, the County Government has cut down on non-priority expenditures, thereby availing resources for high priority projects that have the highest impact on Kenyans.

Sustainability, affordability and strict prioritization are therefore expected to be the norm rather than an exception under this strategy. To achieve this, it will be ensured that:

- The County Government will continue to implement prudent measures aimed at enhancing the tax revenue and rationalizing expenditures
- More outputs and outcomes are achieved with existing or lower level of resources; and
- MDAs request for resources are realistic and take into account the resource constraints, in light of the Government's fiscal consolidation policy.

In the FY 2020/21 Fiscal Policy Strategy, emphasis will be on County government's high priority and strategic service delivery programmes that aid the achievement of the "Big Four" Agenda, the Third Medium Term Plan (MTP III) of the Vision 2030, CIDP 2, and the priorities contained in the Annual Development Plan for the fiscal year 2020/21 taking into account:

- Responsible management of public resources;
- Building a resilient, more productive and competitive economy;
- Delivering better public services within a tight fiscal environment, and
- The need to deepen governance, anti-corruption and public financial management reforms to guarantee transparency, accountability and efficiency in public spending.

## 2.2 Review of Fiscal Performance July -December 2019

The County Budget Estimates for 2019/20 FY is Kshs. 6,521,891,236 comprising of Kshs. 4,412,225,023 (67.7%) for recurrent expenditure and Kshs. 2,109,666,213 (32.4%) for development expenditure. This Budget is financed by Kshs. 4,867,000,000 (74.6%) from the

National Equitable Share, Kshs.600,000,000 (9.2%) from Own Source Revenue (OSR), Kshs.1,024,891,236 from Conditional grants, and Kshs.30,000,000 as A-I-A (Linda Mama).

**Revenue performance-July-December 2019**

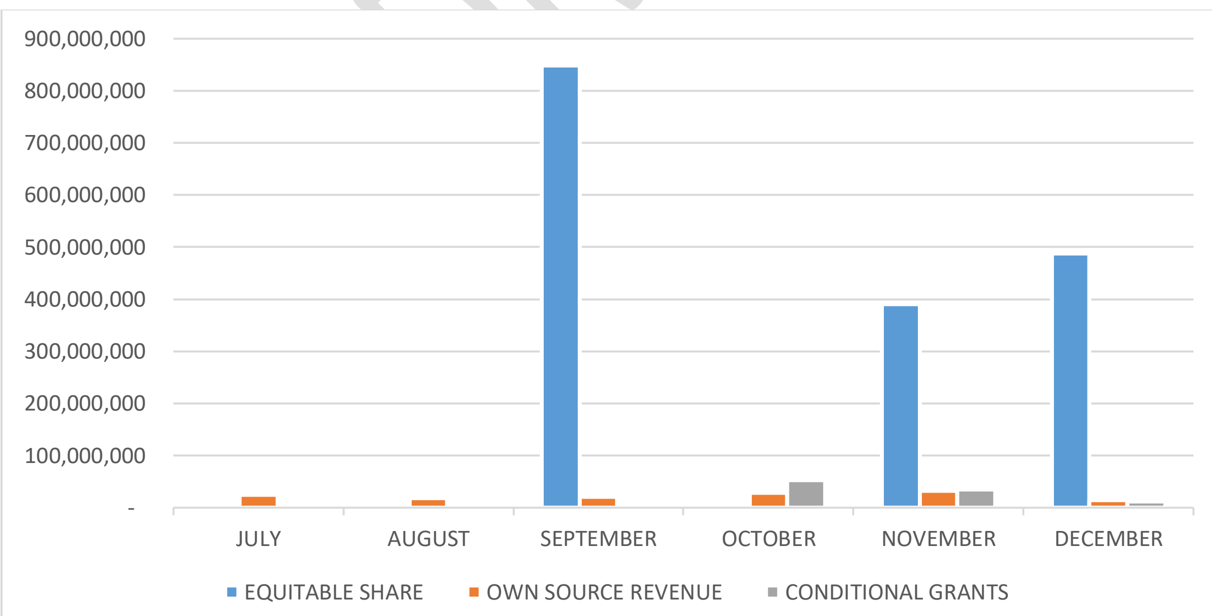
Over the 6-months period, the major source of revenue was Kshs 1,725,431,400 from the Equitable Share which accounted for 87.84 %. Own Source Revenue contributed 7.11 % of the total revenue while Conditional Grants accounted for 5.05 % of the total revenue over the 6-months period.

*Table 1: County Revenue Source July- December 2019*

| MONTH | EQUITABLE SHARE | OWN SOURCE REVENUE | CONDITIONAL GRANTS | TOTAL |
|---|---|---|---|---|
| JULY | - | 25,070,435 | - | **25,070,435.00** |
| AUGUST | - | 18,689,486 | - | **18,689,486.00** |
| SEPTEMBER | 848,093,400 | 21,164,637 | - | **869,258,037.00** |
| OCTOBER | - | 28,177,407 | 52,287,271.70 | **80,464,678.70** |
| NOVEMBER | 389,928,000 | 31,859,601 | 34,588,641 | **456,376,242.00** |
| DECEMBER | 487,410,000 | 14,648,959 | 12,359,649.70 | **514,418,608.70** |
| **TOTAL** | **1,725,431,400** | **139,610,525** | **99,235,562** | **1,964,277,487.40** |

*Source: County Treasury/Controller of Budget*

*Figure 1: County Revenue by Source July- December 2019*



## Own Source Revenue

The analysis of revenues collected from County's local sources is as indicated in table 2 below.

*Table 2: Analysis of Revenue by Stream.*

| NYANDARUA COUNTY GOVERNMENT | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **FY 2019-20 QUARTERLY REVENUE ANALYSIS** | | | | | | | | | | |
| **Revenue Resources** | **ANNUAL TARGET** | **July** | **August** | **September** | **October** | **November** | **December** | **Total** | **% of Target Achieved** | **% of Annual Target Achieved** |
| Single Business Permits | 103,000,000 | 2,256,513 | 1,771,861 | 1,284,133 | 1,322,604 | 701,465 | 179,954 | **7,516,530** | 7.3% | 1.19 |
| Sbp Penalties | 4,000,000 | 309,018 | 137,494 | 109,715 | 244,092 | 55,439 | 2,420 | **858,178** | 21.5% | 0.14 |
| Sale Of Application/Renewal | 2,000,000 | 85,173 | 93,080 | 68,700 | 69,650 | 36,750 | 15,750 | **369,103** | 18.5% | 0.06 |
| Plot Rates | 20,000,000 | 775,394 | 469,537 | 311,395 | 353,622 | 327,108 | 183,838 | **2,420,894** | 12.1% | 0.38 |
| Impounded Fees | 5,000,000 | 100,518 | 95,500 | 104,120 | 288,498 | 265,630 | 14,821 | **869,087** | 17.4% | 0.14 |
| Land Rates | 15,000,000 | 376,688 | 200,637 | 351,966 | 344,551 | 268,994 | 304,460 | **1,847,296** | 12.3% | 0.29 |
| Cattle Dips | 200,000 | 45,405 | 11,485 | 11,090 | 6,900 | 6,415 | 12,745 | **94,040** | 47.0% | 0.01 |
| Open Air Market Fees | 15,000,000 | 983,100 | 868,460 | 950,222 | 859,430 | 768,970 | 839,320 | **5,269,502** | 35.1% | 0.84 |
| Market Stall Rent | 3,000,000 | 103,450 | 74,300 | 93,650 | 84,600 | 506,020 | 90,250 | **952,270** | 31.7% | 0.15 |
| Ground Rent/Kiosk Rent | 3,000,000 | 35,070 | 41,110 | 19,500 | 55,000 | 26,300 | 26,500 | **203,480** | 6.8% | -0.03 |
| Produce Cess Royalties | 55,000,000 | 3,810,947 | 3,144,620 | 3,541,274 | 3,448,610 | 2,956,900 | 2,227,570 | **19,129,921** | 34.8% | 3.04 |
| Slaughter Fees | 1,500,000 | 91,030 | 42,530 | 43,640 | 55,450 | 71,990 | 87,190 | **391,830** | 26.1% | 0.06 |
| Bus And Matatu Fees | 15,000,000 | 1,274,610 | 1,208,500 | 1,227,500 | 1,159,550 | 1,108,000 | 1,025,080 | **7,003,240** | 46.7% | 1.11 |
| Reg. and Renewal Of Groups | 150,000 | 3,600 | 950 | | 950 | 400 | 1,400 | **7,300** | 4.9% | 0.00 |
| Hire Of Machines(Agriculture) | 5,000,000 | 97,000 | 40,000 | 79,500 | 103,500 | 184,000 | 47,000 | **551,000** | 11.0% | 0.09 |
| House/Office Rent | 1,200,000 | 108,250 | 45,000 | 83,020 | 179,350 | 144,810 | 157,800 | **718,230** | 59.9% | 0.11 |
| Sub-Division Of Land | 6,500,000 | 508,100 | 440,150 | 287,000 | 486,205 | 234,100 | 202,450 | **2,158,005** | 33.2% | 0.34 |
| Building Plan Inspection Fee | 500,000 | 17,400 | 11,500 | 40,805 | 19,500 | 16,500 | 10,500 | **116,205** | 23.2% | 0.02 |
| Site Indication | 150,000 | 1,500 | 1,000 | 1,500 | 1,000 | - | 2,000 | **7,000** | 4.7% | 0.00 |
| Change Of User | 3,000,000 | 198,000 | 152,500 | 144,000 | 122,000 | 183,500 | 81,000 | **881,000** | 29.4% | 0.14 |
| Change Of Business | 30,000 | | | | 1,050 | - | | **1,050** | 3.5% | 0.00 |
| Land/Plot Reg. Fees | 2,500,000 | 100,400 | 38,250 | 39,150 | 85,050 | 67,300 | 41,150 | **371,300** | 14.9% | 0.06 |
| Public Health Fees | 7,000,000 | 421,000 | 373,600 | 290,600 | 422,000 | 198,800 | 201,000 | **1,907,000** | 27.2% | 0.30 |
| Dev.(Ppa Forms) | 3,000,000 | 152,100 | 83,400 | 75,000 | 142,200 | 102,000 | 72,600 | **627,300** | 20.9% | 0.10 |
| App. Of Building Plans | 10,000,000 | 856,122 | 608,848 | 729,284 | 893,250 | 585,440 | 297,691 | **3,970,635** | 39.7% | 0.63 |
| Conservancy | 500,000 | 8,300 | 300 | 7,740 | 23,080 | 2,800 | 1,200 | **43,420** | 8.7% | 0.01 |
| Storage Fees | 15,000 | | | 19,000 | 12,370 | 2,210 | | **33,580** | 223.9% | 0.01 |
| Exhauster And Exh. Mileage | 1,200,000 | 77,000 | 42,000 | 42,000 | 56,000 | 14,000 | 21,000 | **252,000** | 21.0% | 0.04 |
| Transfer Fees | 3,500,000 | 569,500 | 362,500 | 281,050 | 736,200 | 415,700 | 295,500 | **2,660,450** | 76.0% | 0.42 |
| Motor Cycle Fees (Parking) | 15,000,000 | 1,177,800 | 1,104,700 | 1,159,190 | 1,065,100 | 1,392,500 | 886,460 | **6,785,750** | 45.2% | 1.08 |
| Motor Cycle Penalty | 2,000,000 | 60,255 | 60,695 | 56,408 | 90,300 | 127,700 | 28,624 | **423,982** | 21.2% | 0.07 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Town Parking Fee | 1,500,000 | 21,900 | 24,600 | 21,750 | 21,050 | 350,130 | 17,200 | **456,630** | 30.4% | 0.07 |
| Clearance Certificate | 5,500,000 | 516,000 | 417,000 | 348,000 | 708,300 | 486,000 | 333,000 | **2,808,300** | 51.1% | 0.45 |
| Weights And Measures | 1,000,000 | | | 122,330 | - | - | 112,280 | **234,610** | 23.5% | 0.04 |
| Water Fee | 500,000 | 16,724 | 12,051 | 13,359 | 9,100 | 13,472 | 4,604 | **69,310** | 13.9% | 0.01 |
| Hire Of Hall/Chairs | 50,000 | | | | - | 1,500 | | **1,500** | 3.0% | 0.00 |
| Sign Board | 200,000 | 1,500 | 9,000 | 2,600 | 1,600 | - | | **14,700** | 7.4% | 0.00 |
| Meat Inspection | 5,500,000 | 402,881 | 388,670 | 382,420 | 404,160 | 372,720 | 452,320 | **2,403,171** | 43.7% | 0.38 |
| Grave Fees | 50,000 | 4,000 | 2,400 | 2,100 | 2,400 | 3,400 | 3,400 | **17,700** | 35.4% | 0.00 |
| Vet Department(Ai Services) | 4,200,000 | 261,997 | 180,898 | 243,881 | - | 149,947 | 195,617 | **1,032,340** | 24.6% | 0.16 |
| Vaccination | 8,500,000 | | 792,820 | 535,750 | 149,000 | 562,426 | 167,900 | **2,207,896** | 26.0% | 0.35 |
| Survey Fees | 250,000 | 10,000 | | | - | - | | **10,000** | 4.0% | 0.00 |
| J.M. Hospital | 90,000,000 | 6,024,625 | 3,212,470 | 3,352,935 | 11,130,560 | 13,893,738 | 3,300,365 | **40,914,693** | 45.5% | 6.49 |
| Engineer Hospital | 22,000,000 | 1,116,680 | 1,210,530 | 1,767,500 | 1,223,000 | 1,142,699 | 867,810 | **7,328,219** | 33.3% | 1.16 |
| Hire Of Water Tanker | 250,000 | 800 | | 7,000 | 2,000 | - | | **9,800** | 3.9% | 0.00 |
| Liquor License/Inspection/App | 25,000,000 | | | | - | - | | - | 0.0% | 0.00 |
| Branding | 1,200,000 | | | | - | - | | - | 0.0% | 0.00 |
| Promotion | 3,500,000 | 7,900 | 14,100 | 12,200 | 10,100 | 12,400 | | **56,700** | 1.6% | 0.01 |
| C.O.T | 100,000 | 12,700 | 11,330 | 8,760 | 12,310 | 10,320 | 12,570 | **67,990** | 68.0% | 0.01 |
| Lease Extension | 250,000 | | 11,500 | | 11,500 | 73,000 | | **96,000** | 38.4% | 0.02 |
| Betting | 30,000 | | | | - | - | 2,500 | **2,500** | 8.3% | 0.00 |
| Stadium Hire | 100,000 | 10,000 | | | 12,000 | - | | **22,000** | 22.0% | 0.00 |
| Movement Permit | 100,000 | 10,380 | 10,500 | 7,350 | 10,350 | 10,100 | 12,550 | **61,230** | 61.2% | 0.01 |
| Medical Certificate Fees | 1,200,000 | 29,800 | 31,000 | 52,300 | 78,700 | - | | **191,800** | 16.0% | 0.03 |
| Search Fee | 50,000 | | | | 500 | 1,100 | | **1,600** | 3.2% | 0.00 |
| Atc Njabini | 500,000 | | | | - | 6,000 | | **6,000** | 1.2% | 0.00 |
| Atc Oljoro Orok | 600,000 | | 60,350 | 26,610 | 26,895 | 1,828,819 | 24,000 | **1,966,674** | 327.8% | 0.31 |
| Certificate Of Compliance | 1,200,000 | 82,000 | 63,500 | 41,000 | 108,000 | 45,500 | 37,500 | **377,500** | 31.5% | 0.06 |
| Cooperative Audit Fees | 600,000 | | 12,600 | | 80,010 | - | 12,600 | **105,210** | 17.5% | 0.02 |
| Residential Houses Permits | 200,000 | | | | - | - | | - | 0.0% | 0.00 |
| Milk Cess | 50,000,000 | | | | - | - | | - | 0.0% | 0.00 |
| Advertisement | 3,500,000 | 208,900 | 12,900 | 17,900 | 3,600 | 12,200 | 3,500 | **259,000** | 7.4% | 0.04 |
| Fisheries | 100,000 | | | | 24,950 | - | 59,000 | **83,950** | 84.0% | 0.01 |
| Motorcycle Mortgage Fees | 750,000 | | | | 160,900 | 50,150 | | **211,050** | 28.1% | 0.03 |
| Subsidized Fertilizer Sale | 15,000,000 | 367,500 | 202,000 | 703,400 | 216,200 | 115,000 | 75,600 | **1,679,700** | 11.2% | 0.27 |
| N.H.I.F Fee/Insurance | 30,000,000 | 1,030,511 | 406,860 | 2,001,820 | 1,024,400 | 776,290 | 1,484,490 | **6,724,371** | 22.4% | 1.07 |
| Miscellaneous | 50,000,000 | 45,885 | 77,900 | 41,520 | - | 1,140,749 | 77,390 | **1,383,444** | 2.8% | 0.22 |
| Dumping Fee | 75,000 | | | | - | - | | - | 0.0% | 0.00 |
| Project Management Fee | 3,500,000 | 284,509 | | | - | - | | **284,509** | 8.1% | 0.05 |
| Log Fees | | | | | 8,160 | 24,700 | 21,490 | **54,350** | | 0.01 |
| Fire Certificate | | | | | 6,000 | 5,500 | 14,000 | **25,500** | | 0.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **TOTALS** | **630,000,000** | **25,070,435** | **18,689,486** | **21,164,637** | **28,177,407** | **31,859,601** | **14,648,959** | **139,610,525** | 22% | |

From this analysis, in the first half year the County has generated 22% of its Own Source Revenue target of Kshs.**630, 000,000** which is an increase of Kshs. **220,000,000** from the 2018/19 FY target. J.M Hospital was the best performing revenue stream in the period. The stream generated 29.3 % (Kshs. **40,914,693**) of the County's Own Source Revenue within the 6-month period. This was followed by Produce Cess Royalties at 13.7 % (Kshs. **19,129,921**) and Single Business Permits (SBP) at 5.4 %. (Kshs. **7,516,530)**. Most of the revenues 22.8%, (Kshs**. 31,859,601**) was collected in the month of November and the least 10.5 %, (Kshs **14,648,959)** in December 2019.

As a matter of priority the County Government endeavors to focus on efforts to improve on Own Source Revenue (OSR) collection through full revenue automation (cash less revenue collection management) in order to increase our capacity to finance our operations so as to reduce the extent to which we rely on the National Exchequer.

**Exchequer issues**

In the first 6 months the County received Kshs.1,824,666,962 (27.98%) of the National Transfers by December 2019.The following is an analysis of amount received from Equitable Share and Conditional Grants.

*Table 3: Exchequer Issues*

| S/N | MONTH | EQUITABLE SHARE |
|---|---|---|
| **1.** | JULY | - |
| **2.** | AUGUST | - |
| **3.** | SEPTEMBER | 848,093,400 |
| **4.** | OCTOBER | - |
| **5.** | NOVEMBER | 389,928,000 |
| **6.** | DECEMBER | 487,410,000 |
| | **TOTAL** | **1,725,431,400** |

In the months of July and August delays in exchequer issues were due to extended delays in the DoRB's (Division of Revenue Bill) approval by Parliament adversely affecting implementation of the County's FY 2019/20 Budgets with negative consequences on socio-economic activities within the County as well as delivery of crucial public services.

From the month of September onwards, disbursements have been timely in line with Article 219 of the Constitution.

*Table 4: Conditional Grants*

| S/N | MONTH | DESCRIPTION | CONDITIONAL GRANTS |
|---|---|---|---|
| **1.** | JULY | - | - |
| **2.** | AUGUST | - | - |
| **3.** | SEPTEMBER | - | - |
| **4.** | OCTOBER | DANIDA | 7,359,375 |
| | OCTOBER | KCSAP | 44,927,896.70 |
| **5.** | NOVEMBER | KCSAP | 34,588,641 |
| **6.** | DECEMBER | World Bank (IDA) Loan for Transforming Health Systems | 12,359,649.70 |
| | **TOTAL** | | **99,235,562.40** |

*Source: County Treasury/Office of the Controller of Budget*

The County had received 9.68 % of the total Conditional Grants by December 2019.

### 2.3 Resource Envelope/ Revenue Projections

The Constitution of Kenya 2010 stipulates that County Governments should have reliable, stable and predictable sources and allocation of revenue. The County has two main sources of funding; Revenue from local sources and the Equitable Share from the National Government as provided under Article 201 of the Constitution.

*Table 5: Revenue Projections*

| **Revenue** | | | | | |
|---|---|---|---|---|---|
| **Source** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Equitable Share** | | | | | |
| Equitable Share Transfers | 4,929,800,000 | 4,867,000,000 | 4,925,900,000 | 5,122,936,000 | 5,327,853,440 |
| **Own Source Revenue** | | | | | |
| County Generated Revenue | 410,000,000 | 600,000,000 | 750,000,000 | 800,000,000 | 850,000,000 |
| Linda Mama (A-I-A) | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 |
| **Conditional Allocations** | | | | | |
| Road Maintenance Levy Fund | 129,797,341 | 141,049,781 | 146,215,617 | 146,215,617 | 146,215,617 |
| Road Maintenance Levy Fund uncredited 2017/18 | 39,700,000 | | | | |
| User Fees Foregone | 12,735,922 | 12,735,922 | 12,735,922 | 12,735,922 | 12,735,922 |
| Rehabilitation of Village Polytechnics | 39,700,000 | 39,700,000 | 31,416,170 | 31,416,170 | 31,416,170 |
| Rehabilitation of Village Polytechnics FY 2017/18 | | 5,669,246 | | | |
| Leasing of Medical Equipment | 200,000,000 | 131,914,894 | 148,936,170 | 148,936,170 | 148,936,170 |
| **Loans And Grants** | | | | | |
| World Bank (IDA) Loan for Transforming Health Systems | 50,000,000 | 50,000,000 | | | |

| | | | | | |
|---|---|---|---|---|---|
| EU grant for Potato Tissue Culture Lab (IDEAS) | 45,000,000 | - | | | |
| DANIDA | 15,997,500 | 15,997,500 | | | |
| Supplement for construction of County Headquarters | 121,000,000 | 121,000,000 | 50,000,000 | - | - |
| World Bank Grant for Kenya Urban Support Programme (KUSP) Level 1 | 40,000,000 | - | | | - |
| World Bank Grant for Kenya Urban Support Programme (KUSP) Level 2 | 135,543,400 | 135,543,400 | | 135,543,400 | |
| World Bank Grant for Climate Smart Agriculture Programme (KCSAP) | 117,000,000 | 117,000,000 | | 117,000,000 | 117,000,000 |
| World Bank Grant for KDSP - Level 1 | 43,069,316 | - | | | - |
| World Bank Grant for KDSP - Level II | | 254,280,493 | | | - |
| Balance B/F | | | | | |
| **Grand Total** | **6,359,343,479** | **6,521,891,236** | **6,095,203,879** | **6,544,783,279** | **6,664,157,319** |

The County is projecting to get an Equitable Share of Kshs. 4,925,900,000 in the FY 2020/21 which is a 1.21% increase from the FY 2019/20 allocation. In addition, the County Government expects to receive Kshs. 12,735,922 for User Fees Foregone, Kshs.31, 416,170 for Rehabilitation of Youth Polytechnics, Kshs.146, 215,617 for Road Maintenance Levy Fund, Kshs. 148,936,170 for Leasing of Medical Equipment and Kshs. 50, 000,000 to supplement for construction of County Headquarters.

In addition to the transfer from the National Government, the County will generate its Own Revenues from its internal sources as authorized by County laws. In FY 2020/21, Own Source is projected to improve by 24 % from the FY2019/20 collections on the strength of full automation under a cashless system of revenue collection and detailed structural measures.

Section 132 (1&2) of the PFM Act, 2012 requires the County Executive Member for Finance to make pronouncement of the revenue raising measures for the County Government with the approval of the County Executive Committee.

Consequently, the total resource envelope for 2020/21 FY is projected at Kshs. 6,095,203,879, a 6.5% reduction from the FY2019/20 resource allocation. This is due to some conditional grants provided in the 2019/20 FY but missing in the 2020/21 allocations as provided in the BPS, 2020.

### 2.4 County 2019/20 First Half-year expenditure performance

The County 2019/20 First Half Year performance indicates that the County has not been able to absorb the funds released as illustrated in the table below. Development expenditure has not been used up due to delays in among other things the following;

i. Delays in preparation of Bill of quantities for projects;

ii. Consequent delays in the tendering process; and

iii. Unfavorable weather conditions for implementation of some projects.

The issue of absorption remains a top priority of the County Government and the County Treasury will continue to strengthen budget implementation monitoring framework to ensure that all spending units strictly adhere to the cash plans provided.

*Table 6: First Half Year Expenditure in 2018/19 and 2019/20*

| | 2018/19 (actual) | 2018/19-1st Half Year | 2019/20-1st Half Year |
|---|---|---|---|
| **Expenditure** | | | |
| Recurrent | 4,061,754,015 | 1,680,290,953 | **1,811,247,803** |
| Development | 1,709,373,493 | 150,899,469 | **95,742,886** |
| **Total** | **5,771,127,508** | **1,831,190,422** | **1,906,990,689** |

In the period July to December 2019, the County Executive and Assembly has spent a total of Kshs. 1,811,247,803 on recurrent expenditure and Kshs.95, 742,886 on Development expenditure.

In the First Half of FY 2018/19, the County had spent Kshs. 1,680,290,953 on recurrent expenditure as compared to Kshs. 1,811,247, 803 in the First Half of FY 2019/20.It is therefore clear that absorption on recurrent expenditure improved in the FY 2019/20.

In the First Half of FY 2018/19, the County had spent Kshs. 150,899,469 on Development expenditure as compared to Kshs. 95,742,886 in the First Half of FY 2019/20. A decline in the absorption of the Development expenditure is noted in the FY 2019/20 which is mainly attributed to the delayed approved of DoRA 2019 and the National Treasury requirement of Ineligible Pending Bills verification by an Ineligible Pending Bills Committee which culminated to long delays of the preparation of the 1st Supplementary Budget, 2019/2020 FY.

The County's total outlay for the FY 2019/20 is Kshs. 6,521,891,236. Out of this, Kshs. 4,412,225,023 (67.65%) for recurrent expenditure and Kshs. 2,109,666,213 (32.35%) for Development expenditure.

### 2.5 Departmental 2019/2020 First Half-Year Expenditure

The First Half Year Expenditure in the FY 2019/20 analysis shows that cumulatively, the Departments have spent 29.24% of the total Budget as shown in the table below.

*Table 7: Departmental 2019/2020 First Half Year Expenditure and Commitments*

| Department | Budget Estimates | First Half Year Recurrent | First Half Year Development | Total Expenditure and Commitments | % Absorbed by Department | % Of Total Budget Spent |
|---|---|---|---|---|---|---|
| Governor's Office | 120,115,558 | 44,852,775 | - | 44,852,775 | **37.34** | 2.35 |
| Office of The County Secretary | 128,550,449 | 7,503,868 | - | 7,503,868 | **5.84** | 0.39 |
| Compensation to Employees | 1,904,310,000 | 924,913,218 | - | 924,913,218 | **48.57** | 48.50 |
| Office of The County Attorney | 15,280,000 | 7,129,609 | - | 7,129,609 | **46.66** | 0.37 |
| Public Administration and ICT | 57,980,094 | 16,512,323 | - | 16,512,323 | **28.48** | 0.87 |
| County Public Service Board | 12,550,000 | 2,926,903 | - | 2,926,903 | **23.32** | 0.15 |
| Finance & Economic Development | 650,290,795 | 167,317,272 | - | 167,317,272 | **25.73** | 8.77 |
| Health Services | 601,008,836 | 148,931,848 | - | 148,931,848 | **24.78** | 7.81 |
| Education, Youth, Culture, Gender & Social Services | 191,919,418 | 16,594,214 | - | 16,594,214 | **8.65** | 0.87 |
| Industrialization, Trade and Cooperative Development | 389,413,401 | 8,449,328 | - | 8,449,328 | **2.17** | 0.44 |
| Youth, Sports and Arts | 121,493,200 | 25,115,500 | 19,652,882 | 44,768,382 | **36.85** | 2.35 |
| Water, Environment, Tourism & Natural Resources | 302,028,000 | 14,022,144 | - | 14,022,144 | **4.64** | 0.74 |
| Transport, Energy & Public Works | 759,791,181 | 25,957,780 | - | 25,957,780 | **3.42** | 1.36 |
| Lands, Housing, Physical Planning and Urban Development | 237,926,660 | 11,973,954 | - | 11,973,954 | **5.03** | 0.63 |
| Agriculture Livestock & Fisheries | 246,333,843 | 28,266,381 | - | 28,266,381 | **11.47** | 1.48 |
| County assembly | 782,899,801 | 360,780,686 | 76,090,004 | 436,870,690 | **55.80** | 22.91 |
| **TOTAL** | **6,521,891,236** | **1,811,247,803** | **95,742,886** | **1,906,990,689** | **29.24** | **100.00** |

As indicated in the table, County Assembly has the highest expenditure of 55.8%. On the other hand, the Department of Industrialization, Trade and Cooperative Development had the least absorption at 2.17%. Of note is that most departments apart from Youth, Sports and Arts and the County Assembly have not expended development allocation in the First Half of the Financial Year.

The issue of absorption remains a top priority of the County Government and the County Treasury will continue to strengthen budget implementation monitoring framework to ensure that all spending units strictly adhere to the cash plans provided.

### 2.6 Expenditure Projections

Priority for funding in the FY 2020/21 has been given to projects/programmes that aim at scaling up levels of investment in Economic and Social infrastructure and creation of employment opportunities.

The County Government's expenditure for the FY 2020/21 will be guided by the Annual Development Plan (2020) which outlines the priority areas to be addressed in the FY 2020/2021 in the realization of the CIDP II. The County Government will promote budget transparency, accountability and effective financial management of resources based on clearly set priorities to ensure that Budgets are directly linked to plans. The total Government expenditure is projected to be Kshs. 6,095,203,879 (100%) of the Budget.

*Table 8: 2020/21 Budget Allocation*

| Recurrent Budget | 2019/20 Actual | 2020/21 Projected | 2021/22 Projected | 2022/23 Projected |
|---|---|---|---|---|
| Personal emoluments (salaries, gratuity, pension, medical insurance) | 2,013,684,100 | 2,196,000,000 | 2,278,640,000 | 2,301,385,600 |
| Operations and maintenance | 2,178,140,923 | 1,738,658,638 | 1,808,204,983 | 1,880,533,183 |
| Other recurrent expenditures (bursary, emergency, mortgage, trade funds) | 220,400,000 | 250,000,000 | 276,200,000 | 287,448,000 |
| **Sub total** | **4,412,225,023** | **4,184,658,638** | **4,363,044,983** | **4,469,366,783** |
| | | | | |
| **Development Expenditure** | 2,109,666,213 | 1,910,545,241 | 2,181,738,296 | 2,194,790,536 |
| **Total budget** | **6,521,891,236** | **6,095,203,879** | **6,544,783,279** | **6,664,157,319** |

### 2.6.1 Recurrent Expenditure Projections

In the Recurrent expenditure category, non-discretionary expenditures take first charge which includes payment of statutory obligations and compensation to employees.

Total recurrent expenditure in FY 2020/21 is estimated to be at Kshs. 4,184,658,638.
In the Medium Term, the County Government is committed to ensuring compliance with the Fiscal Responsibility Principle on capping of compensation to employees at 35%.

### 2.6.2 Development Expenditure Projections

The County Government will endeavor to allocate adequate resources towards development projects as well as aspire to complete critical priority projects as outlined in this Fiscal Strategy Paper. Total development expenditure in FY 2020/21 is estimated to be Kshs. 1,910,545,241.

In the FY 2020/21 Fiscal Policy Strategy, Development expenditures emphasis will be on County Government's high priority projects that aid the achievement of the "Big Four" Agenda, the Third Medium Term Plan (MTP III) of the Vision 2030, CIDP II, and the priorities contained in the Annual Development Plan for the Fiscal Year 2020/21.

In addition emphasis will be on ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.

## CHAPTER THREE-INDICATIVE MEDIUM-TERM RESOURCE ALLOCATION

### 3.0 Overview

This Chapter outlines the Fiscal Framework for the FY 2020/21 as well the Medium Term. It also provides an overview of the resource envelope, proposed ceilings as well as expenditures. The strategic priorities for FY 2020/2021 have been drawn from development priorities as set out in the CIDP II and the 2020/21 Annual Development Plan.

The County Government is committed to a sound and stable fiscal policy, public finances aimed at ensuring the sustainability of economic transformation, promoting jobs and investment, and ensuring that public services reflect Government's priorities.

The County will look into ways of enhancing revenue collection and achieving greater efficiency in terms of keeping Government consumption spending at an affordable level and ensure priority is given to the development projects.

In addition, through various investment forums, the County intends to attract potential Local and Foreign Investors and other Development Partners to assist in promoting Investments and Exports expansion.

### 3.1 Criteria for Resource Allocation

Over the Medium Term, the County Government will ensure that Budget allocations will strive to allocate more resources towards realization of the Social-Economic Development Agenda as well as align the County to the "National Big Four Agenda"; to boost the Manufacturing Sector; enhance Food Security; achieve Universal Health Coverage and Affordable Housing for all. These are expected to boost growth, create jobs and promote inclusive growth.

The resource envelope available for allocation among the spending Entities in the County comprises of:

1. Share of National Revenue, which finances approximately 90 per cent of the budgeted expenditure and consists of Equitable Share and Conditional Grants; and
2. Locally Collected revenue including business permits, property rates, entertainment taxes, levies, fees and charges.

The County's share of the National Revenue is projected at Kshs. 4,925,900,000 in FY2020/21 while Own Source Revenue is projected at Kshs. 750,000,000 and Kshs.30, 000,000 for Linda Mama.

The criteria taken into account in determining the allocations among the Departments is:

(i) **Non–discretionary Expenditure**: In the recurrent expenditure category, non-discretionary expenditures take the First Charge and include statutory obligations such as salaries, gratuity, pension and Pending Bills that are financed by the County government;

(ii) **Ongoing Projects:** An active monitoring and update will be given to the completion of all on-going projects in the County that includes infrastructure, building and constructions etc. this will enable job creation, equity and poverty reduction;

(iii) **Mainstreaming the Governor's Six Pillars Manifesto** aimed at jump-starting major change efforts and enhancing implementation capacity. A reform program Rapid Results Initiatives has been introduced to enable and build blocks toward achievement of long-term goals and responsibilities given through the Constitution of Kenya. Whereas the Results Based Management include a number of elements such as training, new Policies and Procedures, Mission and Vision of the Government and even a Communication Strategy to ensure involvement of all stakeholders, which promise to get the public service enhanced performance;

(iv) **The CIDP2 identified Flagship Projects and Programs**: The County Government will ensure Equitable distribution of Flagship Projects across all corners of the County;

(v) **Mainstreaming the Presidential Big Four Agenda**. The President has sought the support of the Counties to have Governors align their Development Plans with National Big Four Agenda. The County has aligned its CIDP II to the Big Four Agenda and the implementation of the same will be pursued in the FY 2020/21;

(vi) **Job Creation:** Specific consideration to job creation based on sound initiatives identified in the CIDP II will be considered. There is an urgent need to provide avenues for job creation particularly for the Youth, Women and People Living with Disabilities. They include Agro Processing, building Industrial Parks, Affordable Finance and promotion of Small and Medium Businesses for Youth and Women. The County has huge untapped potential which constitutes a vibrant young labour force, fertile agricultural land and an ideal location for tourism.

(vii) **Strategic Policy Interventions:** Drivers of the economy that have the potential to unlock the County's Economy and have long-term impact will be given priority such as ECDE milk feeding programme and boreholes drilling. These and other policies are expected to reduce the turnaround time in the implementation of the CIDP II.

(viii) **Fiscal Discipline:** This includes the absorption rate and efficiency in utilization of the allocated resources. Departments which are able to adhere to this criteria will have an added advantage in resource sharing.

(ix) **Revenue Generating Programmes:** Departments/ Programmes and Institutions which have a higher capacity for generating revenues will be given a higher consideration in resource allocation.

## 3.2 DEPARTMENTAL EXPENDITURE CEILINGS FOR 2020/21 FY AND THE MEDIUM TERM

Arising from the criteria set above and the sector consultation forums, the allocation to the departments is as follows:

**Table 3.1: Departmental Expenditure Ceilings for 2020/21 FY and the Medium Term**

| PROPOSED BUDGET BY PROGRAMME | | | | |
|---|---|---|---|---|
| **Programme** | **Approved allocations 2019/20** | **2020/21 Proposed allocations** | **2021/22 Projections** | **2022/23 Projections** |
| **Bursary Fund** | 113,400,000 | 120,000,000 | 130,000,000 | 140,000,000 |
| **Emergency Fund** | 30,000,000 | 30,000,000 | 31,200,000 | 32,448,000 |
| **Mortgage Fund** | 60,000,000 | 60,000,000 | 75,000,000 | 75,000,000 |
| **Nyandarua County Biashara Fund** | 15,000,000 | 30,000,000 | 30,000,000 | 30,000,000 |
| **Nyandarua Cooperative Fund** | | - | 0 | 0 |
| **Nyandarua County Investment and Development Corporation** | 2,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| **KDSP level 1** | | - | 0 | 0 |
| **County Pension Fund** | 34,050,100 | 35,000,000 | 36,400,000 | 37,856,000 |

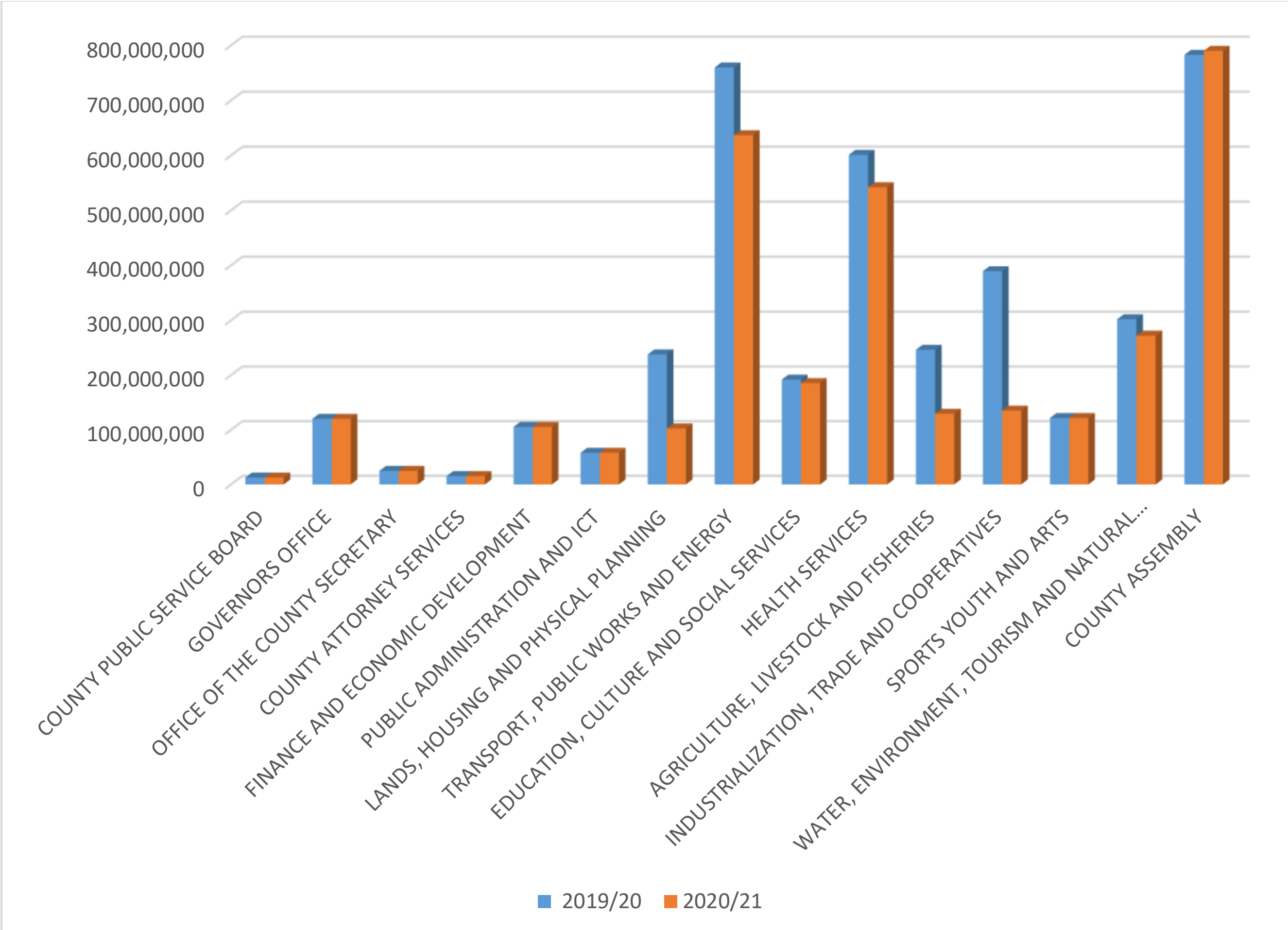
| | | | | |
|---|---|---|---|---|
| **County Gratuity Fund** | 31,000,000 | 31,000,000 | 32,240,000 | 33,529,600 |
| **Medical Insurance** | 40,000,000 | 80,000,000 | 80,000,000 | 80,000,000 |
| **General Insurance** | 25,500,000 | 26,000,000 | 27,040,000 | 28,121,600 |
| **Salaries (Executive)** | 1,903,000,000 | 2,050,000,000 | 2,130,000,000 | 2,150,000,000 |
| **Pending Bills** | 40,000,000 | 269,492,645 | | |
| **Asset Finance** | 259,000,000 | 0 | 0 | 0 |
| **Sub Total** | **2,552,950,100** | **2,741,492,645** | **2,581,880,000** | **2,616,955,200** |
| **COUNTY PUBLIC SERVICE BOARD** | | | 0 | 0 |
| **County Public Service Board** | 12,550,000 | 12,550,000 | 20,000,000 | 25,000,000 |
| **Sub Total** | **12,550,000** | **12,550,000** | **20,000,000** | **25,000,000** |
| **GOVERNORS OFFICE** | | | 0 | 0 |
| **Service Delivery Unit** | 12,480,000 | 17,480,000 | 20,000,000 | 21,000,000 |
| **Governor's Office & Investment Promotion** | 76,432,000 | 76,432,000 | 87,988,868 | 88,000,000 |
| **Liaison and Intergovernmental Relations** | 23,203,558 | 23,203,558 | 30,000,000 | 31,000,000 |
| **Civic Education and Public Participation** | 8,000,000 | 8,000,000 | 12,000,000 | 14,500,000 |
| **Sub total** | **120,115,558** | **125,115,558** | **149,988,868** | **154,500,000** |
| **OFFICE OF THE COUNTY SECRETARY** | | | 0 | 0 |
| **County Secretary-Administration** | 7,788,205 | 7,788,205 | 10,000,000 | 11,500,000 |
| **Cabinet Affairs** | 724,000 | 724,000 | 950,000 | 1,030,000 |
| **Payroll** | 1,310,000 | 1,310,000 | 1,500,000 | 1,650,000 |
| **Human Resource Management** | 3,600,000 | 3,600,000 | 4,000,000 | 5,000,000 |
| **Communication and Public Relations** | 11,388,144 | 11,388,144 | 13,000,000 | 15,000,000 |
| **Staff Development & Welfare (KICOSCA)** | | 7,000,000 | 10,000,000 | 12,000,000 |
| **Sub Total** | **24,810,349** | **31,810,349** | **39,450,000** | **46,180,000** |
| **COUNTY ATTORNEY** | | | 0 | 0 |
| **County Attorney Services** | 15,280,000 | 30,000,000 | 35,000,000 | 45,000,000 |
| **Sub Total** | **15,280,000** | **30,000,000** | **35,000,000** | **45,000,000** |
| **FINANCE AND ECONOMIC DEVELOPMENT** | | | 0 | 0 |
| **Public Finance Management** | 14,616,970 | 19,616,970 | 30,000,000 | 40,000,000 |
| **County Budgeting** | 10,300,000 | 15,300,000 | 18,000,000 | 22,000,000 |
| **County Statistics and Data Bank** | 4,950,000 | 4,950,000 | 8,000,000 | 9,000,000 |

| | | | | |
|---|---|---|---|---|
| **Monitoring and Evaluation** | 3,650,000 | 6,930,000 | 7,500,000 | 9,000,000 |
| **Economic Modelling and Research** | 4,900,000 | 4,900,000 | 6,500,000 | 8,000,000 |
| **Economic Development Planning (Including CEKEB)** | 10,400,000 | 10,400,000 | 14,500,000 | 16,200,000 |
| **Revenue Collection and Administration (Including automation)** | 27,000,000 | 27,000,000 | 30,000,000 | 32,000,000 |
| **Revenue Enhancement and Monitoring** | 12,203,825 | 17,203,825 | 20,000,000 | 22,000,000 |
| **Supply Chain Management** | 5,750,000 | 5,750,000 | 12,000,000 | 15,000,000 |
| **Internal Audit and Risk Management** | 11,620,000 | 11,620,000 | 15,000,000 | 18,000,000 |
| **Sub Total** | **105,390,795** | **123,670,795** | **161,500,000** | **191,200,000** |
| **PUBLIC ADMINISTRATION AND ICT** | | | 0 | 0 |
| **Public Administration** | 6,955,700 | 6,955,700 | 8,000,000 | 10,000,000 |
| **sub-county and ward administration** | 31,614,394 | 36,614,394 | 39,000,000 | 42,000,000 |
| **ICT and E-government Services** | 15,000,000 | 15,000,000 | 18,000,000 | 21,000,000 |
| **Enforcement and Compliance** | 4,410,000 | 4,410,000 | 6,500,000 | 8,200,000 |
| **Sub Total** | **57,980,094** | **62,980,094** | **71,500,000** | **81,200,000** |
| **LANDS, HOUSING AND PHYSICAL PLANNING** | | | 0 | 0 |
| **Housing & Urban Development (Kenya Urban Support Programme)** | 159,845,900 | 24,302,500 | 28,000,000 | 32,000,000 |
| **Physical Planning** | 27,893,000 | 27,893,000 | 29,008,720 | 30,169,069 |
| **Survey and Mapping** | 15,272,760 | 15,272,760 | 18,000,000 | 21,000,000 |
| **Land Administration and Management** | 34,915,000 | 34,915,000 | 41,000,000 | 50,000,000 |
| **Olkalou Municipality** | | 15,000,000 | 16000000 | 19500000 |
| **Kenya Urban Support Programme** | | 0 | 0 | 0 |
| **Sub Total** | **237,926,660** | **117,383,260** | **132,008,720** | **152,669,069** |
| **TRANSPORT, PUBLIC WORKS AND ENERGY** | | | 0 | 0 |
| **Transport** | 559,169,781 | 507,030,835 | 527,312,068 | 548,404,551 |
| **Energy** | 33,944,000 | 33,944,000 | 45,000,000 | 60,000,000 |
| **Emergency Response & Preparedness** | 5,000,000 | 5,000,000 | 7,000,000 | 9,500,000 |
| **Public Works** | 161,677,400 | 90,677,400 | 110,000,000 | 123,000,000 |

| | | | | |
|---|---|---|---|---|
| **General Administration & Support Services** | | 0 | 0 | 0 |
| **Sub Total** | **759,791,181** | **636,652,235** | **689,312,068** | **740,904,551** |
| **EDUCATION, CULTURE AND SOCIAL SERVICES** | | | 0 | 0 |
| **ECDE** | 104,264,000 | 104,264,000 | 130,000,000 | 145,000,000 |
| **Alcohol Drinks Control and Civic Education** | 3,436,306 | 3,436,306 | 5,000,000 | 7,000,000 |
| **Youth Training (including University & education standards)** | 52,723,112 | 46,155,984 | 48,002,223 | 49,922,312 |
| **Gender Affairs and Social Services** | 25,666,000 | 30,666,000 | 41,200,000 | 37,687,131 |
| **Culture** | 5,830,000 | 5,830,000 | 8,000,000 | 10,000,000 |
| **Sub Total** | **191,919,418** | **190,352,290** | **232,202,223** | **249,609,443** |
| **HEALTH SERVICES** | | | 0 | 0 |
| **Infrastructure and Equipment** | 110,000,000 | 110,000,000 | 170,000,000 | 180,000,000 |
| **Preventive and Promotive Services** | 7,650,000 | 7,650,000 | 10,000,000 | 11,000,000 |
| **Solid Waste and Cemeteries** | 7,603,000 | 7,603,000 | 12,000,000 | 13,000,000 |
| **Curative Services** | 204,107,520 | 204,107,520 | 235,711,821 | 246,740,294 |
| **universal healthcare** | 271,648,316 | 222,672,092 | 268,138,976 | 174,864,535 |
| **Sub total** | **601,008,836** | **552,032,612** | **695,850,797** | **625,604,829** |
| **AGRICULTURE, LIVESTOCK AND FISHERIES** | | | 0 | 0 |
| **Crop Production (Inclusive of grants)** | 175,366,372 | 88,366,372 | 120,701,027 | 93,129,068 |
| **Livestock Production** | 10,110,000 | 10,110,000 | 12,514,400 | 15,934,976 |
| **Veterinary Services** | 13,115,000 | 13,115,000 | 18,639,600 | 19,185,184 |
| **Fisheries Development** | 4,500,000 | 4,500,000 | 8,680,000 | 9,867,200 |
| **Institution Support (ATCs)** | 10,014,500 | 10,014,500 | 12,415,080 | 14,831,683 |
| **Agriculture Mechanization Services** | 7,080,000 | 7,080,000 | 12,363,200 | 14,657,728 |
| **General administration and Extension Services** | 18,097,971 | 18,097,971 | 20,821,890 | 22,574,765 |
| **Subsidized Artificial Insemination** | 8,050,000 | 8,050,000 | 10,372,000 | 12,706,880 |
| **Sub Total** | **246,333,843** | **159,333,843** | **216,507,197** | **202,887,484** |
| **INDUSTRIALIZATION, TRADE AND COOPERATIVES** | | | 0 | 0 |
| **Financial and Trade Services (excluding CEKEB, county corporation & trade fund)** | 32,613,401 | 30,883,401 | 43,917,937 | 55,274,655 |

| | | | | |
|---|---|---|---|---|
| **Industrial and Enterprise Development (Inclusive of KDSP )** | 338,210,000 | 83,929,507 | 87,286,687 | 90,778,155 |
| **Cooperative Development** | 16,770,000 | 18,500,000 | 37,440,800 | 38,138,432 |
| **Weights & Measures** | 1,820,000 | 1,820,000 | 5,892,800 | 6,968,512 |
| **Sub Total** | **389,413,401** | **135,132,908** | **174,538,224** | **191,159,754** |
| **SPORTS YOUTH AND ARTS** | | | 0 | 0 |
| **Sports Development** | 99,046,200 | 92,046,200 | 123,008,048 | 107,128,370 |
| **Youth Affairs** | 16,125,000 | 16,125,000 | 26,770,000 | 27,440,800 |
| **Arts & Theater** | 6,322,000 | 6,322,000 | 10,574,880 | 12,837,875 |
| **Sub Total** | **121,493,200** | **114,493,200** | **160,352,928** | **147,407,045** |
| **WATER, ENVIRONMENT, TOURISM AND NATURAL RESOURCES** | | | 0 | 0 |
| **Water Resource Development.** | 245,870,000 | 237,046,090 | 274,687,934 | 233,675,451 |
| **Environment Development & Conservation** | 27,600,000 | 12,600,000 | 38,704,000 | 39,852,160 |
| **Tourism & Natural Resources** | 11,918,000 | 11,918,000 | 22,394,720 | 32,890,509 |
| **Drainage & Irrigation** | 16,640,000 | 10,640,000 | 27,305,600 | 32,997,824 |
| **Sub Total** | **302,028,000** | **272,204,090** | **363,092,254** | **339,415,944** |
| **COUNTY ASSEMBLY** | | | 0 | 0 |
| **County Assembly** | 782,899,801 | 790,000,000 | 821,600,000 | 854,464,000 |
| **Sub Total** | **782,899,801** | **790,000,000** | **821,600,000** | **854,464,000** |
| **GRAND TOTAL** | **6,521,891,236** | **6,095,203,879** | **6,544,783,279** | **6,664,157,319** |

**Fig 3.1 COMPARATIVE DEPARTMENTAL ALLOCATIONS FOR FYs 2019/20 & 2020/21**


800,000,000
700,000,000
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
0
COUNTY PUBLIC SERVICE BOARD
GOVERNORS OFFICE
OFFICE OF THE COUNTY SECRETARY
COUNTY ATTORNEY SERVICES
FINANCE AND ECONOMIC DEVELOPMENT
PUBLIC ADMINISTRATION AND ICT
LANDS, HOUSING AND PHYSICAL PLANNING
TRANSPORT, PUBLIC WORKS AND ENERGY
EDUCATION, CULTURE AND SOCIAL SERVICES
HEALTH SERVICES
AGRICULTURE, LIVESTOCK AND FISHERIES
INDUSTRIALIZATION, TRADE AND COOPERATIVES
SPORTS YOUTH AND ARTS
WATER, ENVIRONMENT, TOURISM AND NATURAL...
COUNTY ASSEMBLY
2019/20
2020/21

### 3.4 Adherence to Fiscal Responsibility Principles

Section 107 of the PFM Act, 2012 and Regulation 25 of the PFM (County Governments) 2015 sets out the Fiscal Responsibility Principles which the County Governments have to observe and enforce through the County Treasury.

The guiding principles that are considered in the allocation of the available resources include:

i. The requirement that the County Public Debt shall never exceed twenty (20) percent of the County Government's total revenue at any one time;
ii. The County Government wages shall be contained at thirty-five (35) percent of the County Government's total revenue in the Medium Term;
iii. The approved expenditures of a County Assembly will be as per Senate's recommendations. This shall not exceed 7% of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower:
iv. The County Government actual expenditure on development shall be at least thirty (30) percent of the County Government's total expenditure;
v. Fiscal risks shall be managed prudently; and
vi. 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.

In the 2020/21 FY and the Medium Term, the County Treasury will ensure that the Budgets are prepared by striving to adhere to the principles. Table 3.2 gives a summary of the indicators on the Fiscal Responsibility.

## 3.5 Presentation of County's adherence to the Fiscal Responsibility Principles for 2020/21 FY and the Medium Term

**Table 3.2 County Fiscal Responsibility Adherence**

| INDICATOR | | Amount (Kshs) | % share of total Budget |
|---|---|---|---|
| **County expenditure** | Recurrent | 4,184,658,638 | 68.65% |
| | Development | 1,910,545,241 | 31.35% |
| | **Total** | **6,095,203,879** | |
| **Expenditure on wages & benefits including Medical Insurance, County Pension & Gratuity Fund (Executive)** | | 2,196,000,000 | 36.03% |
| **Expenditure by County Assembly** | Recurrent and Development | 790,000,000 | 12.96% |
| **Debt financing** | Recurrent and Development | 0 | 0% |

From the analysis presented in table 3.2, the extent of adherence to the Fiscal Responsibility Principles is as follows:

i. **The County public debt shall never exceed twenty per cent of the County Government's total revenue at any one time**

The County Government of Nyandarua since inception has not resorted to borrowing to fund its expenditure and this shall be maintained. The County Government will at the same time ensure that all its obligation to the suppliers are met on a timely basis to avoid accumulation of Pending Bills. The Pending Bills factored in this Fiscal Strategy Paper amount to Kshs.269,492,645 which is 4.42% of the total revenues and within this fiscal responsibility principle. This relates to the pending bills related to 2013-2018 years;

ii. **County Government's expenditure on wages and benefits for its public officers shall not exceed thirty five (35) per cent of the County Government's total revenue**

In 2020/21 FY, the County's expenditure on wages and benefits will account for 36.03% of the total expenditure. This includes the employees' pension and gratuity funds and medical schemes which have increased the County's expenditure on wages and benefits. The County is not in line with the set limit of 35 % of the County revenues;

iii. **The approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County assembly, whichever is lower.**

The expenditure of the County Assembly will account for 12.96% of the total expenditure in 2020/21 FY. The allocation is beyond the set limit which is mainly attributed to the ceiling set by CARA;

**iv. The County Government actual expenditure on development shall be at least thirty per cent**

The development allocation is 31.35% of the total budget allocation in the CFSP 2020/21;

**v. Fiscal risks shall be managed prudently**

The government will continuously make reference to the national macro-economic forecasts and projections to gauge its implications to the Budget. Fiscal risks will be managed prudently through expenditure efficiency and effective implementation of budget programs; continuous implementation of e-procurement, embrace internet banking and the IFMIS. Further, a provision of Kshs. 30,000,000 has been factored to cater for urgent and unforeseen expenditure. This will ensure that emergencies can be handled without disorienting the plans and Budgets. Strict adherence to the CRA, SRC and Controller of Budget guide lines will be emphasised; and

**vi. 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**

To ensure a reasonable degree of predictability with respect to level of tax rates, charges and tax bases, legislation on property rates, entertainment tax and produce cess will be amended through the Finance Acts depending on the fiscal strategy in a given year. The legislations will also contain clear justification for the fees and charges to be charged and the modalities for charging the same. The County Finance Acts will make reference to the substantive legislation, while proposing amendments to the charges, fees and taxes hence maintain a degree of predictability.

## CHAPTER FOUR-ASSUMPTIONS AND RISKS UNDERLYING BUDGETARY AND FISCAL POLICY

### 4.1 Assumptions

The County will continue mobilizing significant resources and providing an appropriate environment for businesses to thrive, sustaining inclusive growth by continually building transparent, responsive, accountable, efficient and effective government structures. In addition, the County Government will continue providing leadership and coordination in County development planning, policy formulation and management, designing effective, efficient and secure systems of collecting revenue, to prudently mobilize and manage resources while ensuring compliance with policies, standards, procedures and applicable financial and procurement laws and regulations. All projections in the fiscal framework rest on assumptions regarding particular variables. In constructing projections, the overriding assumption is that existing revenue and spending will be continued as far ahead into the future as projections extend, without any substantive change.

These will be complimented by measures to address socio-economic inequities and improving the County's human capital. To ensure planned and sustainable growth the County Government will continue to synergize its efforts in implementing the socio-economic priority programmes as articulated in the County's Integrated Development Plan II (2018-2022) and all other relevant policy documents.

### 4.2 Risks

The risk to the outlook for Nyandarua County 2020/2021 FY Budget and Medium Term emanate from both external and domestic quotas. The economy remains vulnerable to both domestic and external shocks. Our County is exposed to fiscal risks that are associated with macroeconomic assumptions used for fiscal projections, public debt dynamics, contingent liabilities, unrealized revenues, the ever increasing pending bills and a high wage bill, continues to pose a threat of a budget deficit. Vulnerabilities of the Financial Sector, as well as risks posed by nature.

The Government remains committed to fiscal consolidation in order to ensure the long-term sustainability of Public Finances. Nevertheless, the Government will monitor the risks and take appropriate measures to safeguard macroeconomic and microeconomic stability. Systems, controls and structures are being put in place to improve local revenue performance. Prudency in recurrent expenditure will be highly embraced so as to increase the revenue bases and the fiscal position in the Medium Term.

The following strategies will continue to be implemented to increase the revenue for the County in order to ensure that the planned budget is realized.

i. **Enforcement of the Finance Acts and Regulations**: The County Government will ensure that revenue is collected according to the Finance Act 2020;
ii. **Leverage of Ol'Kalou Special Municipality Status**: with Ol'Kalou achieving the Special Municipality Status and the infrastructural investments being undertaken, these will build confidence and attract more investors. This will result of enhanced revenue collections and efficient service delivery;
iii. **New Sources of Revenue:** So as to increase the revenue base the County shall identify unexploited revenue streams as mandated in the Public Finance management Act; and
iv. **100% (CASH LESS) Automated Revenue Collection System:** The County contracted a service provide to fully roll out cashless automated collection system which has picked up very well and full automation should be achieved by end of 2019/20 FY.

### 4.3 Conclusion and Way Forward

The set of policies outlined in this CFSP aims at striking a balance between circumstances which keep changing and the emerging issues. The strategies are broadly in line with the CIDP2, the Governor's Manifesto, the Big Four Agenda, the Vision 2030 and the Fiscal Responsibility Principles outlined in the PFM Act, 2012. They are also consistent with other National Strategic Objectives which set a basis for County Government allocation of Public Resources.

Details of these strategic objectives are contained in the County Integrated Development Plan II (2018-2022). The Policies and Sector Ceilings annexed herewith will guide the Sectors/departments in final adjustments of the 2020/21 MTEF Budget.

Budgetary resources are usually limited thus it is imperative that Departments prioritize their programs within the available resources to ensure that utilization of Public Funds are in line with County government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programs.

Proper implementation of the Budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including County Government Departments, Civil Society, Communities, County Assembly and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.