COUNTY GOVERNMENT OF NAKURU

THE COUNTY TREASURY

COUNTY FISCAL STRATEGY PAPER

Economic Prosperity for All

FEBRUARY 2018

To obtain copies of the document, please contact:

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CFSP 2018 will be published on website at: www.nakuru.go.ke within 7 days after adoption by the County Executive.

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List of Abbreviations and Acronyms

AMS	Agricultural Mechanisms Services
ATC	Agricultural Training Centre
BPD	Budget Policy Document
BPS	Budget Policy Statement
C.I.D.P	County Integrated Development Plan
CBD	Central Business District
CBROP	County Budget Review & Outlook Paper
CFSP	County Fiscal and Strategic Paper
DANIDA	Danish International Development Agencies
IMF	International Monetary Fund
KDSP	Kenya Devolution Support Programme
KRA's	Key Result Area
LAN	Local Area network
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management Act
PPP	Public Private Partnership
PWD	Persons With Disability
SDG's	Sustainable Development Goals
SWGs	Sector Working Group
UNDP	United Nation Development Programme

FOREWORD

The 2018 County Fiscal Strategy Paper is the first to be prepared under the 2nd integrated planning period (2018-2022) and marks the inaugural policy framework under the new County Administration. This second CIDP planning period is building on the gains and achievement of the inaugural county government. Notable achievements have been recorded in the first implementation period although the growth performance of both revenue and expenditure slowed toward at the end of FY 2016/2017.

The period under review was marked by stability in macroeconomic environment amidst a volatile political climate toward the end characterised by extended presidential electioneering period. Most macroeconomic variables remained with the projected estimates and as such transfers to County Governments were honoured promptly. In the period between FY 2013/14 to 2016/17 the total County's revenue cumulatively amounted to Ksh 39. 7 billion against a target of 43.2 billion. Locally County Own Source Revenue (including AiA) rose from Ksh 1.8 billion in 2013/14 to a high of Ksh 2.29 billion in 2015/16 and contracted to Ksh 1.96 billion at the end of plan period in 2016/17. Cumulative County amounted to approximately Ksh. 38 billion against a target of Ksh 49 billion between the period 2013/14 and FY 2016/17. Expenditure performance improved significantly along the implementation period from Ksh 7 billion in FY 2013/14 to Ksh 11.6 billion at the end of the plan period in FY 2016/17.

Going into the next integrated plan period 2018-2022 Nakuru County will be guided by the lessons learnt in the inaugural implementation period as well as the direction of the national development agenda espoused in the 3rd Medium Term Plan period. The CIDP 2018-2022 currently under preparation will identified the following priorities among other; carrying forward ongoing programmes from 2013-2017, fostering faster growth of Micro and Small Medium Enterprises, focussing on cross cutting issues in development as well governance and public service delivery.

Therefore the County fiscal focus in next medium term expenditure Framework period (MTEF 2018/19-2020/2021) will be premised on the above medium term County forecast. To this end the County has identified five (5) fiscal strategy initiatives to guide the County development agenda in the short term. They include the following; (i) Building on the gains of made in the achievements of the first CIDP 2013-2017; (ii) Enhancing governance, transparency, accountability and human resource productivity in the delivery of public good and service; (iii) Promotion of accessible and affordable healthcare for all county residents; (iv) Revival of pyrethrum promotion of agri-business and achieving food security; (v) Expansion and operationalisation of County fiscal Infrastructure. Additionally, the County fiscal initiative nave been aligned to the national development priority that is the "Big Four" plan of the Jubilee administration, namely achieving food security and nutrition for all; increasing manufacturing sector as a share of GDP, Housing and attaining universal health for all.

Through the implementation of the above selected fiscal strategy initiatives as well as the other enablers for social economic development are aimed at achieving economic prosperity for all in line with the mandate. Further the County fiscal policy shall continue to strengthen its fiscal capacity reforming the revenue mobilisation strategies as well as expenditure controls.

Total County receipts are projected to shrink to rise to Ksh 13.8 billion in FY 2018/19 compared to Ksh 13.3 billion projected in FY 2017/18 excluding balances carried forward. The final proposal of the Budget Policy Statement (BPS) 2018 released by the National Treasury has projected and amount of 9.4 billion as equitable share of revenue for Nakuru up from 9.2 billion approved in the current FY 2017/2018. National transfers of revenue continue to provide a significant share of total projected revenues accounting for 80 percent of the County receipts. Total County allocation for conditional grants are projected to rise marginally by 4 percent from allocation current FY to Ksh 1.1 billion in FY 2017/2018. The County Government has taken bold and deliberate steps to reduce the ambitious forecast in County Own Sources revenues. This will further help reduce implicit budget deficit and move towards a more sustainable fiscal model in both revenue and expenditure management.

On the expenditure side the County Government forecast to spend Ksh 13.8 billion in FY 2018/2019 thereby achieving a balanced budget as envisaged in the fiscal responsibility principles of public finance management. Salaries and wages has been allocated Ksh 6.1 billion whiles other recurrent expenditure has been allocated Ksh 3.6 billion. This CFSP paper has identified the unsustainable growth in the wages and salaries as a proportion of the budget as a major fiscal risk. Further the County Government has allocated Ksh 4 billion for planned development expenditure needs at both the headquarters and at the ward level.

The fiscal framework has been arrived at with consideration of maximizing the outputs of County government spending, realistic fiscal forecast going forward, adherence to fiscal responsibility principles, sectoral priorities as well useful comments and observations from both internal and external stakeholders.

Joseph Kiuna,
C.E.C FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

This 2018 County Fiscal Strategy Paper is a continuation of the County Government of Nakuru's effort to ensure effective linkage between policies, planning and budgeting. It provides an updated resource envelop and presents a fiscal framework for the next budget and the medium term plan. It also sets indicative sectoral ceilings in line with indicative priorities and programmes as outlined in the sector reports.

The preparation of the 2018 Fiscal strategy paper was an inclusive process. Much of the information in this report was obtained from the line departments through the Sector Working Groups (SWGs). We are grateful for comments from the County Treasury Macro Working group, the sector working groups and other stakeholder inputs.

A core team in the County Treasury spent a significant amount of time to put together the report. In this regard, specifically, we are grateful to: the CEM in charge of Finance and Economic Planning for his guidance and stewardship. Special thanks to the staff in Economic Planning directorate led by Ag. Director Mr. Cyrus Kahiga, Head of Budget Mr. Charles Lwanga, Snr Economist Ms Dorcas Mwangi and Ms Asinah Wanga who demonstrated commitment in the preparation, editing and timely finalization of the CFSP 2018.

JACINTA MWANGI,

Ag CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING

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. The 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

Responsibility Principles in the Public Financial Management Law

In line with the Constitution, the new Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. The PFM law (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

I. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM TERM OUTLOOK.

Macro-Economic Performance Indicators

1. County government of Nakuru operates within the dynamics of global and national macroeconomic environment. Therefore impacts of global and national economic variability affect both directly and indirectly on county fiscal decisions and operations. Economic growth, measured quantitatively as the Gross Domestic Product (GDP) of a country, is a parameter that influences national government transfers to the counties, given the positive correlation between growth and national revenue performance. Exchange rate fluctuations also affect the county processes with currency depreciation making our imports more expensive. This greatly affects the manufacturing sector since it mostly depends on imported raw materials and intermediate goods in its industrial processes, leading to a slowdown in the county's industrialization. Interest rates affects the cost of local borrowing while inflation changes the costs of goods and services and may affect their affordability as per existing plans.
2. The World real Gross Domestic Product (GDP) is expected to grow to 3.8 percent in 2018 from a growth of 3.7 percent in 2017 and 3.2 percent in 2016 which has been occasioned by the improving domestic demand in advanced economies and China as well as improved performance in other emerging markets.
3. Real economic growth in Sub-Saharan Africa (SSA) is expected to improve from 1.4 percent in 2016 to 2.7 percent in 2017 and further to 3.3 percent in 2018. The improved growth is largely driven by improved macroeconomic conditions in the large economies such as Nigeria and South Africa, including recovery in oil production, commodity prices recovery, continued growth in agriculture as drought conditions ease, better terms of trade and higher public investment. However, the downside risks have increased due to policy uncertainties and delays in implementation of policy adjustments in the large economies.
4. There was accelerated growth of 6.1 percent for the East Africa Community in 2015 fuelled by public infrastructure investment, buoyant private consumption and low oil prices. However the growth stabilized at 5.4 percent in 2016 and 2017. This was due to prolonged effect of droughts, low output in agriculture and a slowdown in credit growth across countries in the region. Insecurity and heightened political tensions continued to impact on economic activities

in countries such as; Somalia, Burundi and South Sudan. In 2018 the growth is projected to increase to 5.9 percent fuelled by stable macroeconomic environment.

Domestic Economic Developments

5. In the domestic scene, the country's economy has remained resilient in 2017 despite the adverse weather conditions and a prolonged electioneering period that saw a repeat of the presidential elections. This resulted to subdued credit growth in the private sector occasioned mainly by the interest rates caps. The economic growth for 2017 was estimated at 4.8 percent from 5.8 percent in 2016. The growth has been supported by the public infrastructure investments, improved tourism sector and stable macroeconomic conditions.
6. In the medium term, the country's GDP is expected to increase to 7.0 percent due to the proposed investments in the strategic sectors.

Inflation

7. Macroeconomic stability has been preserved with inflation remaining on a single digit level. Inflation averaged 6.7 percent in the period (2013-2017) compared to 10.6 percent in the period 2008-2012). Overall month on month inflation declined to 4.5 percent in December 2017 from 6.4 percent in December 2016.However, inflation in the first half of 2017 increased due to the drought that affected food prices.

Interest Rates

8. The real interest rates have remained stable and low. The rate in January 2017 was at 10.0 percent which has been consistent since August 2016.
9. The interest rates spread narrowed to 6.0 percent in September 2017 from 6.4 percent in September 2016 with the Commercial Banks lending rate stabilizing at 13.7 percent.
10. Interbank rate has remained low at 6.1.7 percent in January 2018 from 7.7 percent in January 2017 occasioned by ample liquidity in the market.

Kenya Shilling Exchange Rate

11. The Kenya Shilling exchange rate has continued to display relatively less volatility compared with the major regional and international currencies. The shilling exchange rate against the Dollar was Ksh. 102.9 in January 2018 compared with Ksh 103.7 in January 2017. The shilling weakened against the Euro and sterling pound at Ksh. 125.4 and 141.9 in January 2018 from Ksh. 110.2 and Ksh. 128.0 in January 2017 respectively. The stability of the Kenya shilling

exchange rate reflects improved export earnings from tea and horticulture, a reduction in the imports value of petroleum products due to lower oil prices, resilient diaspora remittances and improved tourism performance.

Impact of the Macro-Economic Performance Indicators to the County

12. As the economy expands as measured by the increase in GDP, more opportunities become available for both the local and external parties. Employment and unemployment pressures, production factor mobility (land, labour, capital and entrepreneurship) demand goes up, influx/migration towards projected areas of growth, competition, urbanization and the various conflicts that comes along etc. Whenever an economy experiences growth, capital accounts improve as a result of savings accumulated that is then translated into investments. In this effect, the county is set to realize more public and private investments for as long this trend persists.

13. The price of oil in the international market has a direct impact in the county economy. When the crude oil prices goes up the commodity prices in the county also shoot up due to the high reliance on fossil fuels in transportation cost of goods of services.

14. The stability of the Kenya shilling is of great impact to the county since the county's floriculture, horticulture and tourism depends on the stable exchange rate to flourish.

15. The capping of interest to a maximum of 4.0 per cent above the Central Bank Rate (CBR) resulted in a significant decline in interest rates during the month of September to 13.84 per cent compared to 16.75 in a similar month in 2016. Domestic credit slowed from a growth of 20.8 per cent in 2016 to 6.4 per cent in 2017 mainly on account of a decline in credit to the private sector. It was anticipated that there would be an increased uptake of credit by SMEs with capping of interest rates by Central Bank but this has not been the case as some of the SMEs have been profiled as high risk. This has affected the growth of the SMEs in the county as the banking sector continue to tighten issuance of loans criteria.

16. The county has benefited from the recovery of the tourism sector. Both local and international tourists' arrivals have been on the rise. Investment in this sector has continued to been on the

rise. The new government policy of issuing VISA on arrival for all Africans visiting Kenya will be a big boost to the tourism sector which the county greatly benefit from.

17. The extension of the Standard Gauge Railways (SGR) Phase 2A from Nairobi to Naivasha is expected to turn Naivasha into a magnet for Special Economic Zone (SEZ). Investors will be attracted with reliable freight service that transport raw materials and finished products between Naivasha and port of Mombasa for export.

Review of the County Fiscal Performance for the Period 2016/2017

Energy, Infrastructure and Information, Communication and Technology

The department of Roads, Transport and Public Works gravelled 2708KM of road which was done under RRI programme, two (2) motorable foot bridges, six (6) bus terminus were rehabilitated, 789 street lights installed and 13 staffs on fire fighters were trained on disaster response.
Key achievements of the Department of ICT for this period were: Training of 75 staff on usage of revenue collection systems for efficient service delivery, Installation of Local Area Networks and internet in all sub county offices to ease provision of services, establishment of digital centres and installation of CCTV cameras and acquisition of office information management systems.

Agriculture, Rural and Urban Development Sector

The Directorate of Agriculture carried out campaigns on post-harvest management awareness were in various sub-counties in collaboration with stakeholders such as such as AGRO Z bags, PICS Bags. The Directorate of Livestock constructed two milk cooling plants to completion. Namely; Burgei and Elementiaita Inua Hustler Dairy Cooperative, however other two milk cooling plants are in still ongoing.

The department of Lands, Physical Planning and Housing was able to rehabilitate council estates by removing asbestos and reroofing using environment friendly roofing materials. The directorate of Physical planning prepared County Spatial plan which in draft stage. Further the directorate prepared a valuation roll that will assist the county to improve revenue collection once approved by the County Assembly.

Environment Protection, Water and Natural resources

The Directorate of Environment zoned the county into 36 No. operation areas and did an expression of interest in engagement on solid waste management services provision in all Zoned areas within the County this has enhanced waste collection and disposal.

The directorate planted approximately 100,000 of various species of trees in the sub-counties, under climate change mitigation, project, and normal tree growing programmes and partners contribution for the purpose of increasing forest cover.

The sector has partnered with various partners in beautifying our urban areas the area of concentration being towns' roundabouts, open spaces, road medians, and open spaces especially in Nakuru and Naivasha.

Rehabilitation of Nakuru Lions garden has been a success story which was done in partnership with Safaricom under the climate change mitigation project.

The sector has also managed to train officers on Basic enforcement course and Public prosecution and environmental inspection courses.

The sector has managed to increase water accessibility through borehole drilling, increased reticulation and rehabilitation. Area of coverage increased from 61 percent to 63 percent.

Education Sector

Contracts for construction of 175 ECD classes were awarded with 21 classes complete the other projects are ongoing. 88 ECD classes were equipped and bursary allocation worth Kshs.165m were distributed to needy students in all the county 55 wards benefitting over 52,000 children. The department supplied instructional learning materials to 830 centres.

Social Protection, Culture and Recreation

Under the youth directorate, 1 Twin Workshop was rehabilitated and completed as and equipped at Nakuru Polytechnic, Ogiek and Wendo polytechnics during the period and youths trained on vocational courses totalling 1,200.

The Rehabilitation of Nakuru player's theatre was completed and equipping of the studio is in progress. The Culture Directorate trained 10 adjudicators as well as 30 facilitators. Further there was equipment of Shabaab social hall.

Health

The health sector plays a vital role in ensuring the wellbeing of the citizens. The major achievements includes; improved skilled deliveries at 65 percent. The functional community units stood at 249 and immunization coverage for under five children stood at 79.7% during the period under review. PMTCT coverage was at 98 percent.

General Economics and Commerce Affairs Sector

The departments made the following achievements; 2 co-operatives revived, 5 trainings on value addition carried out, 7 co-operatives managers trained and 40 board of directors trained on management issues which were sponsored by their respective societies. Further 80 SMEs were trained and 4000 weighing machines verified and 800 certificates issued.
During the period under review 8 markets were rehabilitated and 2 new markets constructed

Public Administration and International/National Relations Sector

During the period under review, the Revenue Directorate collected a total of 1.96 billion as local revenue, inclusive of FIF. Further the procurement directorate adhered to the implementation of Access to Government Procurement Opportunities (AGPO) where at total of 608 million worth of tenders were issued under this category. The directorate issued AGPO certificates to 232 youths, 320 women and 27 persons with disabilities.

The internal audit directorate carried out 4 value for money audits and prepared the reports. The budget and other planning statutory documents were prepared as per the PFM Act 2012.
The County Public Service Board recruited and made placements for a total of 553 staff in different cadres.

Office of the Governor spearheaded the 4th Devolution conference that was held in the county successfully.

County Review of the Fiscal Performance

County Revenue

The total revenue from both exchequer releases and local revenue was Ksh. 3.2 billion. The Equitable share amounted to Ksh 2.1 billion against a target of Ksh. 4.6 billion, the local revenue collection was Ksh 495 million hence a short fall of Ksh 754.8 Million whereas the FIF was Ksh 276 million with a shortfall of Ksh. 29.2 million.

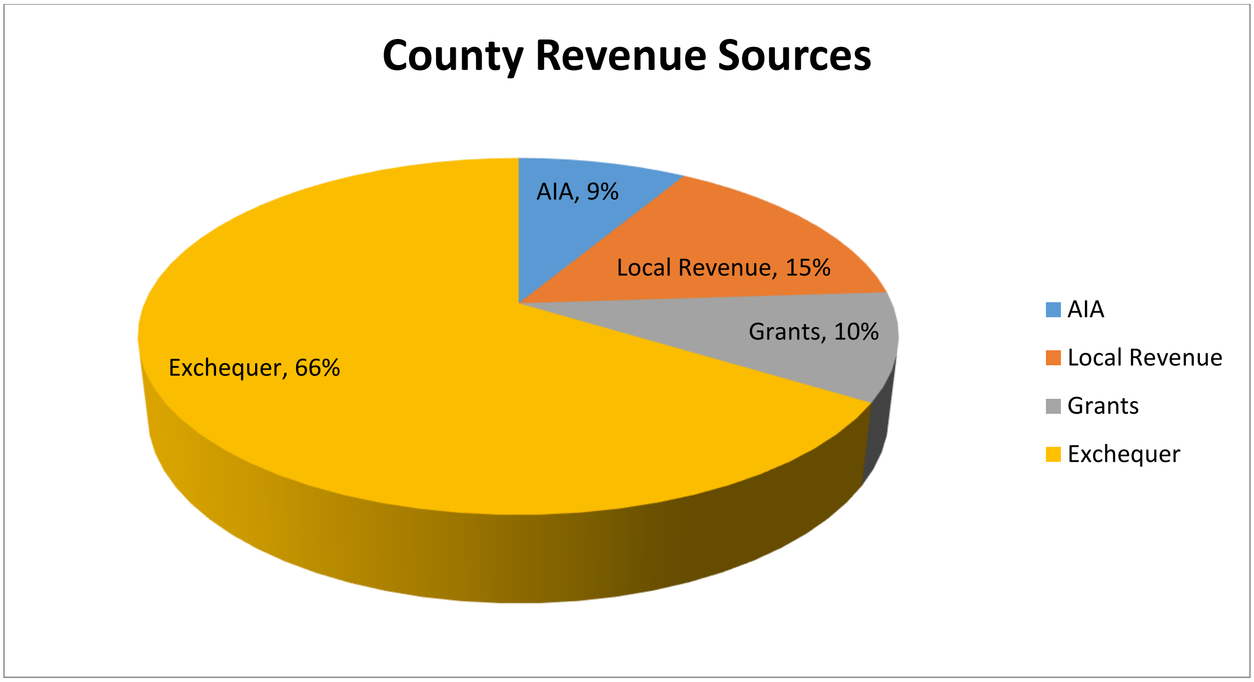
Revenue Sources

The total revenue for 1st and 2nd quarter for financial year 2017/18 amounted to Ksh. 3.2 billion. The local revenue amounted to Ksh. 495 million whereas the AIA amounted to Ksh. 276 million. Exchequer releases including conditional grants accounted for 75.97 percent of the total revenue followed by local revenues at 15.4 percent and A.I.A at 8.6 Percent.

Table 1: County Revenue Source (1st and 2nd Quarters)

Month	AIA (FIF)	Local revenue	DANIDA	Level 5 Hospital	Road Maintenance Fuel Levy Fund	User Foregone Fees	Health Transforming	Equitable Share	Sub-total
July	**36,172,723**	**100,490,802**	9,080,508	26,171,098	86,452,974	2,710,629	23,759,088	648,998,000	933,835,822
August	**22,186,626**	**73,453,573**		26,171,099		2,710,629		648,998,000	773,519,927
September	**27,083,679**	**97,528,520**		33,648,555		3,485,094		834,426,000	996,171,848
October	**28,223,710**	**71,846,396**	9,080,508		74,825,491	3,678,710	5,939,772		193,594,587
November	**78,231,354**	**78,156,721**				3,872,327			160,260,402
December	**84,383,279**	**73,671,790**				3,097,861			161,152,930
Totals	**276,281,371**	**495,147,802**	**18,161,016**	**85,990,751**	**161,278,465**	**19,555,250**	**29,698,860**	**2,132,422,000**	**3,218,535,516**

Source: *County Treasury, January 2018*



Source: *County Treasury, January 2018*

Revenue Analysis by Department

Revenue sources	A.I.A	Local Revenue	Sub total	Percent of Collection
Trade tourism and Cooperatives		95,264,686	95,264,686	12%
Health	276,281,371	28,464,171	304,745,542	40%
Education, Culture and Youth		1,418,750	1,418,750	0%
Lands Physical Planning and Housing		120,991,686	120,991,686	16%
Agriculture, Livestock and Fisheries		18,269,678	18,269,678	2%
Roads, Public Works and Transport		128,236,893	128,236,893	17%
Environment and Natural Resources		101,614,660	101,614,660	13%
Public Service Management		257,100	257,100	0%
Finance and Economic Planning		630,178	630,178	0%
TOTALS	**276,281,371**	**495,147,802**	**771,429,173**	**100%**

Source: *County Treasury, January 2018*

The cumulative revenue collection in all departments amounted to Kshs.771.4 million for the half year. The department of health accounted for the highest revenue at 40 percent with A.I.A amounting to Ksh. 276 million.

Roads, Public Works and Transport was second with a total of 128 million representing 17 percent. The least department in revenue collection was Public Service Management at Kshs. 257,100.

Comparison Revenue Growth 2013/14-2016/17

The county own revenue resource was on the rise during the first 3 years of the inception of the county government. In the first year of devolution, the total local revenue including FIF amounted to Ksh. 1.79 billion. Local revenue was peak in FY 2015/16 at Ksh. 2.3 billion. However in the FY 2016/17 the revenue declined to Kshs1.96 billion. This was due to the prolonged electioneering period, the prolonged drought that affected food prices as well as the nationwide industrial action of the health workers that affected collection of FIF. The county treasury has put in measures to ensure that there is enhancement in local revenue. This will be done through enforcement, revenue mapping, revenue automation and implementation of the valuation roll.

Financial Year	Local Revenue	FIF	Sub Total	Growth In Percentage
2013/14	1,372,049,460	427,340,768	1,799,390,228	0%
2014/15	1,600,420,288	505,779,098	2,106,199,386	17%
2015/16	1,780,654,967	514,680,179	2,295,335,146	9%
2016/17	1,555,180,152	405,703,607	1,960,883,759	-14%

Revenue collection for the half year of 2017/18 and 2016/17

In the first half of financial year 2017/18 there was a marginal increase in the total revenue collected in month of July compared to the same period financial year 2016/17. However the subsequent months of August, September and October saw a decline in local revenue. This was as result of the prolonged electioneering period and nurses strike that hampered revenue collection.

Month	Local Revenue (2017/18)	A.I.A (FIF)	Sub-totals 2017/18	Sub totals 2016/17 (Including FIF)	Percentage Growth from 2016/17 to 2017/18
July	**100,490,802.00**	**36,172,723.00**	136,663,525.00	132,255,933.05	**3%**
August	**73,453,573.00**	**22,186,626.00**	95,640,199.00	146,186,137.11	**-35%**
September	**97,528,520.00**	**27,083,679.00**	124,612,199.00	126,434,614.06	**-1%**
October	**71,846,396.00**	**28,223,710.00**	100,070,106.00	130,076,591.00	**-23%**
November	**78,156,721.00**	**78,231,354.00**	156,388,075.00	132,708,313.00	**18%**

Month	Local Revenue (2017/18)	A.I.A (FIF)	Sub-totals 2017/18	Sub totals 2016/17 (Including FIF)	Percentage Growth from 2016/17 to 2017/18
December	**73,671,790.00**	**84,383,279.00**	158,055,069.00	95,336,807.50	**66%**
Totals	**495,147,802**	**276,281,371**	**771,429,173.00**	**762,998,395.72**	**1**

Source: *County Treasury, January 2018*

First half local revenue performance (excluding FIF), as a percentage of Annual Performance

The table below shows half year performances for the past three years. On average the half collection accounts for 40 percent of the total collection.

MONTH	FY 2014/15	FY 2015/16	FY 2016/17	Local Revenue (2017/18)
July	125,709,815	169,657,368	91,664,896	100,490,802
August	109,264,365	85,441,960	97,648,314	73,453,573
September	111,707,337	82,345,193	86,259,185	97,528,520
October	104,005,012	70,464,507	88,613,890	71,846,396
November	97,007,456	77,840,347	87,780,806	78,156,721
December	127,230,919	79,634,742	82,822,399	73,671,790
Totals for half year	**674,924,904**	**565,384,117**	**534,789,490**	**495,147,802**
Actuals for the year	**1,273,280,654**	**1,780,054,967**	**1,555,180,152**	
Half year as a percentage of the total revenue	**53%**	**31.76%**	**34.39%**	

Source: *County Treasury, January 2018*

Exchequer issues to Nakuru County

The total county revenue for the FY. 2017/18 is expected to be Ksh. 15.6 billion with CRA equitable share totalling to 9.2 billion, local revenue totalling to Ksh. 2.5 Billion, Conditional grants Ksh. 936.9 million and Ksh. 2.2 billion as balances carried forward from FY 2016/17. The amount for equitable share released from the National treasury for half year 2017/18 amounted to Ksh 2.1 billion against a target of Ksh. 4.6, the balances from the County revenue fund amounted to Ksh. 2.2 billion whereas the conditional grants released amounted to 314.6 million.

Exchequer Issues to Nakuru County

The total amount received in the first half of the FY 2017/18 amounts to Ksh. 2.4 Billion

Source	Receipt Amount	Percent of the total
Donor Grants (DANIDA)	**18,161,016**	1%
User Foregone Fees	**19,555,250**	1%
Level 5 Hospital	85,990,752	3%
Health Transforming	29,698,860	1%
Road Maintenance Fuel Levy Fund	161,278,465	7%
Equitable Share	2,132,422,000	87%
Totals	**2,447,106,343**	**100.00%**

Source: *County Treasury, January 2018*

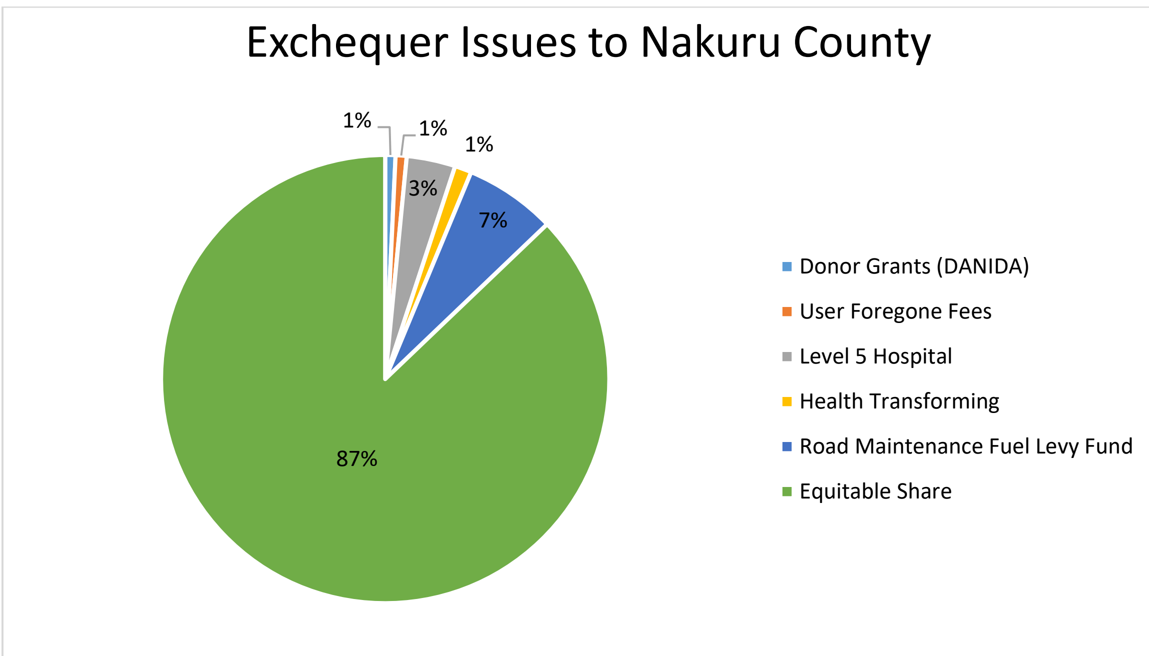


Figure 2: Exchequer Issues to Nakuru County

Expenditure Trends

Actual Expenditure by Ministries from July to December 2017

Department	Budget Estimates (Ksh)	Total Expenditure (Ksh)	Budget balance (Ksh)	Percentage of absorption to total budget
Finance and Economic Planning	1,361,677,659	279,303,038	1,082,374,621	21%
Public Service Management	763,024,297	335,459,701	427,564,596	44%
Agriculture Livestock Development and Fisheries	762,718,569	195,756,039	566,962,530	26%
Land, Physical Planning and Housing	380,157,545	49,975,230	330,182,315	13%
Office of the Governor and Deputy Governor	228,923,668	71,201,045	157,722,623	31%
Education, Culture Youth Affairs, Sports and Social services	1,354,149,497	129,903,248	1,224,246,249	10%
Trade, Industrialization and Tourism	383,838,319	36,422,384	347,415,935	9%
Information, Communication and E-Government	91,148,124	16,128,615	75,019,509	18%
Roads, Public Works and Transport	2,055,389,289	104,606,892	1,950,782,397	5%
Environment, Energy, Natural Resources and Water	1,045,063,117	119,846,786	925,216,331	11%
Health	5,788,127,121	2,108,893,656	3,679,233,465	36%
County Public Service Board	50,898,851	14,818,060	36,080,791	29%
County Assembly	1,279,670,149	334,173,201	945,496,948	26%
TOTAL	**15,664,362,031**	**3,796,487,895**	**11,867,874,136**	**24%**

Source: *County Treasury, January 2018*

The table above shows the total approved budget for financial year 2017/18 against the actual expenditure for the period July 2017 to December, 2017. The county spent a total of Ksh. 3.7 billion during the first half of the year out of approved budget of Ksh. 15.6 billion. This represents an absorption rate of 24 percent against an absorption rate of 50 percent. The department of Public Service Management had the highest absorption rate at 44 percent followed by Health at 36 percent and Office of the Governor at 31 percent. The overall absorption rate stood at 24 percent. However, the absorption rate across departments is expected to improve during the second half of the year.

Expenditure by Economic Classification

Comparison in Expenditure trend for Half year by economic classification

County government expenditure is classified into three economic classification. These are;

a. Personnel Emoluments

b. Operations and Maintenance

c. Development

As per the table below remuneration to employees accounted for 62 percent of the total expenditure in the first half of the year. Operation and maintenance accounted for 38 percent. The county has not incurred any expenditure in development.

Description	Total Expenditure 2017/18	Total Expenditure 2016/17	Total Expenditure %
Personnel Emoluments	254,947,003	2,314,055,874	62%
Operation and Maintenance	1,247,011,892	1,422,946,542	38%
Development expenditure	-	-	0%
Total	**3,796,487,895**	**3,737,002,416**	**100%**

Source: *County Treasury, January 2018*

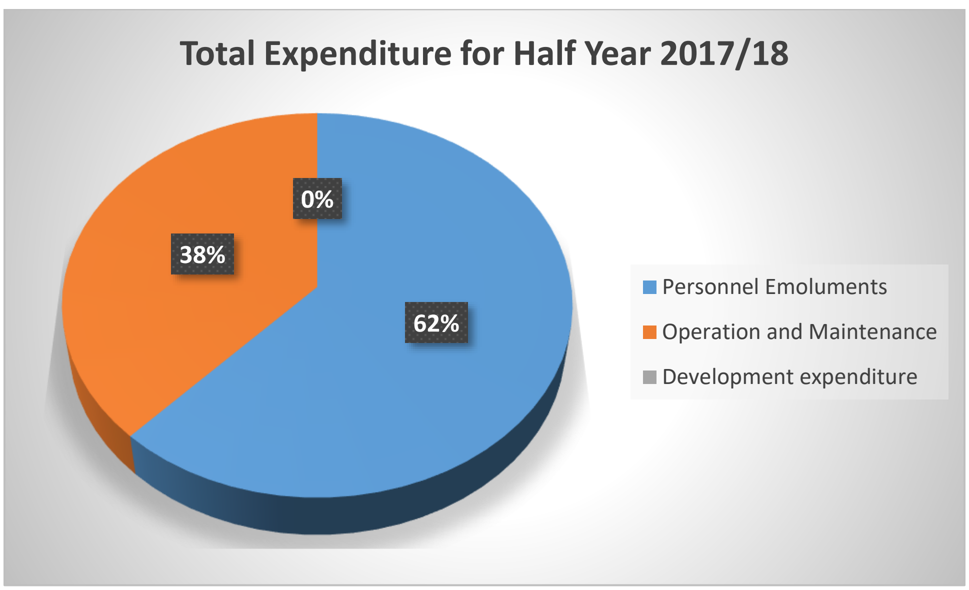
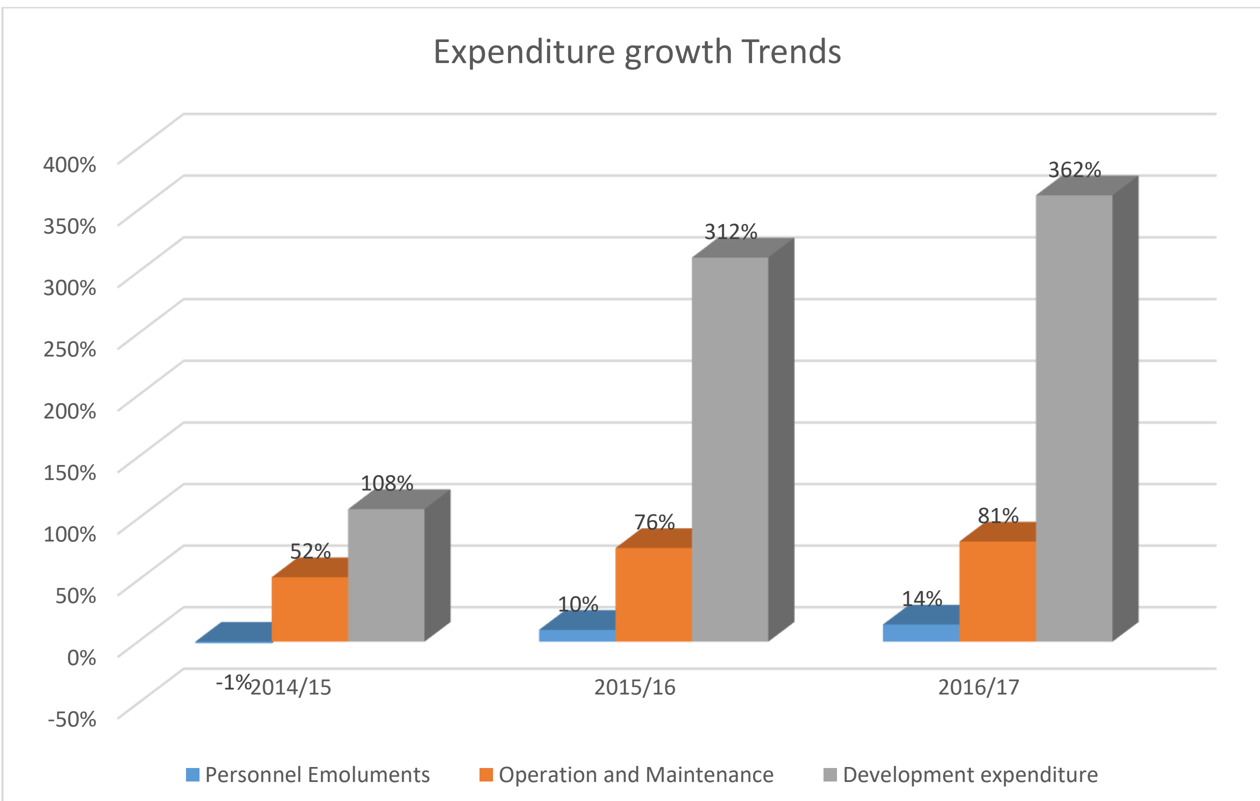


Figure 3: Total Expenditure

Expenditure Trends for 2016/17, 2015/16, 2014/15 and 2013/14

The expenditure for compensation to employees, operation and maintenance and development has been on the rise since 2013/14. The personnel emoluments has increased from Kshs.4.4 billion in 2013/14 to Ksh. 5.1 billion in 2016/17. Operation and maintenance costs have increased from Ksh. 1.5 billion to 2.8 billion. The development expenditure has increased from Ksh. 1.5 billion to Ksh. 2.8 billion.

Description	Total expenditure 2016/17	Total expenditure 2015/16	Total expenditure 2014/15	Total expenditure 2013/14
Personnel Emoluments	5,110,732,653	4,917,531,516	4,429,938,345	4,486,312,403
Operation and Maintenance	2,843,678,125	2,761,127,964	2,389,518,083	1,568,003,572
Development expenditure	3,654,688,902	3,255,870,968	1,642,608,330	790,895,592
Total	**11,609,099,680**	**10,934,530,448**	**8,462,064,758**	**6,845,211,567**



As the graphs shows, personnel emoluments have been growing. By end of 2016/17 the personnel emoluments have grown by 14% with 2013/14 being the base year. Operations and maintenance have had a growth of 81 percent where development expenditure has grown by 362 percent.

Update on Fiscal Performance in FY 2017/18 and Emerging Challenges

The implementation of the budget 2017/18 is on-going, however the performance targets are lagging behind. The total local revenue in the first half of the year amounted to Ksh. 495,147,802 against a target of Ksh. 1,249,999,998 this represents 40 percent revenue collected. The shortfall in local revenues has been occasioned by prolonged electioneering period where businesses closed due to uncertainties in the elections outcome.

The FIF collection amounted to Kshs.276, 281,371 against a target of Ksh. 305,525,000 this represents 90 percent of the target. The shortfall in FIF collection was occasioned by a prolonged nurse strike that affected service delivery in the health sector.

The budget execution for the first half of the year has been slow. This has been brought about by various factors which include; the transition to the new administration after the elections in August, 2017.

The National Treasury delayed the release of funds due to errors that had been sighted in County Allocation Revenue Administration Act 2017 thus affecting the implementation of both recurrent and development expenditure. Development expenditure for the half year has not commenced owing to constraints in settlement of the current pending bills.

The Internal audit department was carrying verification exercise on pending bills to ascertain their authenticity to enable the county government to initiate the process to pay the debt hence the delay. The County Treasury has taken up measures to speed up procurement process to ensure the target development budget is achieved.

Risk to the Economic Outlook

Kenya Economic Performance

The country's economic performance is less likely to affect the implementation of 2017/18 financial year budget. In case the economy performs poorly due to unpredictable external and internal shocks, this will have a negative impact to the county performance in terms of the funds that will be allocated to the county from national government.

Mitigation measures:

The county shall put proper mechanism of increasing revenue collection for smooth running of its operations through enhancing revenue collection from the E-payment system at the same time cutting public spending.

Shortfall in Local Revenue

The main fiscal risk that is likely to be faced by the county government is the shortfall in local revenue flows. Own Sources Revenue generation has continued to face challenges that must be progressively mitigated in order to achieve county development goals. For instance revenue for building approvals has been on the decline other sources of revenue being collected below per.

Mitigation measure:

In the medium term, the County will undertake measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. Further the county has finalized the valuation roll awaiting approval by the county assembly. This will significantly increase the local revenues collected.

Huge wage bill

Regulation 25 (1) (b) of the PFM (County Governments) requires that County wage bill shall not exceed 35% of the total revenue. However, the 2016/17 compensation to employees' allocation was 44 percent of the total revenue. For 2017/18, the compensation to employees constitutes 45 percent. The continued increase in the wage bill has arisen due to factors which are beyond the county government. The county is disadvantaged by the current revenue distribution formula, which takes no account of inherited non-discretionary devolved costs, the county inherited staffs from the four local authorities and owing to the fact Nakuru was the Headquarters of the former Rift Valley Province, it carries majority of the devolved staff. The year 2016/17 and 2017/18 there have strikes by the healthcare workers which resulted to signing of Collective Bargaining Agreements (CBAs) that have had an impact on the county's wage bill. Further the wage bill has also been affected by the Salaries and Remuneration Commission (SRC) during the phase I of the harmonization of staffs' salaries.

Mitigation measures:

The county will put necessary measures in the attempt to curb wage bill through; Human resource audit, having an approved staff establishment, stop recruitment of non-essential staff and those not in the approved staff establishment; ensure appropriate engagement of casuals and payment of salaries through IPPD to enhance efficiency in HR management

Pending Bills

The issue of Pending debts/bills continues to be a major economic policy challenge facing the County government of Nakuru. The debt currently stands at Ksh. 2.7 billion. This comprised inherited debt from the defunct local authorities of Ksh 1 billion and pending bills arising from all departments on a commitment basis amounting to Ksh 1. 7 billion.

Mitigation measure:

The county government should therefore ensure that both the level and rate of growth in debt is fundamentally sustainable since high debt portfolio will continue to impact negatively on the county operations. This will be done by reducing county expenditure at the same time coming up with mechanisms to increase revenue. In addition, more funds shall be allocated in the budget for debt serving.

Contingency Liabilities

The county government has been facing various litigations on different matters. This has had a big impact on the budget as the legal fees keep on increasing as a result of the court cases. Depending the outcomes of the court cases in some instances the county has been ordered to pay the litigants thus hugely affecting the budget.

Late or non-remittance of statutory deductions to KRA attracting interest and penalties. These penalties have an impact on the budgetary allocation of the county

Mitigation Measures

The county government has revamped the legal team by employing legal officers who will be following up and also representing and advising the county government regarding the matter in court.

The county will comply with legal requirements on statutory deductions to avoid being surcharged.

II. POLICIES TO ACHIEVE MEDIUM TERM OUTLOOK

Overview

The 2018 CFSP is prepared against the backdrop finalisation of the first integrated development plan period 2013-2017. This past implementation period was premised on an initiative of transfer of functions and building blocks for the inaugural County Government. The gains achieved in the implementation period in the first five years of the nascent devolution revealed an appreciable outlook in progress amidst structural constraints, transitional and human resource new form of government.

During the period under review the County was guided by the national fiscal policy of achieving economic transformation broadly outlined in the 2nd MTP 2013-2018. The County mainly focused on the six fiscal strategy initiatives namely; (i) enhancement of enabling environment for business and private sector participation; (ii) investment in County physical and social infrastructure facilities; (iii) investing in quality and affordable health services; (iv) Promotion of value addition for agricultural produce, food security and environmental conservation; (v) Continued Promotion of equitable social economic development for county stability (vi) governance, transparency and accountability in the delivery of public goods and service.

The period was characterised by significant growth in the County share of equitable revenue in the early stages of the implementation period from Ksh 5.9 billion in 2013/14 to Ksh 9.3 billion in 2017/2018. This growth was however slowed as County Governments seemed took control of the devolved services.

Locally the County Government recorded turbulent results in mobilisation of Own Source of Revenue owing to both structural inefficiencies and transitional constraints. The local revenues including Appropriation in Aid (AiA) amounted Ksh 1.8 billion in 2013/2014 rising to a high of 2.3 billion in 2015/16 and declining to Ksh 1.9 billion in 2016/2017. Factors related to County political dynamics affected local revenue performance at the conclusion of the implementation period. On the expenditure front the County recorded significant growth with an annual budget absorption of Ksh 7 billion in FY 2013/14 that rose to 11.6 billion at the end of FY 2016/17.

During this period the County made significant progress in expansion of both the physical and social infrastructure. The department of Roads Transport and Public Works spearheaded the installation of street lights under the *Inua Biashara* Programme. Further the department held the County grade and gravel 4000 Km of roads. Further the County manage to increase access quality/retention of early childhood education under through constructing of modern classroom and establishment of school feeding programme. Cumulatively the County disbursed more Ksh 500 million under the County Bursary programme in order to enhance opportunities and retention in secondary and higher education. More than 145 ECD centres were established as part of increasing access to early childhood education. Further progress has been made in the provision of vocation training through absorption of Youth instructors and establishment of Vocational Training Centres across the County. A total of 145 ECD centres were constructed in the period under review.

Additionally the County has benefitted from the Managed Equipment Service which includes supply and installation of selected specialised medical equipment on leasing terms to Nakuru Level 5 Hospital and Naivasha Level 4 Hospital. On improvement of reproductive health services the County managed to increase the access to maternal health services to 65 percent through the conditional grant for the Linda for facilitating free maternal health services. Additionally under primary healthcare initiatives, the County has received support of integrated mobile health kits and a vehicle under the Beyond Zero campaign aimed at HIV control, achieving zero new maternal and infant mortality.

In addition the County has increase water access from 58 percent in 2013 to 63 percent at the end of implantation period through drilling and equipping of boreholes, storage tanks as well as distribution systems.

Other achievements in the first County integrated development planning period has entailed establishment of news offices including, chief officers' directors' offices, Sub County and Ward offices in line with the devolved structure of government. The County has further made progressive steps towards the automation of its services through acquiring of a revenue automation system namely ZiZi system, rolling out of Integrated Financial Management Information Systems (IFMIS) across all departments, and adopted IPPD systems for personnel management. Further notable achievements were made in all functional areas of the County Government.

The County government may have achieve progress in the respective sectoral areas during the inaugural term of the County Government but gains realised lays a good foundation going into the next integrated plan period 2018-2022.

The next County fiscal strategy initiative will build on the gains made during the first implementation period of the review as well as the priority focus of the 2nd CIDP 2018-2022. The agenda for a better county social economic conditions in the next five years is based on the national development agenda espoused in the III Medium Term Plan 2018-2022.

This fiscal strategy aims at carrying forward ongoing programme, mainstreaming cross cutting issues in planning and sustainable development goals, building social and physical infrastructure, food security, governance and public sector reforms.

Further the draft Budget Policy Statement (BPS 2018) have focussed on the “Big Four” strategic areas to guide the broad-based national accelerated economic growth. This include increasing manufacturing sector to 15 percent as the share of GDP; guarantee food security and nutrition for all by 2022; providing universal health coverage for all; and providing at 500,000 affordable houses by 2022.

Given the above focus in the County medium term planning CIDP 2018-2022 and the initiatives contained in the draft BPS 2018 the next County Fiscal Strategy Paper 2018 will be premised on the following five fiscal strategy initiatives;

i. Building on the gains of made in the achievements of the first CIDP 2013-2017;
ii. Enhancing governance, transparency, accountability and human resource productivity in the delivery of public good and service;
iii. Promotion of accessible and affordable healthcare for all county residents;
iv. Revival of pyrethrum promotion of agri-business and achieving food security;
v. Expansion and operationalisation of County fiscal Infrastructure.

The implementation of the above medium term fiscal strategy initiatives are expected to put the County on growth trajectory aimed at achieving an all-inclusive economic prosperity for all. The County will endeavour to create a suitable environment for participation and growth of the private sector. In further linkage between planning and budgeting the County fiscal strategy paper will align itself with the provision of the draft Annual Development Plan 2018/2019 whose inputs are drawn from the CIDP 2018-2022.

Fiscal Strategy Initiatives

Building on the gains of made in the achievements of the first CIDP 2013-2017

As noted earlier the County Government has made considerable progress in the implementation framework of the first CIDP 2013-2017. During this transition into the new County administration all sectoral areas have reported significant number of ongoing projects/programmes.

Further assessment of the County development model particularly at the Ward level has revealed that the adopted expansionary model on infrastructure development may not be sustainable over the medium-term period. The main affected areas include health and education projects where many projects are yet to be commissioned as result of constraint in recurrent budget and technical feasibility. Therefore, priority will be given to development model that target operationalisation of existing infrastructure and priority need-based approach as opposed to establishment of new projects with similar objectives.

The ongoing projects range from constructing of buildings in Agriculture, health Education and youth sub sectors.

Arising from projects/programme implementation towards the end of first County administration, new commitments made in the led to the accumulation of high County pending bills.

Initial report from the internal audit department has put the County debt commitment at approximately Ksh 2.7 billion based on pending bills commitment alone. Going forward therefore the County will focus on reducing debt position through direct budget provision over the next medium-term expenditure framework period 2018/2019-2020/2021. Other measure aimed at achieving a sustainable debt position will entail; expenditure rationalisation and control based on the annual cash-flow projections; attaining efficiency in County Own Source of Revenue Mobilisation. The County has instituted further measure to reassess pending bills the reported at the end of June 2017 with the aim of establishing the validity and value for money of all existing commitments before settlement.

The PFM Act (County Government) Regulations 2012 has provided the debt ceiling to be at 20 percent of total County revenues. The County Medium Term Debt Strategy Paper 2018 prepared pursuant to section 123 of the Public Finance Management 2012 has provide detailed measures and strategies for achieving a manageable debt position over the medium-term period.

The County Government has further adopted recommendations of the Kenya Accountable Devolution Programme (KADP) which includes selection of projects and programmes included in the budget framework. To this end respective county government entities have begun undertaking project appraisal and feasibility studies to ensure a better informed project selection.

Other major emphasis has been outlined by the County Treasury budget circular on carrying forward and prioritising of ongoing projects to ensure all County Government entities focus on the consolidating the gains achieved in the previous medium-term plan period 2013-2018.

Promotion of accessible and affordable healthcare for all county residents

Achieving access to affordable health care for all is at the centre with long term goal of the health. The BPS 2018 has also identified the attainment of universal health coverage as one of the “Big Four” agenda for Kenya and the long term aspiration of the Kenya Vision 2030. In line with the significant County Government mandate on devolved health functions, the County hold an essential role in the attainment of this pillar.

During the 2013-2017 implementation period the County Government embarked on an expansion programme of the social infrastructure aimed at increasing access to health services in the decentralised units.

The introduction of reproductive healthcare services in Level 2 and 3 Hospitals within the County boosted the sectors objectives to promote good reproductive health. More than 40 health centres have been operationalised in the 1st CIDP implementation period. Further the County exceeded its targets in the establishments of community units (CU) where more than 200 new CU were established (in the period under review) in partnership with the WHO and the Work Bank. This initiatives are aimed at increasing the access to primary health care services.

During the period 2013-2017 the County wage-bill increased by approximately 1 billion in the health sector alone on account of new Collective Bargaining Agreement (CBA) negotiated nationally and staff promotion. This phenomenon continues to constraint the County ability to finance other recurrent expenditures and as such the county health functions remains grossly underfunded. However off-balance sheet funding through direct national support to selected areas including TB, Malaria and HIV/AIDS Programs has eased the burden to the County particularly in supply of drug/non-pharmaceuticals.

Going forward into the next MTEF period 2018/2019-2020/2021 the County Government will seek to sustain and improve the quality of service delivery at the decentralised level through; Rationalisation of supply of drugs and other non-pharmaceuticals; Staff rationalisation; and partnership with non-state actors in the health sector; prioritising of promotive and preventive health strategy.

The County has identified provision of emergency support as key priority based emerging occurrences. To this end the County will budget for purchase of additional ambulance vehicles; fast-track the completion of the Trauma centre project at Nakuru Level 5 Hospital and further begin the preparatory steps of establishing of the emergency unit at Salgaa blackspot.

In effort to achieve sanitation for all (and move towards 100 percent coverage for functional toilets from the current 88 percent) the County has prioritised construction of sanitary facilities in schools, along major roads and in urban centres in next MTEF period 2018/2019-2020/2021.

The County Government will continually increase the sensitisation of its residents to subscribe to the NHIF in order to benefit from the affordable healthcare in line with the aspiration of the Medium Term plan on attaining universal health for all by the year 2022. To this end the County will integrate the innovative initiative adopted under the BPS 2018 to scale up NHIF uptake including working with community health volunteers SACCOs in related sectors and publicity using faith/community based organisations.

Buoyed by national *free maternal health programme* Nakuru County continues to record high progress with 65 percent of mothers attended to by skilled health workers. The County Government will continue to consolidate on these gains as an entry point in pursuing other related health indicators.

The County will carry forward the six policy objectives in health sector adopted in the 1st CIDP implantation period in order to realise the medium term planned targets namely eliminating Communicable Conditions; Halting and reversing the rising burden of non-communicable conditions; reducing the burden of violence and injuries; Minimizing exposure to health risk factors.

Revival of pyrethrum promotion of agri-business and achieving food security;

The Agriculture sector continues to be the single most significant sector despite its decline in contribution of both County economy and the National GDP as a whole contributing to approximately 23 percent. The sector's strategic goal is to attain food security, sustainable land management and improve market access and trade. In this regard the County fiscal strategy initiative is to revamp the pyrethrum sector and transform small scale agriculture from the mainly subsistence farming methods to more commercially viable farming.

During the period under review the department, the department supported 3324 farmers with farm inputs both Njoro and Molo Sub Counties through the e-voucher under Kenya Cereal Enhancement Programme (KCEP); trained 5290 farmers on post-harvest handling, marketing and financial literacy by Equity Bank Limited; carried out over 180 *barazas* to create awareness to the farmers on the new pest Fall Army Worm reaching to over 10,000 farmers. Training of 53000 livestock farmers; purchased the equipment for a honey refinery facility belonging to the Chemasis group in Solai Ward-Rongai sub-County; construction of milk bulking and chilling facilities for farmers; purchase and distribution of 20 egg incubators.

Additionally, Veterinary up-scaled animal disease surveillance and reporting using modern technology; vaccination of 10,000 animals against various diseases including East coast fever, foot and mouth and anthrax. Further vaccination were carried out in Chicken, dogs and other domestic animals. The Sub sector also regulated the animal slaughter through licensing of 80 slaughter houses in the period under review. The Fisheries subsector has continued to market and regulate the County fishing activities in a bid to improve quality. Thus far the number of fish farmers has grown to over 1500.

During the next MTEF period 2018/2019-2020/2021 the County will focus on building on the gains achieved in the period to rebuild the County's comparative advantage in the highly potential pyrethrum sector; transform agriculture into useful venture; and further move towards attainment food security.

The strategy adopted in the next MTEF period will entail value addition in all agriculture subsector; increase small holder farmer productivity; establishment of the pyrethrum seedling nurseries, promoting the pyrethrum farming though extensions services and collaborations with other pyrethrum growing counties.

In promotion of agribusiness opportunities and value addition the County will; encourage use of biogas technologies by providing extension services; supply of breeding stock for dairy goats; carry out technical staff trainings; promotion of non- ruminant animal production and apiculture; purchase and supply of 3 milk cooling plants. Supporting at least 250 farmers on business plans preparations; conduct at least six cereal and apiculture training; and further upscale County agriculture mechanisation services (AMS).

In order to realise the real comparative advantage potential in pyrethrum and other cash crops in the next MTEF period and over the medium-term plan period; the County will focus on the following; sustainably work with producer groups to distribute pyrethrum seedlings to 600 small holder farmers; upscale collaboration with other pyrethrum growing county to streamline the marketing and reduce constraint along the value chain. Further the County will distribute and help nature 2200 avocado and mango seedlings in targeting high potential.

Achieving food security has remained the single most important goal of the agriculture sector policies. During the next MTEF period The County observes that maximising small scale farm productivity as main route to eliminating incidence of hunger ad food insecurity. Measures taken will include creating the enabling environment for the access to subsidised fertiliser (under the National Fertiliser Cost Reduction Programme)

Expansion and operationalisation of County Fiscal Infrastructure.

Development of physical infrastructure has been identified as a major as a major enabler for economic transformation. To this the County Government of Nakuru has made significant steps in the development of both physical infrastructure in the implementation period. Approximately 4000 Km of roads were graded and gravelled, and a further 9.5 Km tarmacked. In the transport subsector the County government constructed 97 motorbike sheds, constructed two bus parks and rehabilitated 58 transport terminals. Further a total number of 1078 streetlight were installed across the various urban centres in the County. In disaster management the County acquired two new fire engines and recruited 36 fire fighters.

Further the ICT sub sector installed Local Area Network (LAN) at the County Headquarters, established two digital centres to facilitate and promote the use online service. Additionally the County help in establishment of the *ZIZI* revenue automation system, training on IFMIS and IPPD, installation of CCTV security cameras among other. More than 145 ECD centres have been established, five youth centres constructed, and various health sector infrastructure expanded targeting level 1 to level 5 facilities.

In the next medium term expenditure framework the County Government will be guided by the emerging issues observed in the recent times as well as the focus of the National development agenda. Among the major priority concern in the ensuing MTEF period is the rising disasters occurring along the major highway, unsustainable expansionist approach adopted in the social infrastructure development at the ward level.

Going forward therefore the focus will be to build on the gains achieved in the first integrated plan period. The roads subsector will aim at achieving maximum output with the new strategy adopted by the *Boresha Barabara* initiative by the Office of the Governor. The aim of this initiative is to maintain major rural and urban access roads as well as opening of new roads. Through this programme, the County will seek exceed its target of grading and graveling 2100 Km of road in the immediate FY of the MTEF period 2018/2019-2020/2021. Further the County will design and construct 20 footbridges, construct one fire station and issue compliance certificates to increase preparedness for fire and rescue and install at least 300 street lights.

Through the conditional grant for the Road Maintenance Levy Fund the County will continue to prioritise implementation of road network based on the following;

- Artery roads that connect more than one ward;
- Roads that are commonly utilised by the Public Service Vehicles (PSV);
- Roads that has industrial importance;
- County bus parks and terminals;

The ICT subsector will continue to enhance the uptake of digital services through promotion of digital literacy, e-government service platforms, and development of e-government services and establishment of additional digital centres. Further the County will seek to expand the ICT network infrastructure as well hardware and software infrastructure. Additionally on development of social infrastructure the County will seek to improve the completion and operationalisation of existing infrastructure. In the next MTEF period 2018/2019-2020/2021 therefore the County will seek to integrate ICT in School infrastructure, rehabilitate four stadia and grading of 10 more stadia. Further the county will seek to increase access to vocational training through establishment of three additional Vocational Training Centres.

Enhancing governance, transparency, accountability and human resource productivity in the delivery of public good and service

The realisation of other four County fiscal strategy initiatives and medium term priorities is dependent on the good governance, transparency and accountability in the management of a public resources as well as having a committed and productive County workforce.

The office of the Governor and Deputy Governor continues to offer political and administrative leadership in pursuing an effective and efficient form of governance as well a responsive County public sector. To begin with the 10 County departments provided for under the law have been reorganised to suit the priority focus of the new County administration and further the implementation of the commitment espoused in Governor's manifesto.

Further the County will continue to pursue other policy and legislative tools targeting areas of public administration, public finance and human resource management. This reform initiative has begun with an assessment of the underlying policy and legal constraints in this post transition phase.

H.E the Governor has appointed new members of the County Executive committee as provided for under the County Government Act 2012 to spearhead the implementation of the priority interventions outlined in the political manifesto. The aspiration of the manifesto aspire to create an all-inclusive county "*where all residents enjoy equal political, economic and social cultural rights and live in harmony and unity*".

The manifesto contains a ten-point pillar which have been integrated with the county integrated development planning framework. The next MTEF period 2018/2019-2020/2021 underpinned by this CFSP 2018 therefore provide the first real opportunity for realigning the prioritised CIDP 2018-2022 programmes with the budget allocation.

The focus in governance, transparency and accountability will further focus public finance management reforms. The County Audit Committee envisaged in Public Finance Management (County Government) Regulations 2015 is in the process of being constituted. Short term aim of the Audit committee is progressively ensure full implementation of recommendations of both internal & external audit reports and further help better management of the identified fiscal risks. This is expected to strengthen the County internal controls systems and further actualise efforts on achieving transparency and accountability through involvement of non-state actors in public finance management.

Additionally in order to achieve means for further public consultations in preparation of County Statutory documents the County Government will continue to engage with the County Budget and Economic Forum (CBEF) envisaged in the PFM law. To this end the County Treasury through the Governors offices has embarked on a process of reconstituting the CBEF in line with the guidelines provided by the Commission on Revenue Allocation (CRA) in order to ensure a more responsive approach to the changing citizen needs.

The County will further embark on training of PFM staff on the various modules of the IFMIS namely Plan to Budget module, Revenue to Budget module, E-procurement module and the expenditure module. This initiative will be mainly realised through the capacity building plan prepared under the Kenya Devolution Programme (KDSP) alongside other Key Result Areas (KRA) of the programme.

During the next MTEF period 2018/2019-2020/2021 the County will focus on automation of remaining County Own Source Revenue (OSR) streams will ensure maximum realisation of OSR potentials and elimination of corruption. Further the preliminary Risk Assessment Report 2017 for Nakuru County by the Ethic and Anticorruption Commission (EACC) has revealed weakness in fiscal management. The County Executive will continue to work with the County Assembly and other relevant national oversight institutions to ensure that the corruption related incidences difficult to arise, more likely to be detected and action.

During the period 2016/2017 the gross County Own Source of Revenue has declined by 19 percent or Ksh 424 million compared to previous FY 2015/2016. In order to stabilise efficiency of the County revenue administration and maximise on the potential the County will undertake the following;

- Increase disbursement of recurrent budget allocation for revenue enhancement plan;
- Training of Staff on revenue mobilisation strategies;
- Regulatory reforms through formulation of revenue laws in line with the National Treasury guidance on County taxation regime;
- Instituting and enforcement debt recovery measures within the confines of the law;
- Regular audit of non-performing revenue streams to identify loopholes and take corrective steps.

A productive workforce is key the realisation efficient and effective management of public resource. The (Capacity Assessment and Rationalisation Programme (CARPS) report and observations in post transition period have identified critical weakness and gaps in technical areas across all line department. Further the County is facing risk of managing an aging workforce and unresponsive workforce.

In response to the above constraints the County will embark on instituting measures aimed at improved human resource planning and succession management through provisions for staff promotion, replacement of job vacancies in critical positions, and job rotation.

The County wage bill as a proportion of total County Budget has continued rise significantly and unsustainably. This is expected to rise to Ksh 6.2 billion in FY 2018/20 or 46 percent of the total budget. Although part the growth may be attributed to exogenous factors this phenomenon has emerged as a major fiscal risk going forward. The County Executive will continue to implement the resolution of the County Assembly report on FY 2017/2018 budget approval which included freeze of employment in selected cadres.

Through the Department of Public Service Management, the County will further initiate county wide succession planning based on the finding of a human resource audit in the current FY 2017/18. Additionally, the County will continue to explore the interventions measures for addressing weakness identified in the human resource management KRA namely human resource planning; personnel files record management; policies on performance management.

Other strategies on improving human resource productivity will entail;

- The completion and equipping of the ongoing project County registry to accommodate open and confidential registries;
- Revamping of the performance contracting and performance appraisal system to ensure optimal employee productivity;
- Continuous staff training and capacity building in partnership with NITA and other National Government agencies under the National Capacity Building Framework;
- Operationalization of the comprehensive medical cover scheme through the NHIF;
- Adopting a more receptive public-sector work culture through enforcement of human resource policies and procedures. 2016;
- Establishment of complaint handling mechanism in line with KDSP expected outcomes on public participation in governance;
- Mainstreaming workplace HIV/AIDS and other general employee welfare relations.

III. INTERGOVERNMENTAL FISCAL RELATIONS AND DIVISION OF REVENUE

Background

The County Government of Nakuru will continue to foster harmonious working relations both horizontally and vertically with other government entities so as to deliver its development mandate and improve efficiency in service delivery.

Observing the inaugural devolved governance experience there is need for cooperation between national government organs and with county governments to continuously address underlying issues related to fiscal responsibility principles. Adherence to the PFM Act 2012 and PFM (County Government) Regulations 2015 remains a guiding principle in managing county fiscal operations.

Nakuru County will continue to undertake its expenditure management, procurement and budgetary processes through the IFMIS platform. However, the inconsistencies observed in previous budget implementation particularly during financial reporting demonstrate that there is need to address ensuing capacity gaps if the county is to fully operationalise the IFMIS system. The National Treasury shall continue to play key role to play in providing overall guidance in the following key areas: IFMIS modules implementation; Public Sector Management Reforms; Revised law on Public Procurement and Asset Disposal 2015, and financial reporting standards and formats.

Towards this end, the proposed capacity building World Bank funded programme under the KDSP programme which is anchored to the National Capacity Building Framework (NCBF) and spearheaded by the Ministry of Devolution and ASAL, will go a long way in bridging the capacity gaps as stipulated in the County's Capacity Building Plan (CB). The KDSP envisages to improve capacities in the five Key Result Areas (KRAs). Namely;

i. Public Financial Management Systems including tax analysis and revenue forecasting
ii. Planning, Monitoring and Evaluation
iii. Human Resource Management
iv. Civic Education and Public Participation.
v. Providing Environment Safeguards

In the current financial year 2017/18, there is a budgetary provision towards the above Key Result Areas amounting Ksh 56,299,041. The successful implementation of the planned activities in Level 1 will lead in qualification into the Level 2 funding which will be for infrastructural development.

Other proposed interventions by the National Treasury include the regulation of Counties OSR projections where a national policy and legal has been prepared framework to support enhancement of county OSR, alongside enhancing procurement planning support, to enable compliance with the requirement for expenditure spending.

The County government has continued to adhere to SRC guidelines on allowances compensation to employees as per phase I of harmonization on basic pay. However it would be noted that the County continues to suffer with a bloated wage bill on account of staff inherited from defunct local authorities and a significant number of devolved staff including those from, an issue that has been overlooked in division revenue. In addition, the recent upward adjustments in salaries for civil servants coupled with implementation of the Health Workers CBA will further strain the county resources contributing to budget constraint for other recurrent expenditure. Notably, the County still remains largely under-capacitated in the health sector, an issue that needs to be addressed.

In the same breadth, the recommendations of the Capacity Assessment and Rationalisation of the Public Service (CARPS) Programme alongside the expected human resource audit may result in significant to the personnel budget and overall budget framework over the next MTEF period 2018/19-2020/2021.

The county has adhered with the requirements of the Public Procurement and Asset Disposal Act 2015 with respect to 30 percent Access to Government Procurement Opportunities (AGPO), availed to the Women, Youth and Persons with Disabilities.

Similarly with regard to assets and liabilities, the county government have been working together with the Intergovernmental relations Technical Committee (IGTRC) to establish the status of county assets and liabilities at the beginning of devolution.

The IGTRC which inherited the residual function of the Transitional Authority, has established a County Assets and Liabilities Committee(CALC) drawn from the two-levels of government to help establish a true position of the assets and liabilities of the defunct local authorities as at 27th

March 2013. The reports from CALCs have been forwarded to the (IGRTC) for validation, and implementation of recommendations thereof. The recommendation of the report will provide guidance to county governments in settlement of all verified debts liabilities arising from defunct local authorities.

The Ministry of Devolution and Planning has been providing overall technical guidance in the preparation and subsequent review of the CIDP guidelines as well as the Annual Development Plan guidelines. Further, the Ministry should continue working with counties in establishing monitoring and evaluation frameworks, as envisaged in the World Bank financed KDSP. This ministry has also played a key role in coming up with public participation guidelines as well as civic education guidelines.

Through the IBEC forums, both levels of government have been able to deliberate on matters relating to division of revenue, budgeting, finance and planning. Observing the constraints in this current transition to new administration, it is necessary to put in place mechanisms through the IBEC to enable County governments prioritize budgeting and subsequent settlement of pending bills upon verification.

Additionally, there are proposed reforms under the Intergovernmental Fiscal Relations (IGFR) Department to enhance performance of the county governments. The reform initiatives are being implemented under the Revised Public Finance Management Reform Strategy and aims to address the following areas;

- Improved collection and efficiency of County Governments' own-source revenue (OSR) systems, including accounting and reporting;
- Improved capacities to Counties to formulate realistic and credible budgets, hence better harmony between the executive and legislative arms of the county governments;
- Strengthened capacity of County Assembly oversight committees to produce reports in a timely manner;
- Proper documentation and management of County Governments assets and liabilities;
- A clearer and stronger of intergovernmental fiscal relations especially in management of conditional grants.

The Council of Governors, will continue to offer a supporting pillar for County Governments as a platform for consultation, information sharing, capacity building, performance management and dispute resolution. Nakuru County has been participating actively to in devolution conferences organised by the COG in an effort to enhance peer learning between counties.

Cash Disbursement to Nakuru County Government

The share of funds received by Nakuru County government from the national government has been increasing at a decreasing rate. In the current FY 2017/2018 the County will receive a total of 10.25 Billion as exchequer release comprising an equitable share of Ksh 9.271 billion, conditional grants of Ksh 889.58m and Ksh 68.92 worth of donor transfers. There was a slowdown in release of funds to counties in the current and preceding financial years, on account of the errors in CARA, the prolonged electioneering period and constraints encountered in transition to the current county administration. Going forward, national government needs to prioritise timely release of funds to county governments so as to optimize resource use.

Revenue Allocation to the County Government for the Year 2018/2019

According to the draft BPS 2018, the National Treasury proposes an allocation of Ksh 314.0 billion to the 47 county governments as equitable share versus Ksh 1.370 trillion to the national government. The growth factor in equitable share to counties was only 4.0 percent from the FY 2017/18 allocations, compared to 6.72 % in the previous period. This represents a dwindling growth in transfer of nationally raised revenue to the county governments.

Allocation to county governments including conditional allocations and proceeds from external loans and grants amounts to Ksh 372.7 billion compared to Ksh 334.6 billion in the previous financial year.

Accordingly, the table below presents estimates of revenue allocation to the counties for the financial 2018/19. The horizontal distribution of equitable share to county governments is based on the current formula which uses six parameters with specific weights.

These weighted parameters include; population (45 percent); basic equal share (26 percent); poverty (18 percent); land area (8 percent); fiscal responsibility (2 percent) and development factor (1 percent).

Each conditional allocation is distributed according to its objectives, criteria for selecting beneficiary counties and distribution formula.

Nakuru County will receive a total allocation of Ksh 11.8 billion comprising an equitable share of Ksh 9.4 billion. This allocation ranks number six, after Nairobi (Ksh 15.79b), Kilifi (Ksh10.83b), Turkana (Ksh 10.77b), Kakamega (Ksh10.33b) and Mandera (Ksh 10.14b)

No	County	2017/2018		2018/2019											
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share	Conditional Grants to Level- 5 Hospitals	Supplement for Construction of County Headquarters	Conditional Grant- Compensation for User Fee Foregone	Conditional Grant-Leasing of Medical Equipment	Conditional Grant- Road Maintenance Fuel Levy	Conditional Grant- Rehabilitation of Village Polytechnics	Total Conditional Grants from the National Government Revenue	Total Loan and Grants	Total Allocations	Per capita Allocation
1	Baringo	1.65	4,983,000,000	1.62	5,086,800,000	-	-	13,191,000	200,000,000	133,931,014	35,605,000	**382,727,014**	393,695,552	**5,863,222,566**	10,554
2	Bomet	1.74	5,254,800,000	1.89	5,934,600,000	-	-	16,713,356	200,000,000	156,252,849	47,875,000	**420,841,205**	434,246,074	**6,789,687,279**	9,299
3	Bungoma	2.9	8,758,000,000	2.85	8,949,000,000	-	-	32,837,307	200,000,000	235,619,376	65,500,000	**533,956,683**	629,104,073	**10,112,060,756**	7,354
4	Busia	1.93	5,828,600,000	1.9	5,966,000,000	-	-	16,934,085	200,000,000	157,079,584	61,960,000	**435,973,669**	371,628,470	**6,773,602,139**	9,105
5	E/Marakwet	1.2	3,624,000,000	1.2	3,768,000,000	-	-	8,788,919	200,000,000	99,208,158	41,800,000	**349,797,077**	307,505,019	**4,425,302,096**	11,960
6	Embu	1.36	4,107,200,000	1.42	4,458,800,000	301,040,462	-	10,724,225	200,000,000	117,396,321	37,900,000	**667,061,008**	364,692,990	**5,490,553,998**	10,636
7	Garissa	2.21	6,659,100,000	2.21	6,939,400,000	344,739,884	-	12,964,636	200,000,000	182,708,358	35,335,000	**775,747,878**	553,587,377	**8,268,735,255**	13,271
8	Homa bay	2.16	6,523,200,000	2.13	6,688,200,000	-	-	22,185,346	200,000,000	176,094,481	46,675,000	**444,954,827**	416,987,531	**7,550,142,358**	7,834
9	Isiolo	1.25	3,775,000,000	1.25	3,925,000,000	-	121,000,000	3,472,461	200,000,000	103,341,832	21,235,000	**449,049,293**	361,523,006	**4,735,572,299**	33,048
10	Kajiado	1.91	5,768,200,000	1.91	5,997,400,000	-	-	16,955,365	200,000,000	157,906,319	40,345,000	**415,206,684**	510,628,184	**6,923,234,868**	10,073
11	Kakamega	3.29	9,935,800,000	3.29	10,330,600,000	427,283,237	-	37,789,290	200,000,000	271,995,701	69,910,000	**1,006,978,228**	702,938,880	**12,040,517,108**	7,250
12	Kericho	1.73	5,224,600,000	1.82	5,714,800,000	-	-	18,048,789	200,000,000	150,465,707	41,005,000	**409,519,496**	496,861,567	**6,621,181,063**	8,800
13	Kiambu	3.2	9,664,000,000	2.98	9,357,200,000	538,716,765	-	34,671,542	200,000,000	246,366,927	68,110,000	**1,087,865,234**	2,169,283,319	**12,614,348,553**	7,771
14	Kilifi	3.3	9,950,900,000	3.45	10,833,000,000	-	-	25,969,864	200,000,000	285,223,455	53,035,000	**564,228,319**	665,479,644	**12,062,707,963**	10,870
15	Kirinyaga	1.46	4,409,200,000	1.31	4,113,400,000	-	-	11,282,570	200,000,000	108,302,240	52,210,000	**371,794,810**	317,598,693	**4,802,793,503**	9,095
16	Kisii	2.46	7,429,200,000	2.45	7,693,000,000	417,572,254	-	26,138,997	200,000,000	203,376,725	70,090,000	**917,177,976**	527,494,070	**9,137,672,046**	7,930
17	Kisumu	2.17	6,553,400,000	2.2	6,908,000,000	369,017,341	-	21,299,489	200,000,000	181,881,624	41,650,000	**813,848,454**	1,119,551,579	**8,841,400,033**	9,125
18	Kitui	2.87	8,652,300,000	2.78	8,729,200,000	-	-	22,499,906	200,000,000	229,832,234	58,465,000	**510,797,140**	559,280,082	**9,799,277,222**	9,676
19	Kwale	2.4	7,248,000,000	2.4	7,536,000,000	-	-	15,209,593	200,000,000	198,416,317	41,860,000	**455,485,910**	408,658,212	**8,400,144,122**	12,925
20	Laikipia	1.49	4,499,800,000	1.31	4,113,400,000	-	-	9,968,208	200,000,000	109,128,974	28,525,000	**347,622,182**	380,285,005	**4,841,307,187**	12,127
21	Lamu	0.82	2,476,400,000	1.13	3,548,200,000	-	121,000,000	2,451,034	200,000,000	93,421,016	31,210,000	**448,082,050**	292,096,059	**4,288,378,109**	42,234
22	Machakos	2.45	7,399,000,000	2.65	8,321,000,000	383,583,815	-	24,129,039	200,000,000	219,084,683	54,295,000	**881,092,537**	1,308,952,409	**10,511,044,946**	9,568
23	Makueni	2.26	6,825,200,000	2.27	7,127,800,000	-	-	19,435,760	200,000,000	187,668,766	31,570,000	**438,674,526**	495,329,867	**8,061,804,393**	9,114
24	Mandera	3.23	9,739,500,000	3.23	10,142,200,000	-	-	25,474,920	200,000,000	267,035,293	31,240,000	**523,750,213**	517,146,113	**11,183,096,326**	10,902
25	Marsabit	2.18	6,583,600,000	2.23	7,002,200,000	-	-	6,643,714	200,000,000	184,361,828	26,275,000	**417,280,542**	451,058,372	**7,870,538,914**	27,031

No	County	2017/2018		2018/2019											
		Allocation ratio	Equitable Share	Allocation ratio	Equitable Share	Conditional Grants to Level- 5 Hospitals	Supplement for Construction of County Headquarters	Conditional Grant- Compensation for User Fee Foregone	Conditional Grant-Leasing of Medical Equipment	Conditional Grant- Road Maintenance Fuel Levy	Conditional Grant- Rehabilitation of Village Polytechnics	Total Conditional Grants from the National Government Revenue	Total Loan and Grants	Total Allocations	Per capita Allocation
26	Meru	2.55	7,701,000,000	2.55	8,007,000,000	373,872,832	-	31,648,428	200,000,000	210,817,337	66,025,000	**882,363,597**	387,083,948	**9,276,447,545**	6,840
27	Migori	2.14	6,462,800,000	2.14	6,719,600,000	-	-	21,655,884	200,000,000	176,921,216	31,750,000	**430,327,100**	920,080,056	**8,070,007,156**	8,799
28	Mombasa	2.7	8,154,000,000	2.62	8,226,800,000	388,439,306	-	23,385,934	200,000,000	216,604,479	39,895,000	**868,324,719**	130,671,225	**9,225,795,944**	9,821
29	Murang'a	2.05	6,191,000,000	1.99	6,248,600,000	-	-	20,138,691	200,000,000	164,520,196	65,710,000	**450,368,887**	321,873,606	**7,020,842,493**	7,449
30	Nairobi	5.1	15,402,000,000	5.03	15,794,200,000	-	-	79,423,251	200,000,000	415,847,530	34,570,000	**729,840,781**	189,490,828	**16,713,531,609**	5,326
31	Nakuru	3.07	9,271,400,000	3.01	9,451,400,000	373,872,832	-	38,723,265	200,000,000	248,847,131	47,800,000	**909,243,228**	1,411,681,523	**11,772,324,751**	7,342
32	Nandi	1.69	5,103,800,000	1.71	5,369,400,000	-	-	18,086,363	200,000,000	141,371,626	37,255,000	**396,712,989**	476,558,655	**6,242,671,644**	8,291
33	Narok	2.16	6,523,200,000	2.03	6,374,200,000	-	-	20,595,297	200,000,000	167,827,135	30,820,000	**419,242,432**	386,247,494	**7,179,689,926**	8,438
34	Nyamira	1.53	4,620,600,000	1.52	4,772,800,000	-	-	13,175,221	200,000,000	125,663,667	52,915,000	**391,753,888**	363,015,478	**5,527,569,366**	9,240
35	Nyandarua	1.58	4,771,600,000	1.57	4,929,800,000	-	121,000,000	12,735,922	200,000,000	129,797,341	39,700,000	**503,233,263**	406,610,216	**5,839,643,479**	9,794
36	Nyeri	1.64	4,952,800,000	1.6	5,024,000,000	407,861,272	-	13,701,379	200,000,000	132,277,544	28,795,000	**782,635,195**	463,985,098	**6,270,620,293**	9,041
37	Samburu	1.26	3,805,200,000	1.41	4,427,400,000	-	-	5,235,578	200,000,000	116,569,586	20,905,000	**342,710,164**	409,667,125	**5,179,777,289**	23,129
38	Siaya	1.83	5526600000	1.92	6,028,800,000	-	-	18,194,808	200,000,000	158,733,053	38,500,000	**415,427,861**	288,363,333	**6,732,591,194**	7,993
39	Taita taveta	1.29	3895800000	1.29	4,050,600,000	-	-	5,296,305	200,000,000	106,648,770	49,675,000	**361,620,075**	359,389,189	**4,771,609,264**	16,763
40	Tana River	1.77	5345400000	1.77	5,557,800,000	-	121,000,000	5,682,537	200,000,000	146,332,034	24,490,000	**497,504,571**	441,925,092	**6,497,229,663**	27,063
41	Tharaka Nithi	1.22	3684400000	1.16	3,642,400,000	-	121,000,000	8,218,119	200,000,000	95,901,220	40,090,000	**465,209,339**	267,888,581	**4,375,497,920**	11,977
42	Trans Nzoia	1.87	5647400000	1.79	5,620,600,000	-	-	21,304,915	200,000,000	147,985,503	53,710,000	**423,000,418**	604,932,474	**6,648,532,892**	8,120
43	Turkana	3.34	10071700000	3.43	10,770,200,000	-	-	25,634,941	200,000,000	283,569,986	25,285,000	**534,489,927**	434,671,254	**11,739,361,181**	13,724
44	Uasin Gishu	1.89	5707800000	1.89	5,934,600,000	-	-	20,813,065	200,000,000	156,252,849	33,250,000	**410,315,914**	939,916,663	**7,284,832,577**	8,147
45	Vihiga	1.46	4409200000	1.42	4,458,800,000	-	-	12,657,201	200,000,000	117,396,321	55,000,000	**385,053,522**	521,729,257	**5,365,582,779**	9,674
46	Wajir	2.7	8138900000	2.7	8,478,000,000	-	-	15,784,997	200,000,000	223,218,356	21,295,000	**460,298,353**	541,331,487	**9,479,629,840**	14,321
47	West Pokot	1.57	4741400000	1.57	4,929,800,000	-	-	12,128,484	200,000,000	129,797,341	28,885,000	**370,810,825**	419,206,096	**5,719,816,921**	11,156
	Total	**100**	**302,000,000,000**	**100**	**314,000,000,000**	**4,326,000,000**	**605,000,000**	**900,000,000**	**9,400,000,000**	**8,269,000,000**	**2,000,000,000**	**25,500,000,000**	**33,241,930,770**	**372,741,930,770**	**9,654**

In addition, Nakuru County will get the following conditional allocations, loans and grants:

Allocation to level-5 hospital (Nakuru PGH) of Ksh 373,872,832

The Nakuru PGH continues to play a critical role in providing specialized health care, referral services and training facility in the region. The facility provides services to residents of Nakuru County and other surrounding counties such as Narok, Nyandarua, Baringo and Laikipia, due its location and level of infrastructure. As such, although the amount allocated as conditional grant is sunstantial, it's important to note that it's less than half of what the facility requires to enable it provide optimal health services. Going forward, the Ministry of Health and the Senate should consider reviewing the allocation to this facility. Notably, the facility is highly understaffed in nursing services and specialized services. Additionally, the operationalisation of the proposed trauma and cancer centres will require additional staffing and operational funds. The allocation has remained unchanged from the allocations in the current FY 2017/2018 at Ksh 373,872,832.

Compensation for user forgone fees of Ksh 38,723,265

This is a compensation to county governments for revenue forgone by not charging user fees in the county health facilities, transferred on reimbursement basis. Again the allocation has remained unchanged from the allocations in the current FY 2017/2018.

Allocation for leasing of medical equipment of 200,000,000

This grant is in its fourth year of implementation and is intended to facilitate the leasing of modern specialised medical equipment in at least two health facilities in each County over the medium term. The intention is to facilitate easy access to specialised health care services and significantly reduce the distance that Kenyans travel in search of such services. Nakuru PGH and Naivasha Level IV hospital were the beneficiaries of these equipment. This grant is managed by the National Government on behalf of the County Governments.

Conditional Grant from the Road Maintenance Fuel Levy Fund of Ksh 248,847,131

This grant is meant to further enhance County Governments' capacity to repair and maintain county roads and is equivalent to 15 percent of the Road Maintenance Fuel Levy Fund. There has been a reduction in the allocation of this grant from 345 million in 2017/18 to 248 Million representing 27.8 Percent drop.

Conditional Allocation for Rehabilitation of Youth Polytechnics of Ksh 47,800,000

Although running of youth polytechnics is a devolved function, the county governments do not have sufficient resources to optimally run these institutions, to enable them impart practical skills to Youths who fail to transit to institutions of higher learning. The allocation will go towards building, equipping and renovating of village polytechnics identified by the County. The village polytechnics will go a long way to serve as centres of excellence to empower youth with the requisite skills to generate employment.

In conclusion, the county will receive Ksh 909,243,228 as conditional grants from national government revenue

Loans and Grants amounting to Ksh 502,428,295

The county will receive the above amount for various programmes under KDSP, health, urban development and agriculture sector from donors.

Alongside the Kenya Devolution Support Programme (KDSP) whose areas of focus are highlighted above, the county will also partake in the following two programmes enlisted below;

Kenya Urban Support Programme (KUSP);

The county has already signed a participation agreement to opt-in the KUSP programme, which will be funded by World Bank. The objective of the KUSP is to support the establishment and strengthening of urban institutions and systems to deliver improved infrastructure and services in participating counties.

The support is in two forms;

Urban Institutional Grants (UIGs)

(a) It will provide financial resources needed to meet the minimum conditions (MCs) and performance standards (PSs). The grants primary objective is capacity building.
(b) Enable county governments to integrate urban development challenges and opportunities into county-wide development plans and strategies, initially, through the county urban-institutional development strategy.

*Urban Development Grants (UDGs**;*** provide funding for urban infrastructure. Annual UDGs will be made available to eligible urban areas in year 1 (2018-19).Eligible investments will include waste management, drainage, connectivity infrastructure, urban economic infrastructure, and fire and disaster management.

These grants will go a long way to boost capacity and infrastructure development of the county. The county has two municipalities that will participate i.e Nakuru and Naivasha.

The National Agricultural and Rural Inclusive Growth project (NARIGP)

The Project Development Objective for NARIGP is ‘to increase agricultural productivity and profitability of targeted rural communities in selected counties, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.’ The project has four components. Namely;

Component 1: Supporting Community-Driven Development.

Component 2: Strengthening Producer Organizations and Value Chain Development.

Component 3: Supporting County Community-Led Development.

Component 4: Project Coordination and Management.

In conclusion, Nakuru County has one of the lowest per capita allocation implying that there are few resources towards service delivery to its citizens. There is need to review this phenomenon, in order to improve service delivery and spur development.

IV. 2018/19 BUDGET FRAMEWORK AND THE MEDIUM TERM

Fiscal Framework Summary

The 2018/19 Medium-Term budget framework budget framework is intended to continue the fiscal consolidation agenda. The consolidation process aims at supporting a sustainably wealthy and vibrant county providing high quality services to improve the livelihoods of its citizens. The county will pursue prudent fiscal policies to ensure economic growth and development. In addition, these policies will provide support to economic activities while allowing for sustainable implementation of the projects and programs. Adhering to these policies will also enhance domestic revenue collection which will ensure there are adequate resources for capital investments.

Revenue Projections

The fiscal framework for the FY 2018/19 Budget is based on the Chapter I and Chapter II

The 2018/19 budget estimates will target total revenue of KES 15.1 Billion which has both the CRA shareable revenue, conditional grants and own source of revenue **(Annex 2 and 3)**. Out of this, the County expects to receive Equitable Shareable Revenue of KES 9.45 billion and conditional grants totaling to KES 1.118 billion. Domestic revenue collection including Appropriation-in-Aid (AiA) is projected at Ksh 2.685 billion in the FY 2018/19. This revenue performance will be underpinned by on-going reforms in tax policy and revenue administration. In respect to local revenue generation, the county is striving to institute corrective measures to reduce revenue leakages from local sources. This include strengthening of the County Revenue directorate that solely be responsible for efficient and effective revenue collections, enforcement of local revenue laws and regulations, automation of revenue collection systems and speedy implementation of collection of other revenue streams. For efficient and effective service delivery, there is need to improve the capacity of County human resource capacity, especially the technical staff who are involved in revenue mobilization.

Expenditure Projections

In the FY 2018/19, overall expenditure is projected at Ksh 13.8 billion which comprises of Kshs.9.654 billion recurrent, Ksh. 4.1 Billion for development and Ksh 400 million for debt resolution. These expenditures in terms of percentage of revenue, the wages and salaries bill for

County Staff including the members of County Assembly is expected to increase to 43.9 percent of total expenditure in the FY 2018/19 from 38.4 percent in the FY 2017/18. The ceiling for development expenditures including foreign financed projects in nominal terms amounts to Ksh 2.8 billion in the FY 2018/19. Most of the outlays are expected to support critical infrastructure. Part of the development budget will be funded by project grants from development partners, while the balance will be financed through domestic resources. Expenditure ceilings on goods and services for the County sectors/departments are based on the County priorities extracted from the CIDP 2018-2022. The ceilings are also adjusted based on expenditure trends and the County change of priority programs within the spending units. Inflation which affects the expenditure trends has been put into consideration. An emergency fund of KES 47 million will be set aside to cater for any emergency issues that might arise during the financial year 2018/2019.

In addition, Ksh 992 million is projected for as conditional grants to health sector and infrastructural sector increase from the 866 million provided in the FY 2017/18 budget.

Deficit Financing

While the county desire to borrow in future to fund its development agenda, this will be determined by the frame work developed between the National Government and the County Governments. Reflecting on the current provisions of the PFM Act 2012 and the County Medium Term Debt Strategy Paper, the County does not envisage debt financing. Given the underlying reasons the County will continue with projection of a balance budget with projected expenditure fully funded by own domestic sources and transfers from national government and approved donor support.

Fiscal Structural Reforms

The County Government aims to widen the tax base by reviewing the relevant revenue legislations in order to improve revenue raising measures and efficiency. Over the medium term, the county government will rationalize its expenditure with an aim to reduce wastages. This will be done by ensuring there is improved accountability and transparency among the accounting officers who are in charge of public finances. The on-going fiscal structural reforms will eliminate duplications. The county will strive to ensure that there is efficient and effective execution of the budget. This will be made possible through expenditure tracking and taking corrective measures on any deviations and instilling strong internal controls on expenditure. To achieve value for money there is need to strengthen internal audit function, through continuous review of audit risks and periodic monitoring and evaluation of projects and programmes.

Overall Budget financing

The County Government target to have a balanced budget. However, the Medium-Term Debt Strategy Paper 2018 will be prepared that will outline the various strategies to manage county future borrowing.

The Fiscal policy outlined in this CFSP aims at improving revenue collection efforts as well as effectively managing total expenditures. This will be achieved through continued administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in expenditure. The fiscal space created will avail resources to scale up investments in human capital including; health services, education and infrastructure while at the same time providing sufficient resources to improve service delivery in the county.

Budgetary Allocations for the FY 2018/19 - 2020/21 MTEF

The budgetary allocations to the two arms of Government including sharable revenues to County Governments is summarized in Table 4.3

Table 4.3: Summary Budget Allocations for the FY 2018/19 - 2020/21 MTEF

(Ksh Million)

Details	Approved Estimates 2017/2018	2018/2019	2019/2020	2020/2021
County Executive and County Public Service Board	14,280,468,607	12,885,775,106	14,174,352,617	15,591,787,879
County Assembly	1,383,893,425	914,376,025	1,005,813,628	1,106,394,990
Total	**15,664,362,031**	**13,800,151,131**	**15,180,166,245**	**16,698,182,869**

Key Priorities for the 2018/19 Medium Term Budget

The County Treasury issued guidelines directing, Departments and entities to prioritize programmes and projects geared to the realization of the following strategic priorities namely supporting value addition in the agricultural sector; food security achievement of Universal Health for all County residents these are the County Government priorities aligned to the new County

Executive blue print and County Integrated Development Plan 2018/19-2021/22 and Budget Policy Statement, 2018.

In this regard, resource allocations will be aligned to development programmes/projects under the of the County Government special focus areas as follows:

i. **Consolidating gains**-Building on the gains made in the achievement of the first CIDP 2013-2017.
ii. **Public service and governance**-Enhancing governance, transparency, accountability and Human Resource productivity in the delivery of public goods and services-instituting performance contract for efficient and effective county public service
iii. **Health**- Promotion of accessible and affordable health care for all County residents.
iv. **Agriculture**- Achieve food security, revive the Pyrethrum Sector and promote agri-business-expansion of food and agricultural production through increased subsidies and extension services to reduce cost to farmers and to support selected small scale farmers. The allocation to this sector is expected to increase over the medium term.
v. **Infrastructure and ICT**-Expansion and operationalization of social and physical infrastructure.

Allocation Baseline Ceilings

The baseline estimates reflect the provisions of section 32(1) of the PFM regulations 2015 and current ministerial spending levels in sector programmes. In establishing budget ceilings, the category, non-discretionary expenditures take first charge. These include payment of statutory obligations such as debt, salaries and other related items. The baseline estimates reflect the current ministerial spending levels in sector Programmes. In development expenditure, adjustment has been made to take into consideration the new projects which are key to growth of the County economy and also the governor’s vision as outlined in his manifesto. Compensation of employees for the County overall expenditure should account for a maximum of 35% of budget estimates.

In this document, the ceilings on employee cost for Departments are provided separately alongside the operation recurrent estimates and development estimates. The ceilings are further provided on the basis of programme adopted by the County for purposes of entrenching programme-based budgeting. This will be effected in the Appropriation Act of 2018. CBROP 2017 provided the indicative ceilings which have been firmed up in this document.

Development expenditures have been shared out on the basis of the ward allocation and strategic interventions. The following criteria was used in apportioning capital budget:

- **Ward projects allocations** to support community-initiated projects
- **On-going projects***:* emphasis was given to completion of on-going Phased capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- **Counterpart funds***:* priority was also given to adequate allocations for donor counterpart funds. Donor counterpart funds are the portion that the Government must finance in support of the projects financed by development partners.
- **Department/sector strategic needs-** that contribute greatly in addressing county's socio-economic needs.

Strategic policy interventions*:* further priority was given to policy interventions including

(a) Emerging issues which require much attention in provision of service delivery such as education support programmes;

(b) Cross cutting issues and other special programmes of importance such as disaster management, youth development, gender, disability and HIV/AIDS, SDGs, the alignment to the MTP III focus, CIDP 2018-2022, "Big Four" plan, Climate D, Annual Development Plan 2018/2019;

Finalization of Spending Plans

The finalization of the detailed budgets will entail thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority programmes. Since detailed budgets are scrutinized and the resource envelope firmed up, in the event that additional resources become available, The County government will utilize them to accommodate their key county strategic priorities.

Specifically, the following will receive priority:

- Interventions identified during the stakeholders consultation for 2018/19
- Strategic interventions in the areas of food security enhancing programmes, revival of key sectors in agriculture, infrastructural development, health coverage and public facilities and other policy interventions to enhance integration and social equity;
- Specific consideration to enhance job creation for the youth based on sound initiatives identified within the normal budget preparation.

Details of Sector Priorities

Table 4.4 provides the projected baseline ceilings for the FY 2018/19 and the medium term, classified by sector.

Table 4.4: Medium Term Sector Ceilings for the FY 2018/19 – 2020/21

SECTOR		APPROVED ESTIMATES FY 2017/2018	CFSP TOTAL CEILINGS	PROJECTIONS		% of Total Expenditure (CFSP)		
			2018/2019	2019/2020	2020/2021	2018/2019	2019/2020	2020/2021
Agriculture Rural and Urban Development	**Sub Total**	**1,089,147,646**	**1,113,881,325**	**1,225,269,458**	**1,347,796,404**	**8.1%**	**8.1%**	**8.1%**
	Recurrent Gross	631,140,661	607,894,287	668,683,715	735,552,087	6.3%	6.3%	6.3%
	Development Gross	458,006,986	505,987,039	556,585,742	612,244,317	12.2%	12.2%	12.2%
Education/ Social Protection, Culture and Recreations	**Sub Total**	**1,385,061,795**	**701,553,809**	**771,709,190**	**848,880,109**	**5.1%**	**5.1%**	**5.1%**
	Recurrent Gross	505,950,015	568,156,724	624,972,396	687,469,636	4.1%	4.1%	4.1%
	Development Gross	879,111,780	133,397,085	146,736,794	161,410,473	1.0%	1.0%	1.0%
Energy, Infrastructure and ICT	**Sub Total**	**2,254,187,358**	**1,041,248,820**	**1,145,373,702**	**1,259,911,072**	**7.5%**	**7.5%**	**7.5%**
	Recurrent Gross	327,655,590	364,401,689	400,841,858	440,926,043	2.6%	2.6%	2.6%
	Development Gross	1,926,531,768	676,847,131	744,531,844	818,985,029	4.9%	4.9%	4.9%
Environment Protection, Water and Natural Resources	**Sub Total**	**1,127,077,035**	**529,063,623**	**581,969,986**	**640,166,984**	**3.8%**	**3.8%**	**3.8%**
	Recurrent Gross	356,709,864	308,500,873	339,350,961	373,286,057	2.2%	2.2%	2.2%
	Development Gross	770,367,171	220,562,750	242,619,025	266,880,928	1.6%	1.6%	1.6%

SECTOR		APPROVED ESTIMATES FY 2017/2018	CFSP TOTAL CEILINGS	PROJECTIONS		% of Total Expenditure (CFSP)		
			2018/2019	2019/2020	2020/2021	2018/2019	2019/2020	2020/2021
General Economics and Commercial Affairs	**Sub Total**	**309,449,283**	**296,271,365**	**325,898,502**	**358,488,352**	**2.1%**	**2.1%**	**2.1%**
	Recurrent Gross	121,620,285	151,271,365	166,398,502	183,038,352	1.1%	1.1%	1.1%
	Development Gross	187,828,998	145,000,000	159,500,000	175,450,000	1.1%	1.1%	1.1%
Health	**Sub Total**	**5,961,327,085**	**5,475,419,011**	**6,022,960,912**	**6,625,257,003**	**39.7%**	**39.7%**	**39.7%**
	Recurrent Gross	4,868,808,451	4,892,403,128	5,381,643,441	5,919,807,785	35.5%	35.5%	35.5%
	Development Gross	1,092,518,634	583,015,883	641,317,471	705,449,218	4.2%	4.2%	4.2%
Public Administration and National/ Inter County Relations	**Sub Total**	**3,538,111,830**	**4,642,713,178**	**5,106,984,496**	**5,617,682,945**	**33.6%**	**33.6%**	**33.6%**
	Recurrent Gross	2,953,799,500	2,761,674,825	3,037,842,307	3,341,626,538	20.0%	20.0%	20.0%
	Development Gross	584,312,331	1,881,038,353	2,069,142,188	2,276,056,407	13.6%	13.6%	13.6%
TOTAL	**Total Recurrent Gross**	**9,765,684,365**	**9,654,302,891**	**10,619,733,180**	**11,681,706,498**	**70.0%**	**70.0%**	**70.0%**
	Total Development Gross	**5,898,677,667**	**4,145,848,241**	**4,560,433,065**	**5,016,476,371**	**30.0%**	**30.0%**	**30.0%**
	GRAND TOTAL	**15,664,362,031**	**13,800,151,131**	**15,180,166,245**	**16,698,182,869**	**100.0%**	**100.0%**	**100.0%**

The 2018/19 Budget framework

The 2018/19 budget framework is prepared in consideration of the macro-fiscal framework set by Budget Policy Statement 2018 where real GDP is expected to narrow by 6.5 percent in 2018/2019 and by 6.9 percent in FY 2019/20. Inflation rate is expected to remain low and stable.

Details of Sector/Department Priorities

The MTEF for 2018/2019 -2020/2021 period will ensure that there is continuous resource allocation based on programme priorities that are aligned to CIDP 2018-2022 and new executive blueprint

The medium-term expenditure framework for 2018/2019 -2020/2021 ensures continuity in resource allocation based on prioritized programmes aligned to the County integrated development plan and strategic policy initiatives of the county Administration to accelerate growth, employment creation and poverty reduction. The recent achievements and key priority targets for each sector are based on the reports from the County Sector Working Groups (CSWG).

Agriculture, Rural &Urban Development Sector (ARUD)

This Sector comprises of two sub-sectors, namely; Agriculture, Livestock and Fisheries and Land, Physical Planning and Housing.

This Sector comprises of the following Departments; Crop production, Livestock Production, Veterinary Services, Cooperative Development, Fisheries Development and ATC Soilo.

The sector's vision is to be an innovative, commercially-oriented and modernized agriculture sector. The mission is to improve livelihoods of Nakuru County residents through promotion of competitive agriculture, sustainable livestock and fisheries production, quality and affordable veterinary services and growth of viable cooperatives through quality training in effective and efficient farming methods.

Being one of the key sectors and highest earners in the County, multi-sectorial strategies will be employed to increase the productivity and maximize earnings in this sector.

The Sector goal is in line with the Vision 2030 is to attain food security, sustainable land management, and development of affordable housing and urban infrastructure. The Constitution, under Article 43 on the Bills of Rights, has provided for accessibility of adequate food of acceptable quality and accessible and adequate housing. The sector contributes approximately 27 percent to GDP through linkages with manufacturing, distribution and other service related sectors. It further accounts for about 65 percent of Kenya’s total exports, 18 percent and 60 percent of the formal and total employment respectively. ARUD sector has been identified as one of the six sectors aimed at delivering the 10 percent economic growth rate under the Vision 2030.

The key challenges facing the sector include unfavorable climatic changes, poor planning and inadequate early warning systems, low production and productivity, poor marketing and marketing infrastructure, low value addition and competitiveness, inadequate physical infrastructure, unfavorable legal and policy frameworks, and low access to financial services as well as affordable credit.

Over the 2018/19-2020/21 MTEF, the sector aims to address the above challenges by raising agricultural productivity through value addition and adoption of new technologies; creating and enabling policy and legal framework, improving efficiency and effectiveness of sector institutions; effective administration and management of land resource; rehabilitation of existing housing estates, and sustainable management of resources in the sector.

During the 2018/2019-2020/2021 MTEF period, revival of agricultural industries including pyrethrum, potato cooling plants, value addition and product diversification of farm, livestock and fisheries products, fisheries development and management through expansion of fisheries will be key focus areas to ensure the Sector's full potential is actualized.

Land, Physical Planning, Housing and Urban Development

The sub-sector comprises of Land, Survey, Physical Planning, and Housing and Urban Development Departments. To undertake their programmes, the 2018/2019 -2020/2021 MTEF estimates for the sub-sector are estimated to be Ksh. 413 million. This is projected to increase to KSh.455 million and Ksh. 500 million respectively, for the FY 2019/20 and FY 2020/21.

The sub-sector vision is 'Sustainable and equitable access to land, quality housing and coordinated urban development.' The sector mission is 'To facilitate improvement of the livelihood of county residents through efficient administration, Equitable access, secure tenure, and sustainable management of land resources, implementation of Housing policy, improvement of living conditions of the urban poor within the context of a well-planned urban and rural areas.

Over the MTEF period, the sub sector intends to undertake; New valuation roll for all Sub Counties, implementation of County spatial plan 2015-2025, development of affordable and quality houses for lower income residents, installation of physical and social infrastructure in slums and informal settlements in urban areas and development of social and physical urban infrastructural facilities.

Infrastructure & ICT Sector (EII)

The infrastructure and Information Communications Technology Sector consists of the subsectors of Roads, Public Works and Transport and Information and Communications Technology and E-Government. The vision of the sector is to be a world class provider in quality and sustainable ICT and physical infrastructure, development. The mission of the department is, provide efficient, affordable and reliable infrastructure for sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructure facilities.

The state of the County infrastructural network is crucial for the overall development of the county. Reliable, adequate and quality infrastructure increases economic productivity, lowers production costs, improves quality of life, raises county's regional and global competitiveness, attracts Foreign Direct Investment (FDI), Public Private Partnerships and including Public Partnerships and this has a direct impact in the modernizing the economy. The Multiplier effect created by the investment in this sector is critical to sustain all the other sectors of the county economy.

The Sector aspires to be a provider of cost-effective public utility infrastructure facilities and services' in the areas of transport and ICT that meet National standards. Key achievements during 2016/17 period include improved infrastructure and in particular construction of bridges across the entire country; periodic road maintenance.

Major achievements of the ICT department on planned outputs during the previous funding period includes:

- Installation of CCTV cameras at the County Headquarters and county offices at regional coordinators building
- Establishment of two digital centers at Kuresoi South & Subukia sub-counties
- Acquisition of car track management system and asset management system
- Installation of local area network in department of environment & internet in Gilgil sub-county

The strategies and measures to be pursued in the medium term include; enhancing Infrastructure connectivity and accessibility through rehabilitating and upgrading strategic rural roads strengthening the institutional framework for infrastructure development, raising the efficiency and quality of infrastructure as well as increasing the pace of infrastructure projects so that they are completed as envisaged. Other measures include capacity building on disaster management, developing early warning system for disasters, equipping and modernization of fire and disaster units.

Funding over the 2018/19 MTEF period will facilitate the implementation and fast-tracking of programmes under the Information and Communication Services; Road Transport; Rural Electrification; ICT Infrastructure Development; Renewable Energy Resources i.e. solar driven street lighting.

To undertake these programmes, the total MTEF estimates for the sector is KSh.1.04 billion. This represents a 53 % increase from KSh.2.2 billion allocated in the FY2017/18. Ksh. 1.14 billion and Ksh. 1.25 billion have been allocated to the FY2019/20 and FY2020/21 respectively.

General Economic and Commercial Affairs (GECA)

The General Economic and Commercial Affairs (GECA) Sector comprises of Trade, Tourism and Industrialization. The Sector plays a significant role towards achievement of the Vision 2030 and Sustainable Development Goals (SDGs) through trade, tourism and investments to enhance economic growth.

The sector contributes significantly to the overall national development agenda accounting for about 33 percent of the overall GDP. It is a major source of county government revenue in form of, license fees, entry fees, among others. During the fiscal year 2016/17 the sector achieved the following milestone, developed housing cooperative increasing investment in real estate, improve access to finance by increasing Sacco’s. In tourism it improved access information on domestic sites through tourism website. Improved markets infrastructure through development of new markets and rehabilitation of existing markets.

The sector also undertakes compliment the national sector focus of operationalizing the special economic zone, hold investors conference, cultural tourism festivals and promote tourism. Through county initiative the sector will focus settling of informal traders and hawkers, improve access to credit to existing enterprises with focus on youth and women.

Despite impressive performance over the recent past, the sector still faces a number of challenges ranging from in adequate trading space for informal traders and hawkers, limited access to credit by businesses, high cost of production, influx of sub-standard, counterfeits and contra-band goods, and low technology, innovation, research and development.

Over the medium term, the sector will implement programmes aimed at promoting growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development.

The key outcomes expected from the sector are: increased contribution of industry to GDP; increased contribution of cooperatives to the economy; increased contribution of domestic trade and tourism to GDP; increase in export earnings; and effective and efficient service delivery.

To implement the prioritized programme the sector has been allocated Ksh 296 million, Ksh. 325 million and Ksh. 358 million for FY2018/19, FY2019/20 and FY2020/21 respectively. Recurrent expenditure allocation is Ksh. 151 million, Ksh. 166 million and Ksh. 183 million for FY2018/19, FY2019/20 and FY2020/21 respectively. Development expenditure allocation for FY2018/19, FY2019/20 and FY2020/21 is Ksh. 145 million, Ksh. 159 million and Ksh. 175 million respectively.

Health Sector

The Health Sector comprises of the Department of Health including the PGH, all Sub County Health facilities, Dispensaries and Health Centers. The Medium-Term Expenditure Framework (MTEF) for the period FY2018/19, FY2019/20 and FY2020/21 for the Sector is guided by the CIDP, the Kenya Health Policy 2012-2030, the Health Sector Strategic Plan and the Constitution of Kenya, 2010.

The sector aims at attaining the highest standards in a manner responsive to the population need by supporting provision of equitable, affordable and quality health and related services at the highest attainable standards to all residents. The mandate of the sector is to promote and participate in the provision of integrated and high-quality curative, preventive and rehabilitative services that is equitable, responsive, accessible and accountable to Kenyans. The key achievements for the sector include improved Antenatal clinic attendance to 39%, improved uptake of skilled delivery to 65%, increased population reached with health messages to 63%, increased number of household with functional toilets to 88%, increased number of schools with functional hand washing facilities to 161, increase case detection and response to 100%, increased the population reached with health messages to 63%, increased population aware of risk factors to health to 100%, increased population under one year protected from immunizable conditions to 80%, increased number of

HIV positive pregnant mothers receiving Preventive ARVS to 98% and increased uptake of cervical cancer screening by 13%.

The sector faces numerous challenges, which include:

i. New epidemics e.g. Marlbug, Cholera, MDR TB
ii. Increase in Non-Communicable Diseases
iii. Fast expansion of health facilities vs inadequate funding for operationalization.
iv. Increased demand for drugs and health commodities due to rapidly increasing life style diseases
v. High cost of HIV/AIDS, TB, Malaria and RH drugs and vaccines (Previously under National government but are now the responsibly of the county government.
vi. Inadequate and aging workforce.

In the medium term, FY2018/19, FY2019/20 and FY2020/21 the sector will seek to address these challenges through continued investment in training of health professionals, medical services, health, and sanitation infrastructure and improvement in the working conditions of medical practitioners. The resources required under the Health Sector are captured under four programmes and guided by the sector policy commitments. County Health Services will focus on:

- County Health Facilities and Pharmacies,
- Ambulance Services
- Promotion of Primary Health Care
- Licensing and control of selling of food in public places
- Veterinary services, cemeteries, funeral parlours and crematorium, and
- Referral removal

This scenario will need concerted efforts in restructuring human resource management, infrastructure development and maintenance, health financing, donor funding and partnerships, among others. The resources being requested will be used to implement projects aimed at achieving accessibility, affordability of health services, and reduction of health inequalities and optimal utilization of health services. These resources will, therefore, target to improve access, quality and equity in the provision of health services.

To implement the prioritized programme the sector has been allocated Ksh. 5.475 billion, Ksh.

6.02 billion and Ksh. 6.62 billion for financial FY2018/19, FY2019/20 and FY2020/21 respectively. Recurrent expenditure allocation is Ksh. 4.89 billion, Ksh. 5.38 billion and Ksh. 5.91 billion for FY2018/19, FY2019/20 and FY2020/21 respectively. Development expenditure allocation for FY2018/19, FY2019/20 and FY2020/21 is Ksh. 583 million, Ksh. 641 million and Ksh. 705 million respectively.

Public Administration and National Relations

The sector plays a key role in enhancing public service delivery, organization and coordination of County Government business through planning, mobilization of financial and human resources in the public sector. In addition, the sector links all other sectors with the rest of the country on matters of cooperation and resource mobilization. The Office of the Governor and Deputy Governor, Public Service Management, County Treasury and County Public Service Board are independent entities within the sector.

Funding over the 2018/19 MTEF period will enable the sector to oversee the implementation of the County Government Act and the Constitution; provide leadership and policy direction in the governance of the County; coordinate and supervise County Government affairs; promote sound public financial and economic management for socioeconomic development; articulate and implement County policy formulation; promote macro-economic stability, mainstream SDGs into the County policy, planning and budgetary process, implementation, monitoring and evaluation; promote efficient and effective human resource management and development for improved county public service delivery; and promote county public service integrity.

Public Service and Administration undertakes the role of County Administration, Human Resource Management, Public participation and Civic Education, Records Management, Performance Management, Anti-Corruption. To promote the efficient and effective county human resource the county will implement the comprehensive medical cover through NHIF as advanced by the salary and remuneration commission. This is in addition to instituting the performance contract management system pursuant to provision of section 47 of the County Government Act 2012.

Office of the Governor includes Governor’s Office, Deputy Governor’s Office, Cabinet Secretariat, County Secretary Office, Internal Audit, Liaison, Security and Enforcement, Protocol, Service Delivery Unit, Advisory Unit, Press Unit and Legal Unit. The Office of the Governor is the central administrative unit for the County. Its overall function is to ensure effective and efficient leadership, accountability and administration of justice. This is achieved through Civic education, fairness to all and dissemination of government policies to communities. The Department ensures effective and accountable leadership, promote a just, democratic environment and establish strong governance institutions to empower citizens for the achievement of socio-economic and political development.

County Assembly

The Sector proposals include the MTEF expenditure limits for the County's Legislative arm that is expected to be submitted directly to the County Assembly in line with the Constitution. County Assembly plays a crucial role in strengthening the democratic space and good governance in the County. Under the devolved structure, the legislative arm consists of the County Assembly.

To implement the prioritized programme the sub-sector has been allocated Ksh. 914 Million, Ksh. 1 billion and Ksh. 1.1 billion for financial FY2018/19, FY2019/20 and FY2020/21 respectively. Recurrent expenditure allocation for FY2018/19, FY2019/20 and FY2020/21 respectively is Ksh. 907 million, Ksh. 998 million and Ksh. 1.09 billion respectively. Estimates for County Assembly programmes may change in the course of MTEF budgeting once the Commission of Revenue Allocation gives the ceilings for budget for FY 2018/2019.

Education, Social Protection, Youth, Culture and Recreation

Education

Assigned functions to the counties under this sector are limited, mainly to cater for pre-primary education, village polytechnics and home craft centers.

Major achievements of the department on planned outputs during the 2016/2017 funding period includes:

- Construction of 34 ECD classes across the county
- Equipping 48 classes with desks and chairs
- Bursary allocation worth Ksh 55 Million was distributed to needy students in all the County 55 wards benefitting over 17,000 children.

In order for the Department to achieve its Departmental additional resources be utilized to enable implementation of various programs during the MTEF 2018/19-2020/21 that includes contracting of extra ECDE teachers, expansion of the bursary fund as well as equipping of ECDE Classrooms. The education directorate has targeted 830 schools to benefit from School feeding program in order to enhance the health and nutrition status of ECDE children, capacity building and in-service trainings will be held, Rehabilitation of existing classes and Equipping and furnishing of over 166 ECD classrooms will continue to help improve access and quality learning environment.

Social Protection, Culture and Recreation

The Social Protection, Culture and Recreation Sector comprise of two Sub-Sectors namely; the Social Security and Services; and the Sports, Culture and the Arts. The sector is mandated to address issues on promotion of harmonious, safety and health at workplaces, employment promotion, social security and children welfare and social development. The sector is also mandated to address issues relating to promotion and exploitation of County's diverse culture for peaceful co-existence, enhancing the County's reading culture through expansion of library network for increased information access, development and promotion of sports for a vibrant sporting industry, promotion and preservation of county's heritage for national pride and harmony; promotion of cultural and sports tourism; and development, regulation and promotion of the creative arts industry.

The sector achievements in the 2016/17 period include: Community mobilization, social development and welfare; community support services; rehabilitation of public amenities; maintenance of County parks and Public library services.

Funding for the FY2018/19, FY2019/20 and FY2020/21 MTEF period will continue to focus on the delivery of the sector priorities and in particular those aimed at improving livelihood of vulnerable groups specifically the orphans and vulnerable children, the elderly and persons with disability through County Programmes geared towards achieving the same. The County in the medium term intends to build more stadia with main focus being putting and rehabilitating facilities in Nakuru, Naivasha, Gilgil and Molo Towns.

To implement the prioritized programme the sector has been allocated Ksh. 701 million, Ksh. 771 million and Ksh. 848 million for FY2018/19, FY2019/20 and FY2020/21 respectively. Recurrent expenditure allocation of Ksh. 568 million, Ksh. 624 million and Ksh. 687 million for FY2018/19, FY2019/20 and FY2020/21 respectively. Development expenditure allocation for FY2018/19, FY2019/20 and FY2020/21 is Ksh. 133 million, Ksh. 146 million and Ksh. 161 million respectively.

Environmental Protection, Water, and Natural Resources

The sector is composed of Environment, Water and Natural Resources. The mandate of the Sector includes; Environmental policy management, forest resources management, water resources management and sewerage services policy. It also includes conservation and protection of water wells and springs. The sub-sector is also mandated with management of health conditions and health and safety in mines, resources surveys, and policy formulation on extractive industry.

The sector plays a key role in ensuring that every county resident has access to portable water in a clean and secure environment. Over the MTEF period the sector aims to achieve expansion of water coverage and sewerage facilities; scaling up water storage to improve water security; conservation and management of catchment areas; mitigation and adaptation measures on climate change; enforcement of environment laws and regulations; restoration of rivers and water springs; In order to promote sustainable utilization of environmental resources, the county will promote investments in green energy. All the urban markets and centers will be required to establish a designated dumpsites and sewerage systems to ensure effective and reliable disposal of waste. Since the county faces an acute shortage of clean and safe drinking water, the sector will advocate for the construction of water treatment plants and boost the storage and supply lines.

To implement the prioritized programme the sector has been allocated Ksh. 529 million, Ksh. 581 million and Ksh. 640 million for financial FY2018/19, FY2019/20 and FY2020/21 respectively. Recurrent expenditure allocation for FY2018/19, FY2019/20 and FY2020/21 respectively is Ksh. 308 million, Ksh. 339 million and Ksh. 373 million respectively. Development expenditure allocation for FY2018/19, FY2019/20 and FY2020/21 respectively stands at Ksh. 220 million, Ksh. 242 million and Ksh. 266 million respectively.

Public Participation/ Sector Hearings and Involvement of Stakeholders

Public participation provides an all-inclusive avenue for identifying and prioritizing Government projects and activities under the budgeting process by key stakeholders and the general public. This process commenced early in the budget preparation process with the launch of Sector Working Groups (SWGs) in September 2017, finalization of the 2017 Budget Review and Outlook Paper by end of September 2017 and engagement in all sector activities and meetings thereafter.

The PFM Act, 2012 section 25 (5) requires the County Treasury while preparing the County Fiscal Strategy Paper to seek views of various Stakeholders, Institutions and the public. In this regard, the 2018 Fiscal Strategy has been subjected to comments from various Stakeholders, Institutions and the public. This process culminated with the Public Participation forums in February 2018.

V. CONCLUSION AND NEXT STEP

The set of policies outlined in this CFSP aims at striking a balance between circumstances which keep changing and the emerging issues and are broadly in line with the CIDP and the fiscal responsibility principles outlined in the PFM law. They are also consistent with the 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 (2018-2022). The policies and sector ceilings annexed herewith will guide the Sectors/departments in Final adjustments of the 2018/19 MTEF budget.

Budgetary resources are usually limited thus it is imperative that departments prioritize their programmes 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 programmes.

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.

Annex 1: County Government of Nakuru Operations FY 2018/2019-2020/2021

No.	REVENUE SOURCE	APPROVED ESTIMATES	CFSP	PROJECTIONS		ANNUAL GROWTH	% GROWTH		
		2017/2018	2018/2019	2019/2020	2020/2021		2018/2019	2019/2020	2020/2021
1	Property tax (Plot rent and Land rates	398,753,823	300,980,000	316,029,000	331,830,450	-97,773,823	-24.5%	5.0%	5.0%
2	Trade License	66,653,915	400,000,000	420,000,000	441,000,000	333,346,085	500.1%	5.0%	5.0%
3	Market Fees	141,580,420	107,220,000	112,581,000	118,210,050	-34,360,420	-24.3%	5.0%	5.0%
4	Building Approval	51,846,279	120,310,000	126,325,500	132,641,775	68,463,721	132.1%	5.0%	5.0%
5	Cess	540,479,348	100,000,000	105,000,000	110,250,000	-440,479,348	-81.5%	5.0%	5.0%
6	Royalties	89,313,555	104,460,000	109,683,000	115,167,150	15,146,445	17.0%	5.0%	5.0%
7	Stock/ Slaughter fees	82,273	23,000,000	24,150,000	25,357,500	22,917,727	27855.7%	5.0%	5.0%
8	House Rent	64,951,169	70,000,000	73,500,000	77,175,000	5,048,831	7.8%	5.0%	5.0%
9	Advertising	6,621,328	100,000,000	105,000,000	110,250,000	93,378,672	1410.3%	5.0%	5.0%
10	Parking fees	229,749,292	330,100,000	346,605,000	363,935,250	100,350,708	43.7%	5.0%	5.0%
11	Liquor Licensing	98,712,551	72,150,000	75,757,500	79,545,375	-26,562,551	-26.9%	5.0%	5.0%
12	County Park Fees	347,434,976	750,000	787,500	826,875	-346,684,976	-99.8%	5.0%	5.0%
13	Water And Sewerage	60,829,920	-	-	-	-60,829,920	-100.0%	#DIV/0!	#DIV/0!
14	Health fees and charges	129,304,750	120,350,000	126,367,500	132,685,875	-8,954,750	-6.9%	5.0%	5.0%
15	Other Fees and Charges	273,686,401	150,680,000	158,214,000	166,124,700	-123,006,401	-44.9%	5.0%	5.0%
	Sub Total Local Sources	**2,500,000,000**	**2,000,000,000**	**2,100,000,000**	**2,205,000,000**	**-500,000,000**			
16	Facility Improvement Fund	611,050,000	685,000,000	705,550,000	726,716,500	73,950,000	12.1%	3.0%	3.0%
	SUB TOTAL (AIA & Local Sources)	**3,111,050,000**	**2,685,000,000**	**2,805,550,000**	**2,931,716,500**	**-426,050,000**	**-13.7%**	**4.5%**	**4.5%**
17	Balance in County Revenue Fund	2,296,898,883	545,000,000		19%	-1,751,898,883	-76.3%	-100.0%	#DIV/0!
	Balance in County Local Revenue Account					-			
18	Donor Grants (DANIDA)	12,630,000	36,322,032	12,630,000	12,630,000	23,692,032	187.6%	-65.2%	0.0%
19	Loans and Grants CRA	-	-	-	-	-		0.0%	0.0%
20	Symbiocity Programme	26,500,000							
21	Kenya Devolution support program (KDSP)	56,299,041	28,149,521	30,964,473	34,060,920	-28,149,521	-50.0%	0.0%	0.0%
22	National Agricultural and Rural inclusive growth Projects (NARIGP)		50,000,000	55,000,000	60,500,000	50,000,000	#DIV/0!	0.0%	0.0%
23	Agricultural Sector Development Support Projects (ASDSP)			-	-	-	#DIV/0!	0.0%	0.0%
24	Conditional Allocation to compensate Forgone user fees	38,723,265	38,723,265	42,595,592	46,855,151	-	0.0%	0.0%	0.0%

No.	REVENUE SOURCE	APPROVED ESTIMATES	CFSP	PROJECTIONS		ANNUAL GROWTH	% GROWTH		
		2017/2018	2018/2019	2019/2020	2020/2021		2018/2019	2019/2020	2020/2021
25	Conditional Fund -Leasing of Medical Equipment	95,744,681	200,000,000	220,000,000	242,000,000	104,255,319	108.9%	0.0%	0.0%
26	Conditional Fund -Free Maternal Health	-		-	-	-			
27	Road Maintenance Fuel Levy Fund (RMFLF)	345,811,895	248,847,131	273,731,844	301,105,029	-96,964,764	-28.0%	10.0%	10.0%
28	Conditional Allocation For Level- 5 Hospital	373,872,832	373,872,832	411,260,115	452,386,127	-	0.0%	10.0%	10.0%
29	World Bank THS-UC Conditional allocation		95,036,351	104,539,986	114,993,985				
30	Conditional Allocation for Rehabilitation of Youth Polytechnics	35,431,434	47,800,000	52,580,000	57,838,000				
31	C.R.A Equitable Share	9,271,400,000	9,451,400,000	10,396,540,000	11,436,194,000	180,000,000	1.9%	10.0%	10.0%
	SUB TOTAL	**12,553,312,031**	**11,115,151,132**	**11,599,842,009**	**12,758,563,210**	**-1,438,160,899**	**-11.5%**	**-35.2%**	**30.0%**
	GRAND TOTAL	**15,664,362,031**	**13,800,151,132**	**14,405,392,009**	**15,690,279,710**	**-1,864,210,899**	**-11.9%**	**-30.7%**	**34.5%**
	Expenditure:								
	Current Expenditure:					-			
	Compensation to Employees	6,007,518,408	6,057,711,905	6,602,905,976	7,197,167,514	50,193,497	0.8%	0.0%	0.0%
	Use Of Goods And Services	3,549,134,961	3,385,543,521	3,690,242,438	4,022,364,257	-163,591,440	-4.6%	0.0%	0.0%
	Grants And Other Transfers	-		-	-	-			
	Other Recurrent	209,030,996	211,047,465	236,373,161	264,737,940	2,016,469	1.0%	0.0%	0.0%
	Sub Total:	**9,765,684,365**	**9,654,302,891**	**10,529,521,575**	**11,484,269,712**	**-111,381,474**	**-1.1%**	**0.0%**	**0.0%**
	Capital Expenditure:								
	Acquisition Of Non-Financial Assets	4,802,887,626	1,624,205,227	1,930,713,550	2,330,570,616	-3,178,682,399	-66.2%	0.0%	0.0%
	Capital Grants To Governmental Agencies	441,372,337	2,051,643,014	2,256,807,315	2,482,488,047	1,610,270,677	364.8%	0.0%	0.0%
	Other Development	654,417,703	470,000,000	517,000,000	568,700,000	-184,417,703	-28.2%	0.0%	0.0%
	Sub Total:	**5,898,677,667**	**4,145,848,241**	**4,704,520,866**	**5,381,758,663**	**-1,752,829,426**	**-29.7%**	**0.0%**	**0.0%**
	Grand Total:	**15,664,362,031**	**13,800,151,131**	**15,234,042,441**	**16,866,028,374**	**-1,864,210,900**	**-11.9%**	**0.0%**	**0.0%**
	DEFICIT/ SURPLUS	- 0	0						
	PERCENT OF TOTAL BUDGET								
	Current Expenditure:	62%	69.96%	69.1%	68.1%				
	Capital Expenditure:	38%	30.04%	30.9%	31.9%				

Annex II: Trend in Growth of Equitable share of Revenue 2013/2014 (Base Year) 2018/2019

Trend in Growth of Equitable share of Revenue 2013/2014 (Base Year) 2018/2019

EXCHEQUER RECEIPTS TRENDS	ALLOCATION	GROWTH	% GROWTH
2013/2014 (Base Year)	5,936,875,619	5,936,875,619	100%
2014/2015	7,082,152,961	1,145,277,342	19%
2015/2016	8,116,330,943	1,034,177,982	15%
2016/2017	8,757,624,645	641,293,702	8%
2017/2018	9,271,400,000	513,775,355	6%
2018/2019 (CBROP 2017 Projected Growth)	9,451,400,000	180,000,000	2%

Annex III: Total Expenditure Sector Ceilings for the Period 2018/2019-2020/2021

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2017/2018	CFSP CEILINGS	PROJECTIONS	
				2018/2019	2019/2020	2020/2021
1	Agriculture Rural and Urban Development					
1.1		**Agriculture, Livestock and Fisheries**				
		Compensation to Employees	352,187,637	362,656,295	398,921,925	438,814,117
		Other Recurrent	138,576,017	115,681,639	127,249,802	139,974,783
		Development Gross	143,185,371	221,665,424	243,831,966	268,215,163
		Sub Total	**633,949,025**	**700,003,357**	**770,003,693**	**847,004,062**
1.2		**Lands, Physical Planning and Housing**				
		Compensation to Employees	102,222,580	95,961,549	105,557,704	116,113,475
		Other Recurrent	38,154,427	33,594,804	36,954,284	40,649,713
		Development Gross	314,821,615	284,321,615	312,753,777	344,029,154
		Sub Total	**455,198,622**	**413,877,968**	**455,265,765**	**500,792,342**
	SUB TOTAL (SECTOR)		**1,089,147,646**	**1,113,881,325**	**1,225,269,458**	**1,347,796,404**
2	Education/ Social Protection, Culture and Recreations					
2.1		**Education**				
		Compensation to Employees	-	44,000,000	48,400,000	53,240,000
		Other Recurrent	137,605,367	204,800,000	225,280,000	247,808,000
		Development Gross	606,184,817	20,597,085	22,656,794	24,922,473
		Sub Total	**743,790,184**	**269,397,085**	**296,336,794**	**325,970,473**
2.2		**Youth, Sports, Culture and Social Services.**				
		Compensation to Employees	166,202,536	198,903,558	218,793,914	240,673,305
		Other Recurrent	202,142,112	120,453,166	132,498,483	145,748,331
		Development Gross	272,926,962	112,800,000	124,080,000	136,488,000
		Sub Total	**641,271,611**	**432,156,724**	**475,372,396**	**522,909,636**
	SUB TOTAL (SECTOR)		**1,385,061,795**	**432,156,724**	**475,372,396**	**522,909,636**

	SECTOR	SUB SECTOR		APPROVED ESTIMATES FY 2017/2018	CFSP CEILINGS	PROJECTIONS	
					2018/2019	2019/2020	2020/2021
3	Energy, Infrastructure and ICT						
3.1		**Roads Public Works and Transport**					
			Compensation to Employees	134,530,825	137,304,118	151,034,530	166,137,983
			Other Recurrent	142,863,629	167,521,500	184,273,650	202,701,015
			Development Gross	1,915,900,856	590,847,131	649,931,844	714,925,029
			Sub Total	**2,193,295,310**	**895,672,749**	**985,240,024**	**1,083,764,026**
3.2		**ICT and E-Government**					
			Compensation to Employees	30,618,858	31,355,704	34,491,274	37,940,402
			Other Recurrent	19,642,277	28,220,367	31,042,404	34,146,644
			Development Gross	10,630,912	86,000,000	94,600,000	104,060,000
			Sub Total	**60,892,048**	**145,576,071**	**160,133,678**	**176,147,046**
	SUB TOTAL (SECTOR)			**2,254,187,358**	**1,041,248,820**	**1,145,373,702**	**1,259,911,072**
4	Environment Protection, Water and Natural Resources						
4.1		**Environment, Water and Natural Resources**					
			Compensation to Employees	218,565,488	204,330,873	224,763,961	247,240,357
			Other Recurrent	138,144,376	104,170,000	114,587,000	126,045,700
			Development Gross	770,367,171	220,562,750	242,619,025	266,880,928
			Sub Total	**1,127,077,035**	**529,063,623**	**581,969,986**	**640,166,984**
	SUB TOTAL (SECTOR)			**1,127,077,035**	**529,063,623**	**581,969,986**	**640,166,984**
5	General Economics and Commercial Affairs						
5.1		**Trade, Industrialization, Cooperatives &Tourism**					
			Compensation to Employees	70,530,811	78,001,365	85,801,502	94,381,652
			Other Recurrent	51,089,474	73,270,000	80,597,000	88,656,700
			Development Gross	187,828,998	145,000,000	159,500,000	175,450,000
			Sub Total	**309,449,283**	**296,271,365**	**325,898,502**	**358,488,352**
	SUB TOTAL (SECTOR)			**309,449,283**	**296,271,365**	**325,898,502**	**358,488,352**

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2017/2018	CFSP CEILINGS	PROJECTIONS	
				2018/2019	2019/2020	2020/2021
6	Health					
6.1		**Health Services**				
		Compensation to Employees	3,419,797,571	3,548,463,051	3,903,309,356	4,293,640,292
		Other Recurrent	1,449,010,880	1,343,940,077	1,478,334,085	1,626,167,493
		Development Gross	1,092,518,634	583,015,883	641,317,471	705,449,218
		Sub Total	**5,961,327,085**	**5,475,419,011**	**6,022,960,912**	**6,625,257,003**
	SUB TOTAL (SECTOR)		**5,961,327,085**	**5,475,419,011**	**6,022,960,912**	**6,625,257,003**
7	**Public Administration and National/ Inter County Relations**					
7.1		**Office of the Governor and Deputy Governor**				
		Compensation to Employees	64,058,110	55,692,608	61,261,869	67,388,056
		Other Recurrent	106,495,459	111,820,232	123,002,255	135,302,481
		Development Gross	60,814,589	63,855,318	70,240,850	77,264,935
		Sub Total	**231,368,158**	**231,368,158**	**254,504,974**	**279,955,471**
7.2		**County Treasury**				
		Compensation to Employees	474,426,401	453,366,168	498,702,785	548,573,063
		Other Recurrent	485,096,779	426,528,878	469,181,766	516,099,943
		Development Gross	175,521,521	1,709,730,000	1,880,703,000	2,068,773,300
		Sub Total	**1,135,044,701**	**2,589,625,046**	**2,848,587,551**	**3,133,446,306**
7.3		**Public Service Management**				
		Compensation to Employees	484,945,039	507,761,022	558,537,125	614,390,837
		Other Recurrent	231,652,220	253,545,358	278,899,894	306,789,884
		Development Gross	23,914,162	100,000,000	110,000,000	121,000,000
		Sub Total	**740,511,421**	**861,306,381**	**947,437,019**	**1,042,180,721**

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2017/2018	CFSP CEILINGS	PROJECTIONS	
				2018/2019	2019/2020	2020/2021
7.4		**County Public Service Board**				
		Compensation to Employees	31,914,125	24,397,167	26,836,884	29,520,572
		Other Recurrent	15,380,000	20,732,025	22,805,227	25,085,750
		Development Gross	-	908,376	999,214	1,099,135
		Sub Total	**47,294,125**	**46,037,568**	**50,641,324**	**55,705,457**
7.5		**County Assembly**				
		Compensation to Employees	457,518,426	315,518,426	347,070,269	381,777,295
		Other Recurrent	602,312,940	592,312,940	651,544,234	716,698,657
		Development Gross	324,062,059	6,544,659	7,199,125	7,919,037
		Sub Total	**1,383,893,425**	**914,376,025**	**1,005,813,628**	**1,106,394,990**
	SUB TOTAL (SECTOR)		**3,538,111,830**	**4,642,713,178**	**5,106,984,496**	**5,617,682,945**
	TOTAL	**Total Compensation to Employees**	6,007,518,408	6,057,711,905	6,615,083,095	7,276,591,405
		Total Other Recurrent	3,758,165,957	3,596,590,986	3,730,970,084	4,104,067,093
		Total Development Gross	5,898,677,667	4,145,848,241	4,537,776,271	4,991,553,898
		GRAND TOTAL	**15,664,362,031**	**13,800,151,131**	**14,883,829,451**	**16,372,212,396**

Annex IV: Total Recurrent Expenditure Ceilings for the Period 2018/2019-2020/2021

VOTE	Source of Funding	APPROVED ESTIMATES 2017/2018	CFSP CEILINGS 2018/2019	PROJECTIONS	
				2019/2020	2020/2021
Office of the Governor and Deputy Governor	**Gross Allocation**	**170,553,569**	**167,512,840**	**184,264,124**	**202,690,537**
	Local Revenue		41,878,210	46,066,031	50,672,634
	CRA Equitable Share		125,634,630	138,198,093	152,017,903
County Treasury	**Gross Allocation**	**959,523,180**	**879,895,046**	**967,884,551**	**1,064,673,006**
	Local Revenue		219,973,762	241,971,138	266,168,251
	CRA Equitable Share		659,921,285	725,913,413	798,504,754
County Public Service Board	**Gross Allocation**	**47,294,125**	**45,129,192**	49,642,111	54,606,322
	Local Revenue		11,282,298	12,410,528	13,651,580
	CRA Equitable Share		33,846,894	37,231,583	40,954,741
Public Service Management	**Gross Allocation**	**716,597,259**	**761,306,381**	**837,437,019**	**921,180,721**
	Local Revenue		183,289,215	201,618,137	221,779,950
	Conditional Grant		28,149,521	30,964,473	34,060,920
	CRA Equitable Share		549,867,645	604,854,410	665,339,851
Health	**Gross Allocation**	**4,868,808,451**	**4,892,403,128**	**5,381,643,441**	**5,919,807,785**
	Local Revenue		1,020,103,633	1,122,113,996	1,234,325,396
	AIA		559,392,500	615,331,750	676,864,925
	Conditional Grant		252,596,097	277,855,707	305,641,277
	CRA Equitable Share		3,060,310,898	3,366,341,988	3,702,976,187
Trade, Industrialization and Tourism	**Gross Allocation**	**121,620,285**	**151,271,365**	**166,398,502**	**183,038,352**
	Local Revenue		37,817,841	41,599,625	45,759,588
	CRA Equitable Share		113,453,524	124,798,876	137,278,764
Roads Public Works and Transport	**Gross Allocation**	**277,394,454**	**304,825,618**	**335,308,180**	**368,838,998**
	Local Revenue		76,206,405	83,827,045	92,209,749
	Conditional Grant			-	-
	CRA Equitable Share		228,619,214	251,481,135	276,629,248
ICT and E-Government	**Gross Allocation**	**50,261,135**	**59,576,071**	**65,533,678**	**72,087,046**
	Local Revenue		14,894,018	16,383,419	18,021,761
	CRA Equitable Share		44,682,053	49,150,258	54,065,284
Agriculture, Livestock and Fisheries	**Gross Allocation**	**490,763,654**	**478,337,934**	**526,171,727**	**578,788,900**
	Local Revenue		119,584,483	131,542,932	144,697,225
	CRA Equitable Share		358,753,450	394,628,795	434,091,675

VOTE	Source of Funding	APPROVED ESTIMATES 2017/2018	CFSP CEILINGS 2018/2019	PROJECTIONS	
				2019/2020	2020/2021
Lands, Physical Planning and Housing	**Gross Allocation**	**140,377,007**	**129,556,353**	**142,511,989**	**156,763,187**
	Local Revenue		32,389,088	35,627,997	39,190,797
	CRA Equitable Share		97,167,265	106,883,991	117,572,391
Education, Sports, Youth and Social Services.	**Gross Allocation**	**505,950,015**	**568,156,724**	**624,972,396**	**687,469,636**
	Local Revenue		142,039,181	156,243,099	171,867,409
	CRA Equitable Share		426,117,543	468,729,297	515,602,227
Environment, Water and Natural Resources	**Gross Allocation**	**356,709,864**	**308,500,873**	**339,350,961**	**373,286,057**
	Local Revenue		77,125,218	84,837,740	93,321,514
	CRA Equitable Share		231,375,655	254,513,221	279,964,543
County Assembly	**Gross Allocation**	**1,059,831,366**	**907,831,366**	**998,614,503**	**1,098,475,953**
	Local Revenue		226,957,842	249,653,626	274,618,988
	CRA Equitable Share		680,873,525	748,960,877	823,856,965
SUB TOTAL		**9,765,684,365**	**9,654,302,891**	**10,619,733,180**	**11,681,706,498**

Annex V: Total Development Expenditure Ceilings for the Period 2018/2019-2020/2021

VOTE	Source of Funding	APPROVED ESTIMATES 2017/2018	CFSP CEILINGS 2018/2019	PROJECTIONS	
				2019/2020	2020/2021
Office of the Governor and Deputy Governor	**Gross Allocation**	**60,814,589**	**63,855,318**	**70,240,850**	**77,264,935**
	Local Revenue		15,963,830	17,560,212	19,316,234
	CRA Equitable Share		47,891,489	52,680,637	57,948,701
County Treasury	**Gross Allocation**	**175,521,521**	**1,709,730,000**	**1,880,703,000**	**2,068,773,300**
	Local Revenue		427,432,500	470,175,750	517,193,325
	CRA Equitable Share		1,282,297,500	1,410,527,250	1,551,579,975
County Public Service Board	**Gross Allocation**	**-**	**908,376**	999,214	1,099,135
	Local Revenue		227,094	249,803	274,784
	CRA Equitable Share		681,282	749,410	824,351
Public Service Management	**Gross Allocation**	**23,914,162**	**100,000,000**	**110,000,000**	**121,000,000**
	Local Revenue		25,000,000	27,500,000	30,250,000
	CRA Equitable Share		75,000,000	82,500,000	90,750,000
Health	**Gross Allocation**	**1,092,518,634**	**583,015,883**	**641,317,471**	**705,449,218**
	Local Revenue		10,000,000	11,000,000	12,100,000
	AIA		51,657,500	56,823,250	62,505,575
	Conditional Grant		491,358,383	540,494,221	594,543,643
	CRA Equitable Share		30,000,000	33,000,000	36,300,000
Trade, Industrialization and Tourism	**Gross Allocation**	**187,828,998**	**145,000,000**	**159,500,000**	**175,450,000**
	Local Revenue		36,250,000	39,875,000	43,862,500
	CRA Equitable Share		108,750,000	119,625,000	131,587,500
Roads Public Works and Transport	**Gross Allocation**	**1,915,900,856**	**590,847,131**	**649,931,844**	**714,925,029**
	Local Revenue		85,500,000	94,050,000	103,455,000
	Conditional Grant		248,847,131	273,731,844	301,105,029
	CRA Equitable Share		256,500,000	282,150,000	310,365,000
ICT and E-Government	**Gross Allocation**	**10,630,912**	**86,000,000**	**94,600,000**	**104,060,000**
	Local Revenue		21,500,000	23,650,000	26,015,000
	CRA Equitable Share		64,500,000	70,950,000	78,045,000
Agriculture, Livestock and Fisheries	**Gross Allocation**	**143,185,371**	**221,665,424**	**243,831,966**	**268,215,163**
	Local Revenue		42,916,356	47,207,991	51,928,791
	Conditional Grant		50,000,000	55,000,000	60,500,000
	CRA Equitable Share		128,749,068	141,623,974	155,786,372

VOTE	Source of Funding	APPROVED ESTIMATES 2017/2018	CFSP CEILINGS 2018/2019	PROJECTIONS	
				2019/2020	2020/2021
Lands, Physical Planning and Housing	**Gross Allocation**	**314,821,615**	**284,321,615**	**312,753,777**	**344,029,154**
	Local Revenue		71,080,404	78,188,444	86,007,289
	CRA Equitable Share		213,241,211	234,565,332	258,021,866
Education, Sports, Youth and Social Services.	**Gross Allocation**	**879,111,780**	**133,397,085**	**146,736,794**	**161,410,473**
	Local Revenue		21,399,271	23,539,198	25,893,118
	Conditional Grant		47,800,000	52,580,000	57,838,000
	CRA Equitable Share		64,197,814	70,617,595	77,679,355
Environment, Water and Natural Resources	**Gross Allocation**	**770,367,171**	**220,562,750**	**242,619,025**	**266,880,928**
	Local Revenue		55,140,688	60,654,756	66,720,232
	CRA Equitable Share		165,422,063	181,964,269	200,160,696
County Assembly	**Gross Allocation**	**324,062,059**	**6,544,659**	**7,199,125**	**7,919,037**
	Local Revenue		1,636,165	1,799,781	1,979,759
	CRA Equitable Share		4,908,494	5,399,344	5,939,278
SUB TOTAL		**5,898,677,667**	**4,145,848,241**	**4,560,433,065**	**5,016,476,371**

Annex VI: Sector Composition and Sector Working Groups for MTEF Budget 2018/2019-2020/2021

CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)	SECTOR	SECTOR COMPOSITION (S)
General Public Services	Public Administration and National/Inter County Relations	Office Of The Governor And Deputy Governor
		County Public Service Board
		Finance And Economic Planning
		Public Service Management
		County Assembly
Recreation, Culture and Social Protection	Social Protection, Culture and Recreations	Dept. Of Culture, Dept. Of Sports Dept. Of Social Services
Education	Education	Dept. Of Education
Economic Affairs	Agriculture Rural and Urban Development	Agriculture, Livestock And Fisheries
		Lands Physical Planning And Housing
	General Economics and Commercial Affairs	Trade, Tourism And Cooperatives
	Energy, Infrastructure and ICT	Roads, Public Works And Transport
		ICT And E-Government
Environment Protection	Environment Protection Water and Natural Resources	Environment, Water And Natural Resources
Health	Health	County Health Services
Macro Working Group	Macro Working Group	Department Of Finance And Economic Planning

Annex VII: Nakuru County Budget Calendar for the FY 2018/2019

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	**Performance Review and strategic planning**	**Treasury**	
	1.1 develop strategic plans	**Das**	
	1.2 prepare Annual Development Plans	"	
	1.3 Expenditure review	"	
	1.4 Preparation of annual Work plans	"	
2	**Develop and issue County budget guidelines**	**Treasury**	
3	**Launch of sector Working Groups**	**Treasury**	
4	**Annual Development Plan submitted to county assembly**	**Treasury**	
5	**Determination of Fiscal Framework.**	**Macro Working Group**	
	5.1 Estimation of Resource Envelop	**Treasury**	
	5.2 Determination of policy priorities	"	
	5.3 Preliminary Resource allocation to sectors, Assembly & Sub Counties	"	
	5.4 Draft County Budget Review and outlook paper (CBROP)	"	
	5.5 Submission and approval by cabinet	"	
	5.6 Tabling of CBROP TO County assembly	"	
	5.7 Circulate the Approved CBROP to Accounting Officers.	"	
	5.8 Capacity building for MTEF Programme Based Budget	"	
6	**Preparation of County Budget Proposals**	**Line Ministries**	
	6.1 Draft Sector Report	Sector Working Group	
	6.2 Submission of Sector Report to County Treasury	Sector Working Group	
	6.3 Review of the proposals	Macro Working Group	
7	**Stakeholders/Public participation**	**Treasury/DAs**	
8	**The 2017/2018 Supplementary Budget**		
	8.1 Develop and issue guidelines on the 2017/18 Revised Budget	County Treasury	
	8.2 Submission of supplementary Budget proposals	Das	
	8.3 Review of the supplementary Budget proposals	County Treasury	
	8.4 submission of supplementary budget proposals to cabinet	County Treasury	
	8.5 submission of supplementary Budget proposals to County Assembly	County Treasury	
9	**Draft County Fiscal Strategy paper(CFSP)**	**Macro Working Group**	
	9.1 Draft CFSP	Macro Working Group	
	9.2 Submission of CFSP to cabinet for approval	County Treasury	
	9.3 Submission of CFSP to County Assembly for approval.	County Treasury	
	9.4 Submission of Debt management strategy to County Assembly for approval.	County Treasury	

	ACTIVITY	RESPONSIBILITY	DEADLINE
10	**Preparation and approval of final DAs Programme Budgets**		
	10.1 Issue final guidelines on preparation of 2018/19 County Budget.	County Treasury	
	10.2 Submission of Budget proposals to Treasury	Line Ministries	
	10.3 Consolidation of the Draft Budget Estimates	County Treasury	
	10.4 Submission of Draft Budget Estimates for county government to County assembly	County Treasury	
	10.5 Review of Draft Budget Estimates by Departmental committee	County Assembly	
	10.6 Report on the budget and appropriation committee Draft Budget Estimates from County Assembly	County Assembly	
	10.7 Annual cash flow.	County Treasury	
	10.8 Submission of Appropriation Bill to County Assembly	County Treasury	
	10.9 Resolution of county assembly on Estimates and approval	County Treasury	
	Budget Statement	County Treasury	
	Appropriation Bill Passed	County Assembly	