

COUNTY GOVERNMENT OF NAKURU



COUNTY ASSEMBLY OF NAKURU

THE REPORT ON THE ESTIMATES OF REVENUE AND EXPENDITURE FOR
2018/2019 AND THE MEDIUM TERM

JULY, 2018

Introduction

Honorable Speaker, on behalf of the Members of the Budget and Appropriation Committee and as required under Article 131 of the Public finance management Act. I hereby present to the House, the Committee's Report on the 2018/19 County Budget estimates.

Honorable Speaker, the Budget and appropriation Committee as currently constituted comprises the following members

- | | |
|------------------------------------|----------------|
| 1. Hon. Moses Ndungu Kamau, M.C. A | Chairperson |
| 2. Joel Karuri Maina, M.C.A | Vice chair |
| 3. Jane Wangui Ngugi, M.C.A | |
| 4. Grace Wambui Mwathi, M.C.A | |
| 5. Josephat Githinji Murage, M.C.A | |
| 6. Stephen Ngethe Chege, M.C.A | |
| 7. Peter Kibe Mbae, M.C.A | |
| 8. Eddy Kirangu Wambui, M.C.A | |
| 9. Daniel Kiriethe Mwangi, M.C.A | |
| 10. Benard Kipketer Ngetich, M.C.A | |
| 11. Anthony Kiprono Rotich, M.C.A | |
| 12. Isaac Wahome Gathitu, M.C.A | |
| 13. Michael Njoroge Karanja, M.C.A | |
| 14. Samwel Kipkemoi Tonui, M.C.A | Deputy Speaker |
| 15. Peter Karanja Mburu, M.C.A | |

MANDATE OF THE COMMITTEE

The Budget and Appropriation Committee is established under standing order 189 and is mandated to:

- a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the County Budget;
- b) Discuss and review the estimates and make recommendations to the Assembly;
- c) Examine the County Fiscal Strategy Paper presented to the Assembly;
- d) Examine Bills related to the County Budget including appropriation Bills and;
- e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

The Budget and Appropriation Committee is further given legal backing under the Public finance Management Act, 2012 Article 131 (2) and the constitution article 224.

Pursuant to standing order 210 (3), upon being laid before the House the 2018/19 budget estimates were committed to each Sectoral Committee to consider, discuss and review the estimates according to its mandates and

submit its report and recommendations to the Budget and appropriation committee.

Honorable Speaker, pursuant to standing order 210(5), The Budget and Appropriation Committee discussed and reviewed the estimates and make recommendations to the Assembly taking into account the recommendations of the sectoral committees and the provisions of the article 131 of the Public Finance Management Act, 2012.

EXAMINATION OF THE 2018/2019 COUNTY BUDGET ESTIMATE

Honorable Speaker, as required by the Constitution and the Public Finance Management Act, the budget estimates and related documents for the County Executive and the County Assembly were submitted to the County Assembly on 30th April 2018.

In reviewing the 2018/2019 County Budget estimates, the Committee took into considerations the views of the County Executive Committee member for finance and the public in accordance to Article 131 (2) of the Public Finance Management Act, 2012.

The Committee also held public hearings with the general public in line with Article 87 (b) of the County government Act, 2012 and Article 131(2) of the public finance management Act, 2012. These Public Hearings were held in the eleven sub counties namely; Gilgil, Naivasha, Kuresoi North, Kuresoi

South, Molo, Njoro, Bahati, Nakuru East, Nakuru West, Rongai and Subukia.

ACKNOWLEDGEMENT

Honorable Speaker,

The committee expresses its gratitude to members of the public who took time out of their busy schedules to participate in the consultations and those who submitted memorandum, your views, contributions and proposal have been taken into account in this report

The Committee wishes to thank the Office of the Speaker and the Clerk of the County Assembly for the support extended to it in the execution of its mandate as well as to the Members of County Assembly who participated in the process.

Honorable Speaker, the Committee is also grateful to the County Executive Committee member for finance, the Chief officer and his team from the County Treasury who appeared during the review process of the 2018/2019 county budget estimates as well as the Budget Secretariat for the support

received as it discharged its mandate of examining the 2018/19 County Budget estimates.

Honorable Speaker,

It is therefore my pleasant duty and privilege, on behalf of the Finance, Budget and Appropriation Committee to table this Report and recommend it to the House for adoption.

Signed

HON. MOSES NDUNGU KAMAU, M.C. A
CHAIRMAN, BUDGET AND APPROPRIATION COMMITTEE
Date: 1st August, 2018.

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Overview

1. **Honorable Speaker,** This is the sixth budget estimates to be prepared under devolved system of governance and it inaugurate the strategic priorities, policy goals and development agenda for the second county government.
2. **Honorable Speaker,** this budget is anchored on the agenda for a better county social economic conditions in the next five years is based on the priority focus of the 2nd CIDP 2018-2022, national development agenda espoused in the III Medium Term Plan 2018-2022 and the big four agenda as espoused in the 2018 budget policy statement
3. **Honorable Speaker,** the FY 2018 / 19 budget estimates is submitted in accordance to section 130 of the public finance management Act 2012 that require that the county treasury to submit the budget and other documents supporting the budget by 30th April every year.
4. **Honorable Speaker,** The county assembly must approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220 (2) of the Constitution, and in doing so it must be guided by Articles 201 and 203 of the Constitution.

5. **Honorable Speaker**, I wish to remind members that there are two key elements of budgets namely planning and control. Budgetary planning is the financial plan for the future whereas budgetary control is the use of the set budgets to monitor and control actual performance.

6. **Honorable Speaker**, I need not over emphasize that an effective budgetary planning and control process as every government relies heavily on budgets and budgetary systems to achieve strategic goals. Noting that the demand for public services and physical infrastructure in counties is growing steadily as populations increase coupled with a well-informed citizenry who are demanding quality service.

I. **LEGAL COMPLIANCE OF THE 2018 / 19 BUDGET**

7. **Honorable Speaker**, in reviewing the compliance of the 2018 / 19 Budget estimates to the provision of the public finance management Act 2012, the Committee established that the document had adhered to the legal threshold set out in the Act in the preparation of the Budget Estimates as most of the information required has been provided

8. However **Honorable Speaker**, there was no supporting documents and memorandum on how the resolutions adopted by the county assembly on the budget estimates have been taken into account pursuant to section 129 (2) (a)(b) and section 130 (1)(a)(iii) of the Public Finance Management Act, 2012.

9. **Honorable Speaker**, the county budget estimates submitted included all estimated expenditure, by Vote, and by programme, clearly identifying both recurrent and development expenditures in compliance with article 130 (b) (v) of the public finance management Act, 2012.

II. BUDGET FRAMEWORK FOR 2018/19 AND THE MEDIUM TERM

A. Key Highlights of the County Budget

B.

10. **Honorable Speaker**, the county in the financial year 2018/2019 have projected a total budget of Kshs. **15,002,324,825**. This is before the incorporation of the exchequer balances and attendant schedule of projects carried forward from FY 2017/18

- i. Compensation to employees Kshs. 6,114,384,646 (40.8) percent)
- ii. Recurrent expenditure Kshs. 3,696,096,341 (24.7 percent
- iii. Development expenditure Kshs. 5,191,843,763 (35 percent)

11. **Honorable Speaker**, the department of Health took the lion share of the county budget at 36.6 percent followed by the department of Roads, public works and transport at 10.8 percent, the county assembly at 8 percent and the county treasury at 9.5 percent.

III. Exchequer Balances and projects

12. **Honorable Speaker**, pursuant to section 135 (7) and 136 (1) of the public finance management Act, 2012. The county brought forward

exchequer balances in the county revenue fund and banks amounting to Kshs. 3,858,426,994.

13. Honorable Speaker, Included in this amount of Kshs. 3,858,426,994 is

- a. Facility improvement fund amount to Kshs. 217,713,287
- b. Equitable share amounting to Kshs. 2,995,476,303
- c. Kenya devolution support program amounting to Kshs. 26,100,839
- d. Agriculture sector support development and National agriculture rural inclusive growth amounting to Kshs. 22,333,550
- e. Conditional allocation for rehabilitation of youth polytechnics amounting to Kshs. 26,573,575
- f. Danida grant amounting to Kshs. 14,141,275
- g. Road maintenance levy fund amounting to Kshs. 345, 811,894

14. Honorable Speaker, the schedule for projects for all the ongoing projects and pending bill carried forward in the FY 2018/19 amount to Kshs. 4,630,167,704 consequently resulting into a deficit of Kshs. 1,112,240,710.

15. Honorable Speaker, the above deficit is attributable to local revenue underperformance amounting to Kshs. 817,029,150. I wish to remind this House that while the county local revenue target was Kshs. 2.5 billion, the actual revenue collected amounted to Kshs. 1,682,970,850

16. Honorable Speaker, pursuant to Section 107 and 131(3)(b) of the public finance management Act, 2012 the committee rationalized the FY 2018/19 budget estimates in order to ensure that we had a balanced budget. Specifically the released Kshs. 10 million each summing up to Kshs. 550 million, the county assembly reduced its development by Kshs. 30 million with the balance of Kshs. 532 million been borne by the county executive.

17. Honorable Speaker, The revised budget amounting to Kshs. 18,315,751,744 is shown in Annex 1 and comprises of

- i. Compensation to employees Kshs. 6,176,188,911 (33.7) percent)
- ii. Recurrent expenditure Kshs. 4,120,402,489 (22.5 percent)
- iii. Development expenditure Kshs. 8,024,060,344 (44.8 percent)

18. Honorable Speaker, it would have been difficult for county to have a balanced budget without foregoing some expenditure to offset the deficit. I wish to thank all the honorable members and the county assembly and the executive for demonstrating unity of purpose and commitment to propel this county forward.

19. Further Honorable Speaker, 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.

20. **Honorable Speaker,** 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.

IV. LINKING THE 2018/19 BUDGET WITH COUNTY FISCAL STRATEGY PAPER

21. **Honorable Speaker,** the County fiscal strategy paper is a document that sets out the broad strategic priorities and policy goals that guide the county in preparing her budgets for the coming financial year and in the medium term and also provides a valuable platform for a review of the efficiency of the fiscal policy in the light of emerging challenges and opportunities in the past years.

22. **Honorable Speaker,** section 129 (2)(b) of the PFM Act 2012 requires that the CEC finance ensure that the submitted budget are in accordance with the resolutions adopted by county assembly on the County Fiscal Strategy Paper and in this regard they should submit a memorandum by the County Executive Committee member for finance explaining how the resolutions adopted by the county assembly on the budget estimates have been taken into account

23. **Honorable Speaker,** the County Treasury complied with the county assembly resolutions on the approved county fiscal strategy paper 2018. However insignificant changes were noted in public service management whose recurrent was enhanced by 25 million, the county treasury that recorded a reduction of 25 million on its development expenditure.

24. **Honorable Speaker,** in line with the approved 2018 County fiscal strategy paper, This budget will focus more on completing the ongoing projects and programme, mainstreaming cross cutting issues in planning and sustainable development goals, building social and physical infrastructure, food security, governance and public sector reforms

25. **Honorable Speaker,** the committee is cognisant that the county expansionary model on infrastructure may not be sustainable over the medium term owing to the number of projects that despite of their completion are yet to be commissioned as result of constraint in recurrent budget and technical feasibility.

V. MACRO FRAMEWORK OF 2016/17 BUDGET

26. **Honorable Speaker,** 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.

27. In the domestic scene **Honorable Speaker**, 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.

28. **Honourable Speaker**, 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.

29. **Honourable Speaker**, 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.

30. Honourable Speaker, over the medium term, growth is projected to average around 7.0 percent due to investments in strategic areas under “The Big Four” Plan, namely: increasing the share of manufacturing sector to GDP; ensuring all citizens enjoy food security and improved nutrition by 2022; expanding universal health coverage; and constructing at least five hundred thousand (500,000) affordable housing units.

31. Honourable Speaker, The extension of the Standard Gauge Railways (SGR) Phase 2 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. These efforts will support the business environment, create jobs and ultimately promote broad based inclusive growth.

VI. FINANCING OF THE 2018/19 BUDGET

32. Honorable Speaker, the division of Revenue Act, 2018 shared the national revenues amounting to Kshs. 1,688,492,000,000 between the national government and the county government. The counties

are to receive a total allocation of Kshs. 372,741,930,770 (39.8 percent) which comprises of equitable share of Kshs. 314 billion and conditional allocations amounting to Kshs. 33, 241,930,770 with the balance as loans and grants

33. Honorable Speaker, 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.

34. Honorable Speaker, The total envisaged overall expenditure for FY 2018 /2019 as outlined in the 2018 county fiscal strategy paper is Kshs. 18,315,751,744

35. Honorable Speaker, The above county expenditure is to be financed from the following sources.

County financing

Balance in County Revenue Fund	3,858,426,994
LOCAL REVENUE	2,000,000,000
FIF	685,000,000
Donor Grants (DANIDA)	31,083,750
Kenya Devolution Support Program (KDSP)	60,282,958
National Agricultural and Rural inclusive growth Projects (NARIGP)	140,435,163
Conditional Fund -Kenya Urban Support Project(KUSP)	1,084,843,300
Conditional Allocation to compensate Forgone user fees	38,723,265
Conditional Fund -Leasing of Medical Equipment	200,000,000
Road Maintenance Fuel Levy Fund (RMFLF)	248,847,131
Conditional Allocation For Level- 5 Hospital	373,872,832
World Bank THS-UC Conditional allocation	95,036,351
Conditional Allocation for Rehabilitation of Youth Polytechnics	47,800,000

C.R.A Equitable Share	9,451,400,000
SUB TOTAL	18,315,751,744

36. **Honourable Speaker**, the FY 2018/19 will be financed from a projected local revenue collection including facility improvement fund of Kshs. 2,685,000,000, conditional grants amounting to Kshs. 2,320,924,750 and equitable share amounting to Kshs. 9,451,400,000 and balance in the county revenue fund amounting to Kshs. 545,000,000.

37. **Honourable Speaker**, the equitable share grew by 1.59 percent (148,265,424 similarly the Road maintenance Fuel levy fund (RMLF) by Kshs. 3,934,631 (1.61 percent). The local collection projection has been reduced by 20 percent from 2.5 billion to 2.0 billion. The county revenue growth amounting to Kshs. **1,058,802,077** is attributable to the introduction of conditional allocation that did not exist in FY 2017/18 as shown in the table follows

Growth in Revenue

	2018/19	2017-18	2016-17	2015-16	2014-15
Balance in County Revenue Fund					
Local Revenue	2,000,000,000	2,500,000,000	2,597,264,658	2,361,149,689	2,055,590,591
FIF	685,000,000	611,050,000	605,000,000	550,000,000	500,000,000
Donor Grants (DANIDA)	31,083,750	12,630,000	12,630,000	22,880,000	
Kenya Devolution support program (KDSP)	60,282,958	37,028,227	37,028,227		
Loans and Grants CRA		-	-		88,000,000
Conditional Allocation to compensate forgone user fees	38,723,265	38,723,265	39,216,180	37,373,449	
Conditional Fund Leasing of Medical Equipment	200,000,000	95,744,681	95,744,681	95,744,681	
Conditional Fund Free Maternal Health		145,995,158	215,283,613	219,627,800	

Road Maintenance Fuel Levy Fund	248,847,131	244,912,500	134,560,844	103,104,393	
National Agricultural and Rural inclusive growth Projects (NARIGP)	140,435,163				
Conditional Fund -Kenya Urban Support Project(KUSP)	1,084,843,300				
World Bank THS-UC Conditional allocation	95,036,351				
Conditional Allocation for Rehabilitation of Youth Polytechnics	47,800,000	35,431,434			
Conditional Allocation For Level- 5 Hospital	373,872,832	373,872,832	356,069,364	377,193,143	620,000,000
C.R.A Equitable Share	9,451,400,000	9,303,134,576	8,757,624,645	8,116,330,943	6,290,337,606
SUB TOTAL	14,457,324,750	13,398,522,673	12,850,422,212	11,883,404,098	9,553,928,197
NET CHANGE	1,058,802,077	548,100,461	967,018,114	2,329,475,901	-

1.

B. Highlights on Conditional allocations

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

38. **Honorable Speaker,** 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 substantial, it's important to note that it's less than half of what the facility requires to enable it provide optimal health services.

39. **Honorable Speaker,** 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

40. **Honorable Speaker,** 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

41. **Honorable Speaker,** 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

42. **Honorable Speaker,** 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**

43. **Honorable Speaker,** 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.

44. **Honorable Speaker,** 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.

Kenya Urban Support Programme (KUSP);

45. **Honorable Speaker,** 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;

46. **Honorable Speaker,** *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.

47. Honorable Speaker, *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. The county has two municipalities that will participate i.e Nakuru and Naivasha.

The National Agricultural and Rural Inclusive Growth project (NARIGP)

48. Honorable Speaker, 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.

C. Local Revenue strategies

49. Honorable Speaker, 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.

50. Honorable Speaker, 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.

51. Honorable Speaker, the county have never achieved her local revenue targets as shown in the table below.

LOCAL REVENUE PERFORMANCE FROM 2012/13 - 2017/18

FY	Budgeted Target	Actual Local Revenue	Variance (deficit)	percent performance
2012/13	998,164,474	1,301,084,388.00	302,919,914.00	130%
2013/14	2,554,738,273	1,372,049,460.00	(1,182,688,813.00)	54%
2014/15			(458,744,061.00)	78%

	2,059,164,349	1,600,420,288.00		
2015/16	2,361,149,689	1,780,654,967.00	(580,494,722.00)	75%
2016/17	2,597,264,258	1,555,180,152.00	(1,042,084,106.00)	60%
2017/18	2,500,000,000	1,682,970,850	(817,029,150)	67.3 %

D. Deficit Financing Policy

52. Honorable Speaker, The County Government target to have a balanced budget and the Medium-Term Debt Strategy Paper 2018 was prepared outlining the various strategies to manage county future borrowing.

53. Honorable Speaker, 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 Kshs. 4.1 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 3.1billion

54. Honorable Speaker, 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 coupled with the resultant court awards from lost cases. This notwithstanding, there has been Late or non-remittance of statutory deductions to KRA attracting interest and penalties

55. **Honorable Speaker**, it is in the interest of the government that county expenditures be limited to county estimates which should be commensurate with revenue collections, share of the national revenue and from other sources. Therefore, the county will not run into deficits while drawing budget because the budget will be supported by prerequisite revenue

56. **Honorable Speaker**, The county government is directed to 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.

VII. BUDGET HEARINGS AND CONSULTATIONS

A. Priority areas from Public Hearings

B.

57. **Honorable Speaker**, the budget committee in compliance to section 125 of the public finance management Act, 2012, section 91 (c) of the county government Act, 2012 and article 201 of the constitution 2010 conducted public participation on the FY 2018/19 budget estimates between 3rd and 5th July 2018 in the eleven sub counties.

58. **Honorable Speaker**, during the public hearings and consultations the public decried the slow project implementation. In this regard they recommended that project should be initiated early enough to ensure timely completion.

59. **Honorable Speaker**, the following is a highlight from the concerns raised by the members of public during the just concluded budget estimates public participations

1. **Infrastructure**

60. **Honorable Speaker**, the public raised concerns with the poor state of roads across the county and proposed that the county should set aside adequate budgetary provision to upgrade them to all weather road particularly in the agricultural zones to enable farmers access market for their produce.

61. The county residents **Honorable Speaker**, raised concerns with the county poor drainage systems which was overwhelmed during the June heavy rains resulting into destruction of property and the road infrastructure.

62. Many residents **Honorable Speaker** were concerned that despite the county having installed highmast streetlight across the county, only a number were functional owing to their neglect and lack of routine maintenance. This situation has aggravated the state security in numerous areas in the county.

Youth, culture and Social Service

63. The youths **Honorable Speaker**, decried the delay by the county in supporting their initiatives especially with regard to nurturing the local talents especially creative Arts and sports

64. **Honorable Speaker**, the youth recommended that the county prioritise the renovation of the Nakuru players theatre and initiates suitable programs to promote artistic talents that's includes training, workshops, organizing exchange programs and promotion of cultural events across the county.

2. Health

65. **Honorable Speaker**, the public pointed out that some hospitals and dispensaries especially in the interior areas lacked sufficient personnel, laboratories, maternity, drugs to attend to the sick. In this regard they recommended that the county address this concerns

VIII. KEY PRIORITY AREAS IN THE 2018/19 BUDGET

66. **Honorable Speaker**, 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.

1. Infrastructure

67. **Honorable Speaker**, The infrastructure consists of the subsectors of Roads, Public Works and Transport with a vision of providing a world class development in physical infrastructure and specifically target to provide efficient, affordable and reliable infrastructure for

sustainable economic growth and development through construction, modernization, rehabilitation and effective management of all infrastructure facilities.

68. Honorable Speaker, the importance of a well developed infrastructure cannot be gainsaid. Good 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.

69. Honorable Speaker, over the 2018/19 MTEF, The sector will focus on upgrading the county infrastructure by ensuring that the county has sufficient road construction machinery by purchasing a D28 Dozer, Tippers, 3 Rollers, 1 excavator, 1 wheel loader and low loader, Rural Electrification, Renewable Energy Resources including solar driven street lighting.

2. Agriculture, Rural and Urban Development Sector

70. Honorable Speaker, 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 Agricultural Training Centre, Soilo.

71.Honorable Speaker, the Sector goal is to attain food security, sustainable land management, and development of affordable housing and urban infrastructure. The sector contributes approximately 27 percent to GDP through linkages with manufacturing, distribution and other service related sectors.

72. Honorable Speaker, multi-sectorial strategies will be employed to increase the productivity and maximize earnings in this sector and specifically aim to deliver 10 percent economic growth.

73. Honorable Speaker, the sector will prioritize the creation of an 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. The county will also seek to complete the spatial plan and valuation rolls to guide in county physical planning.

74. Special attention Honorable Speaker will be focused towards planting material support especially for cash crops with a focus of raising agricultural productivity, value addition and adoption of new technologies and construction of milk processing center which includes

coolers and pasteurizers, restocking of fish in lakes within the county.

75. **Honorable Speaker,** The County is in agreement with a private investor to construct the Egerton agricity industrial park. In this regard the County is urge to furnish the county assembly with the said agreement and the policy document in support of the proposed Egerton Agricity industrial park

3. Environment Protection, Water and Natural resources

76. **Honorable Speaker,** The sector is composed of Environment, Water and Natural Resources and is mandated to address Environmental policy management including management of health conditions and health and safety in mines, resources surveys, and policy formulation on extractive industry, forest resources management, water resources management and sewerage services policy. It also includes conservation and protection of water wells and springs.

77. **Honorable Speaker,** in the period FY 2018/19 the sector seeks 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.

78. Honorable Speaker, in the FY 2018/19, The sector specific projects includes purchase dumpsites, promote beautification, tree planting and climate change mitigation in county parks noting that rehabilitation of Nakuru Lions garden has been a success story which was done in partnership with Safaricom under the climate change mitigation project, purchase of garbage skips and loaders, desilting, drilling and rehabilitation of water sources,

B. Education, Youth and ICT Sector

79. This sector is composed of Education and Information and Communications Technology and E-Government.

80. Honorable Speaker, since inception of devolved system of governance, the county has completed the construction of 827 ECDE classrooms across the county. In the FY 2017/18 the county assembly approved the recruitment on contract of 350 ECDE teachers to operationalize this ECDE.

81.Honorable Speaker, during the period 2018/19 the county allocated 81 million for payment of ECDE teachers and will also target to

improve the learning environment through equipping of ECDE centres across the county, introduction of school feeding program in order to enhance the health and nutrition status of ECDE children and rehabilitation of youth polytechnics and construction of vocational training centre,

82. Honorable Speaker, the county has had a successful bursary program in assisting bright and needy student continue with their education. During the FY 2018/19 the county intends to sustain the bursary program by allocating Kshs. 125 million.

83. Honorable Speaker, included in the 125 million bursary is an amount of Kshs. 110 million bursary for the 55 ward, this translating into Kshs. 2 million per ward, Kshs. 4 million enhancement of bursary kitty for Olkaria ward and Kshs. 1 million additional bursary for Elementaita ward and Kshs. 10 million bursary reallocation from the office of the Governor and Deputy Governor.

84. Honorable Speaker, the ICT sub sector will in FY 2018/19 target to establish a call centre at the county headquarter, setting up of wide area network and local area network in county offices, development of an enterprise resource planning focused on electronic cabinet solution, disaster management, revenue management and human resource.

C. Culture, Social services and sports

85. **Honorable Speaker,** 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.
86. **Honorable Speaker,** During the medium term period 2018/19, FY2019/20 and FY2020/21 the sector will continue to focus on the delivery of the sector priorities and in particular those aimed at improving livelihood of vulnerable groups
87. **Honorable Speaker,** the county will specifically target the orphans and vulnerable children, establishing and equipping a cultural centre and gender based violence centres, the elderly by expansion new rooms alms house and persons with disability through County Programmes geared towards achieving the same and nurturing of sports talents through development of sports and construction and rehabilitation of social halls and stadia

1. Health

88. **Honorable Speaker,** The sector aims at promoting and participating in the provision of integrated and high-quality curative, preventive and rehabilitative services that is equitable, responsive, accessible and accountable to county.
89. **Honorable Speaker,** The health sector plays a vital role in ensuring the wellbeing of the citizens and is not without challenges.

The sector faces numerous challenges, which include:

- i. New epidemics e.g. Marburg, 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 responsibility of the county government.
- vi. Inadequate and aging workforce.

90. **Honorable Speaker**, in the medium term, FY2018/19, the sector will continue 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. Special attention in this sector **Honorable Speaker**, will focus on purchase and replacement of cemetery land that are full

91. **Honorable Speaker**, the sector in the spirit of bridging the workforce shortage, recruited on contract 327 health workers to enhance health care in the county hospitals. My committee in cognizance of the critical role of these officers have provided adequate fund.

2. General Economics and Commerce Affairs Sector

92. **Honorable Speaker,** The General Economic and Commercial Affairs (GECA) Sector comprises of Trade, Tourism and Industrialization and plays a significant role towards achievement of the Vision 2030 and Sustainable Development Goals (SDGs) through trade, tourism and investments to enhance economic growth
93. **Honorable Speaker,** The sector contributes significantly to the overall county 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.
94. **Honorable Speaker,** over the medium term, the sector will focus on promoting growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development.
95. **Honorable Speaker,** 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.

3. Public Administration and International relations

96. **Honorable Speaker,** 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.

97. **Honorable Speaker,** 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 Sustainable development goals 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

98. **Honorable Speaker,** in order for the county to upscale her efficiency, there needs to recruit experienced technical officers to direct policy formulation and implementation at the department level. in order to therefore enhance service delivery, the county is advised to ensure that departments are headed by substantive officers

a) **County Assembly**

99. **Honorable Speaker**, 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.

100. The county Assembly iam pleased to note **Honorable Speaker**, have adhered to the set recurrent ceiling of Kshs. 969,538,825 as set out in the county allocation of revenue Bill 2018.

101. My committee **Honorable Speaker** have ensured that the Honorable members will be facilitated in their constitutional mandates of legislation, representation and oversights and to ensure that we build the capacity of the members, sufficient funds have been set aside for specifically to the members both training and development and for benchmarking tours both local and international.

102. Further **Honourable Speaker**, the committee also considered the assembly need to effectively participates in the forthcoming CASA games and allocated an additional Kshs. 3,000,000 for games

MEDIUM TERM SPENDING PRIORITIES

103. **Honorable Speaker**, 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.

104. Honorable Speaker, 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.

105. Honorable Speaker, The committee received recommendations from the various departmental including the county treasury on the proposed budgetary allocation to various sectors as contained in the FY 2018/19 budget estimates, my committee have taken into account the views of the sectoral departments and committee in this report.

Key polices and project in FY 2018/19 includes;

- i. The County will allocates the ward resource envelope amounting to Kshs. 1.1 billion ie . Kshs. 20 million in every
- ii. An emergency provision of Kshs. 57,250,000
- iii. The county will set aside Kshs. 189,730,000 for debt resolution.
- iv. In addition compensation to employee is expected reach Kshs. 6,057,711,905 in FY 2018/2019 (40.5 percent of the budget)
- v. Further allocation for use of good and services is expected to reach to approximately Kshs. 4.12 billion in FY 2018/2019.

- vi. The department of Health continues to take the lion share of the total budget at 36.7 percent of the total budget in FY 2018/2019.
- vii. Capital expenditure is expected to rise to Ksh 8.02 billion
- viii. Construction of County Treasury building at Kshs. 40 million
- ix. Development of Revenue Management System at Kshs. 40 million
- x. Construction of sub county offices at 41.6 millions
- xi. Purchase of cemetery land at Kshs. 22.03 million
- xii. Construction and Rehabilitation of Markets at Kshs. 80 million
- xiii. Purchase of coolers, Pasteurizers and milk ATM's at 20 million
- xiv. Provision for Construction & Rehabilitation of County Major Urban Roads amounting to Kshs. 45 million
- xv. Purchase of dozer, tippers, rollers, excavators and low loader amounting to Kshs. 171 million.
- xvi. Provision for Construction of Storm water Drains amounting to Kshs. 20 million

- xvii. Provision for purchase of fire engines amounting to Kshs. 50 million
- xviii. Wide Area Network (WAN) Connectivity at County HQ, Regional Coordinator's Complex, All Sub-counties, Department of Infrastructure , Department of Lands, Housing & Physical Planning, Subukia Digital Centre, Kuresoi South Digital Centre, amounting to 10 million
- xix. Planting material support for coffee, tea, avocado and macadamia amounting to Kshs. 31,966,170
- xx. Provision for development and completion of spatial Plan amounting to 51,121,615 and preparation of valuation roll of kshs. 5 million
- xxi. Development of Urban centres amounting to Kshs. 15 million
- xxii. Provision for Mapping and surveying of kshs. 50,200,000
- xxiii. Construction of Resource and Training centre-Nakuru VTC amounting to 10 million
- xxiv. Enhanced care and support of the elderly through expansion of new rooms at Alms house amounting to Kshs. 6 million
- xxv. Establishing and equipping of a Gender Based Violence Centre amounting to 5 million

- xxvi. Nurturing of sports talents through Development of sports centres amounting to Kshs. 20 million
- xxvii. Allocation for provision of water to water companies and purchase of equipment amounting to 29 million
- xxviii. Purchase of dumpsite at Kshs. 15 million
- xxix. Completion of desilting of Storm Water retention Pond at Old Town treatment Works at Kshs. 5 million
- xxx. Climate change mitigation amounting to Kshs. 10 millions
Other includes
- xxxi. Bursary of Kshs. 110 million
- xxxii. Ward sports of Kshs. 27.5 million
- xxxiii. Disability allocation of Kshs. 27.5 million
- xxxiv. Climate change mitigate of Kshs. 10 million
- xxxv. Staff mortgage fund of Kshs. 80 million for use by the county executive and the county assembly

IX. ADJUSTMENTS AND REALLOCATIONS IN THE 2018/19 BUDGET

- 106. Honorable Speaker,** in the 2018/2019 budget estimates, financial prudence has been the guiding principle to ensure that the county only budget for amount that are realizable in the year.

107. Honorable Speaker, pursuant to the urban areas and cities Act, 2011 and eligibility criteria set out in the Kenya urban support programme, the committee has allocated Kshs. 6,740,084 for setting up municipal board in Nakuru and Naivasha Town.

108. The committee has allocated Kshs. 30 million for Construction of official residence for the Deputy Governor. This is in compliance to Kenya Gazette No. 89 vol. CXIX of 7th July, 2017 on the remuneration and benefits for state officers in county government and salaries and remuneration commission circular that advised that county prioritize funds for the official residence for the Governor and deputy governor.

109. The committee has allocated an additional Kshs. 105 million in the rehabilitation of Rural Roads for acquisition of machinery as follows;

- i. Purchase of 5 No. Tippers at Kshs. 40,000,000
- ii. Purchase of 1 No. grader at Kshs. 15,000,000
- iii. Purchase of 3No. excavators at Kshs. 42,000,000
- iv. Purchase of 1No. Roller at Kshs. 8,000,000

Honorable Speaker, this bring the total machinery to Kshs. 171 million.

110. Honorable Speaker, the committee considered and allocated Kshs. 53,890,000 for the renewal of contracts for the health workers on contracts

111. The committee has allocated Kshs. 9,600,000 as non-practicing allowances for the health workers from the defunct local authorities.
112. The committee also allocated an additional Kshs.10 million for casual workers in county market in the department of environment, water and natural resources and reallocated Kshs.5, 000,000 from the department of trade. **Honorable Speaker**, this allocation with the understanding that casuals in the department of Trade will be managed in the department of environment.
113. **Honorable Speaker**, the committee also enhanced the allocation for the county investment conference by Kshs. 7 million and allocated additional Kshs, 5 million for revenue mapping in the department of trade.
114. The committee allocated Kshs. 42 million for replacement of exited staff in the department of agriculture, this include reallocation between department amounting to Kshs. 19 million and the department retirement saving amounting to Kshs. 23 million.
115. The fuels and lubricant for the department of infrastructure was enhanced by Kshs. 15 million to Kshs, 44 million
116. Allocation for promotions in the department of health amounting to Kshs. 81,341,520, health workers staff uniform amounting to Kshs. 1,120,000 and promotions arrears due to health workers amounting to Kshs. 3,201,394

X. OTHER RECOMMENDATIONS

117. **Honorable Speaker**, we urge the county to ensure that there is proper linkage between planning and budgeting.
118. The county is advised that issuing of AIEs and procurement of development projects to commence in the first quarter of FY 2018/19 noting that the FY 2017/18 projects and other ongoing projects are behind schedule consequently resulting into a huge outcry at the mashinani
119. The county treasury is advised to formulate strategies and cooperate with all relevant stakeholders in realizing the local revenue target
120. There is need to stem the skyrocketing wage bill by ensuring that the county adapt effective human resource planning strategies and restricting recruitment to critical services only.

J beg to move