REPUBLIC OF KENYA

THE GOVERNMENT OF THARAKA NITHI COUNTY

A Prosperous, Industrialized and Cohesive County

FIFTH

COUNTY FISCAL STRATEGY PAPER

Sustaining Development for Economic Transformation

FEBRUARY 2018

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Vision

A prosperous, industrialized and cohesive County

Mission

Enhance sustainable socio-economic growth and optimal utilization of resources

Core Values

As Tharaka Nithi County, we are committed to championing these core values as the guiding codes for our operations:

Integrity

Straightforwardness, ingenuousness, honesty and sincerity are an integral part of our undertakings which we shall firmly adhere to in every duty to our society.

Inclusiveness

We believe in equity and equality. As a County we do not regard status or personal preferences but approach our work as guided by principles of fairness and non-bias. People from diverse backgrounds or communities are involved in the County development and we incorporate the needs, assets, and perspectives of communities into the design and implementation of county programs.

Citizen-focused

We consistently endeavor to create enduring relationships with our citizens; in so doing our approach goes beyond standard citizen participation principles and makes their input an integrated, formalized part of setting county projects/program goals, performance measures, and standards.

Creativity & Innovativeness

We thrive on creativity and ingenuity. We seek the innovations and ideas that can bring a positive change to the County. We value creativity that is focused, data-driven, and continuously-improving based on results.

Transparency and Accountability

We will remain accountable to our stakeholders and will acknowledge responsibility for our actions and decisions. Thus we shall always endeavour to be transparent, answerable and liable at all times.

Team work

Every person is important and has a part in county development. We endeavour to build a workplace environment that cultivates person's uniqueness, encourages staff participation, collaboration and integration of diverse skills and capabilities

Forward

In this County Fiscal Strategy Paper (CFSP) we outline broad strategic priorities and policy goals of County Government for implementation in financial year 2018/2019 and the Medium Term. The sustaining development for economic transformation strategy aims at spurring the economic growth of the county through: (1) investment in infrastructure especially roads and rural electrification; (2) embracing transformative agricultural practices; (3) creating conducive environment for business; (4) continued investment in social services; (5) ensuring accessible healthcare services; and (6) enhancing devolution by decentralizing services to lower units. This paper sets out the priority programs that the County Government is implementing in the Medium Term.

Comment [M1]: Culture, education, sports, gender and youth empowerment, etc

The expenditure policy framework in the medium term aims at ensuring efficiency and effectiveness in the implementation of our development policies. As outlined in the previous CFSP 2017, this paper is part of efforts by County Treasury to link policy with planning and budgeting by embracing reforms in the expenditure and financial management and containing growth of non-priority expenditures in order to create fiscal space for financing priority policy areas such as the healthcare, agriculture and physical infrastructure, which are key to sustainable economic growth and ultimate development.

As a result, significant progress will be realized in terms of linking policies, planning and budgeting and shifting budgetary resources to priority areas, though the process continues to face some challenges. The County Government will continue to address emerging issues, which include: (i) redesigning programmes and projects to eliminate redundancies; (ii) strengthening links between recurrent and development expenditures; and (iii) increasing funding to decentralized and lower units, with a view to improving the linkage between expenditure and results.

In line with the need to achieve these county's objectives, the County Fiscal Strategy Paper (2018 CFSP) draws priorities from the Governor's manifesto, CIDP, MTP II of Vision 2030 and departmental strategic plans.

Therefore, this County Fiscal Strategy Paper focuses on: (i) Poverty eradicating expenditures in support of CIDP priorities, (ii) increasing capital expenditure by optimizing recurrent expenditure, and (iii) investing in public finance management reforms in areas such as public expenditure management, accountability, governance and transparency providing a conducive environment for private sector investment.

The fiscal framework included in this 2018 CFSP outlines an affordable and sustainable path of public spending aimed at achieving Government's medium-term development priorities.

Finally, I would like to express my gratitude to all those who are participating in this year budget process at various stages by providing valuable comments, information and positive criticism that has seen us improve over time. Specifically, I convey my appreciation to staff of various dockets, Members of County Assembly, the private sector, civil society, and the members of public who have so far participated in the budget process in FY 2017/18.

Naivasha, I.K. Dorothy
CEC MEMBER FOR FINANCE & ECONOMIC PLANNING

Acknowledgement

This fourth County Fiscal Strategy Paper (CFSP) embraces the principles of prudent financial management outlined in the Public Finance Management Act, 2012. It outlines the broad strategic macroeconomic issues affecting the county and fiscal framework to guide spending plans, as a basis of 2018/19 budget and the medium- term. We expect the document to improve the public understanding of County's public finances and guide public debate on economic and development matters.

As usual, the preparation of the 2018 CFSP continues to be a collaborative effort. Much of the information in this report was obtained from the county dockets reports and other National Government Statutory reports. We are grateful for their inputs.

A core team in the County Treasury spent a significant amount of time putting together this piece. We are particularly grateful to the staff at Planning and Budgeting; Head of Treasury Budget and Expenditure Management Mr. Lawrence Micheni; and CEC Finance and Economic Planning Ms. Dorothy Naivasha for coordinating the execution of this noble task. We received substantial inputs from the all Chief Officers and CECs while consolidating this document. Since it would not be possible to list everybody individually on this page, I would like to take this opportunity to thank the entire staff of the County Treasury for their dedication, sacrifice and commitment to public service.

Zephania Mbaka

CHIEF OFFICER COUNTY TREASURY

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I: County Strategic Blueprint

Overview:

The County Government since 2013 embarked on implementing various polices and structural reforms under the Entrenching Devolution Agenda to initiate a rapid social-economic transformation. The Devolution Agenda focused on the following key areas: (i) creating conducive business environment, (ii) developing infrastructure to fuel a sustainable economic growth for the county, (iii) transforming agriculture for improved productivity, (iv) supporting of local based manufacturing, processing and service industries to create employment, (v) investing in quality, accessible and relevant health services and early childhood education, and (vi) enhancing rural economic development through consolidating gains made through devolution. Substantial progress has been realized despite the many challenges that faced devolution in the last five years.

General context:

Generally, the Kenyan economy has expanded at an average rate of 5.5 percent per year over the last five years (2013 - 2017) outperforming the average growth rate of 4.7 percent in the period 2008 -2012. Macroeconomic stability has been stable with inflation rate remaining low and within target in the period 2013 – 2017, following implementation of prudent monetary and fiscal policies. Similarly, interest rates remained low and stable while the exchange rate has remained competitive with less volatility in the same period. The value of goods and services produced therefore increased raising the per capita income from Kshs 104,700 in 2013 to an estimated Ksh 174,200 in 2017. In addition, the economy generated an average of 817.0 thousand new jobs per year in the period 2013 - 2017 up from 656.5 thousand jobs per year in the period 2008-2012.

Specific Context:

1. Therefore, CFSP 2018 builds on the above progress in implementing the Devolution Agenda to raise productivity and economy-wide efficiency.

2. This will be the first CFSP prepared under the second CIDP whose implementation is starting in 2018. The preparation of the second CIDP for the period 2018-2022 has been finalized. The CIDP (2018-2022) incorporates the recommendations from the end term review of the previous CIDP and the stakeholder inputs collected during public participation.

3. The 2018 CFSP is developed on understanding that despite the stability of the economy over the last five years, the county is yet to achieve the envisioned objectives. The CFSP 2018 will therefore purpose to tackle the challenges that hindered the optimal performance of the county. Some of the constraints identified in the CFSP 2017 included: ballooning recurrent expenditure driven by huge wage-bill, low staff capacity in terms of technical ability, delay in disbursement of exchequer releases, poor strategies in local revenue collection and high expectations from the public.

4. The 2017-2022 development agenda will entrench the Sustainable Development Goals (SDGs) mainstreamed in the second County Integrated Development Plan (CIDP). The SDGs will be mainstreamed based on key thematic areas that include advocacy and awareness creation; domestication and localizing SDGs; capacity building; stakeholder mapping and engagement; monitoring and reporting and resource mobilization.

   Therefore, the strategies and broad policies include: (1) continued investment in infrastructure especially roads and public utilities, (2) embracing transformative agricultural practices; (3) creating and sustaining conducive business environment; (4) continued investment in social services; (5) ensuring accessible and quality healthcare services; and (6) enhancing devolution by decentralizing services to lower units.

II: Recent Economic Developments and Policy Outlook

The Kenyan economy grew by 4.4 percent in Quarter 3, 5.0 percent in Quarter 2, and 4.7 percent in Quarter 1, largely supported by robust activities in the service sectors particularly; accommodation and restaurant; real estate and information and communication. The growth was somewhat constrained by subdued performances in agriculture forestry and fishing, manufacturing, electricity and financial intermediation sectors. The resilient strong growth of the economy over the past five years reflects the broad-based nature of the Kenyan economy that has been largely driven by growth in the non-agriculture sectors. The non-agricultural sector has remained vibrant growing at 6.7 percent in 2016 from 5.4 percent in 2013 and continues to be the main source of growth.

The economy's growth momentum has been strongly supported by significant investment in infrastructure, construction and mining sectors, strong recovery in tourism, stable energy prices and improved agricultural production following improved weather conditions. Inflation is within the target band due to prudent monetary policy management while interest rates are low and stable despite global financial pressures following the enactment of the Banking (Amendment) Act, 2015.

Overview of Recent Global Economic Performance

Global and Regional Economic Developments

1. The global economy has remained resilient since 2016 gathering pace in the first half of 2017 with global growth projected to increase to 3.8 per cent in 2018 from 3.6 per cent and 3.2 per cent in 2017 and 2016 respectively. The major driver of the global economy has remained to be the block of developed economies and China primarily based on their improved domestic demand. The improved performance of the emerging market economies has equally had a significant contribution to the growth in the global economy.
2. The major developed economies including United States, Canada, European Union, Britain and Japan are projected to reflect stronger growth of 2.2 per cent in 2017 compared to 1.7 per cent attained in 2016. However, this growth is expected to slumber to 2.0 per cent in 2018. This is unlike the case of United States which will reflect growth of 2.3 per cent in 2018 based on the supportive financial conditions, growing ease of doing business and a higher consumer confidence. The Asian giant, China Economy, has remained bullish with GDP growth forecast of 4.9 per cent in 2018 from 4.6 per cent in 2017. This is primarily driven by higher domestic demand and strengthening growth in commodity exporters. Other emerging markets

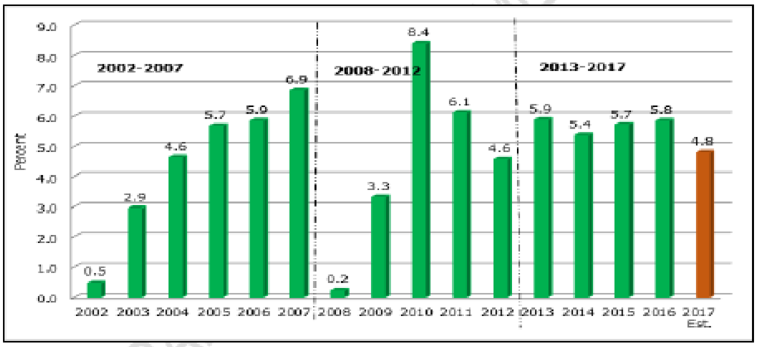
including India and South Africa have remained resilient primarily based on higher domestic demand.

3. The sub-Saharan Africa has indicated an increased growth overcoming the slowdown reported in 2016. The growth trajectory is expected to reach 3.4 per cent in 2018 from the current 2.6 per cent and 1.4 per cent in 2016 and 2015 respectively. This splendid growth is supported by recovery in giant African economies of Nigeria and South Africa who are leaders in export trade. Despite easing drought conditions, increasing downside risks have contributed significantly to policy uncertainties and delays in implementation of policy adjustments in countries such as Nigeria and South Africa. The growth is characterized by growth in public spending, public debt and high costs of servicing debts.

4. In the region, East African Community (EAC) economic growth is projected to remain relatively stable at 5.4 per cent in 2016 and 2017, a slowed growth from 6.1 per cent in 2015. The major causes of the slowed growth are prolonged effects of drought experience in 2016, slowed growth in agricultural sector and insecurity, political tensions and infrastructural impediments. However, the countries like Burundi, Somalia and South Sudan though insecure will continue to have an increase in economic growth of 59 per cent supported by strong private spending, infrastructural investments and stable macroeconomic environment.

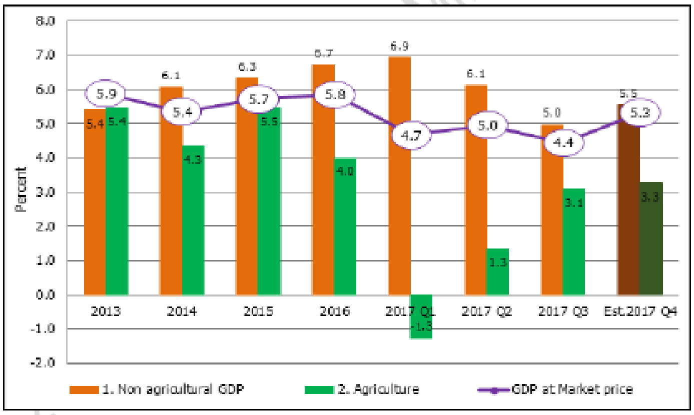
Kenya: Performance Overview

5. The Kenyan economic growth has remained resilient over the past 5 years supported by increasing private and public spending, investments and stable macroeconomic environment based on sound economic and financial policies. The Figure below shows the trend of economic growth over the last 15 years with an average of 5.5 per cent for the five-year period between 2013-2017.The average per capita income has increased to Kshs 174,200 in 2017 from Kshs 104,700 in 2013. In terms of employment, the economy has created 817.0 thousand new jobs per year for the last five years (2013-2017) compared to 656.5 thousand jobs per year for the period 2008-2012.



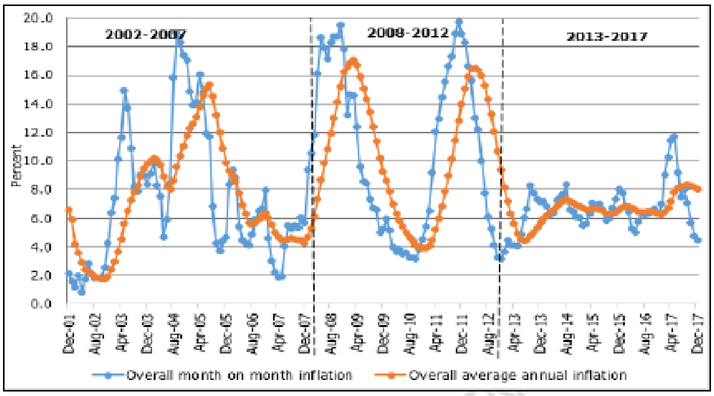
Source of data: Kenya National Bureau of Statistics

6. The above figure shows uncertainty associated with elections resulting in slowed down macroeconomic performance in all election years. The economic growth in 2017 is projected at 4.8 per cent indicating a slowed growth from estimated growth of 5.1 per cent 2016. The non-agricultural based growth is estimated at 6.7 per cent in 2017 compared to 5.4 per cent in 2013 and continues to the main source of growth. The agriculture sector has reflected a mixed growth with 5.5 per cent in 2015 being the highest from 2.8 per cent recorded in 2012. In 2016 through 2017 the agricultural driven growth contracted to (-1.3) per cent. However, it is expected to recover to 3.1 per cent in 2018 as weather conditions improve. The growth of financial and insurance sector accelerated from 6.0 per cent in 2012 to 9.4 per cent in 2015 while manufacturing, electricity and water Supply sector grew from 3.5 per cent in 2012 to 7.0 per cent 2015.



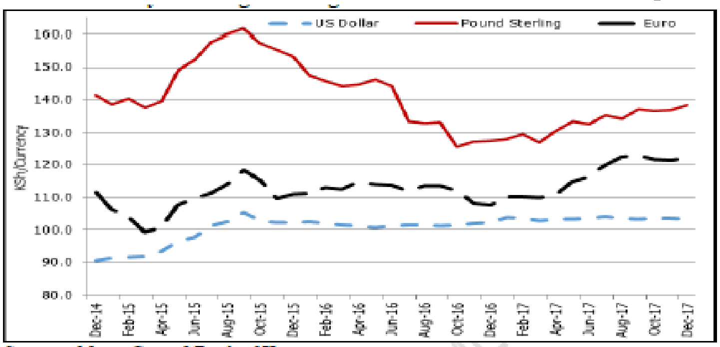
Source of data: Kenya National Bureau of Statistics

7. The inflation rate has remained stable, low and within the target range of 5+/-2.5 per cent over the five-year period (2013-2017). This is the result of prudent monetary and fiscal policies by the central bank. The inflation averaged 6.7 per cent over the period which is a recovery from 10.6 per cent recorded in the period (2008-2012) which was highly volatile following a steep depreciation of Kenyan Shillings and the policy responses. The measures used by the government in 2017 further stabilized the inflation. These measures included allowing duty free imports of major food items such as maize, wheat, sugar and milk to curb the effects of food shortages. The inflation in December 2017 was 4.5 per cent down from 6.4 per cent reported in December 2016.



Source of data: Kenya National Bureau of Statistics

8. The foreign exchange market has maintained relatively stable against the major international currencies supported by growing tea and horticultural exports, diaspora remittances and continued recovery of tourism sector. The official foreign exchange reserves held by the Central Bank remained strong at US$ 6,919.5 million (4.6 months of import cover) in November 2017 compared with US$ 7,872.1 million (5.2 months of import cover) in November 2016 while commercial banks holdings was at US$ 2,282.8 million in 2017 from US$ 2,454.6 million in 2016. On the Kenyan Shilling, as at December 2017, the exchange rate against the Dollar was at Ksh 103.1 from Ksh 102.1 in December 2016. Against the Euro and the Sterling pound, the Shilling weakened to Ksh 122.0 and Ksh 138.2 in December 2017 from Ksh 107.7 and Ksh 127.7 in December 2016, respectively.



Source of data: Central Bank of Kenya

9. Interest rates remained stable and low in the period 2013-2017 except June – December 2015 when world currencies were under pressure. During the period, the policy rate (Central Bank Rate) was adjusted appropriately to anchor inflation expectations. The rate is currently (January 2017) at 10.0 percent since August 2016. The interbank rate has remained low at 7.7 percent in December 2017 from 5.9 percent in December 2016 due to ample liquidity in the money market, while the 91-day Treasury bill rate declined to 8.0 percent from 8.4 percent over the

same period. The 182 day and the 364 day Treasury bills averaged 10.6 percent and 11.1 percent in December 2017 from 10.5 percent and 11.0 percent in December 2016, respectively.

10. The overall balance of payments position improved to a surplus of US$ 879.7 million (1.2 percent of GDP) in the year to November 2017 from a deficit of US$ 821.4 million (1.3 percent of GDP) in the year to November 2016 due to the improvement in the financial account that more than offset the widening current account deficit. This reflects the widening of the trade account balance and the increased payments to foreign investors (due to high interest payments) despite an improvement in the secondary income account balance particularly increased workers' remittances.

11. Activities at the stock market picked up in November 2017 from a slowdown in September and October 2017 as the long electioneering period came to an end. The NSE 20 Share Index improved to 3,805 points in November 2017 from 3,730 points in October 2017 while Market Capitalization improved to Ksh 2,562 billion from Ksh 2,346 billion over the same period.

Update on Fiscal Performance and Emerging Challenges

Recent Fiscal Developments

Fiscal Performance of 2016/17 Budget and Emergent Challenges

12. The FY 2015/16 budget review shows that the fiscal outcome coupled with updated macroeconomic forecast advises the need for review of the financial objectives for FY 2016/17-2018/19 MTEF. The recently drafted CIDP proposes that expenditures are directed to reflect the actual circumstances within user departments. Budget implementation relies mostly on the fiscal responsibility principles outlined in the PFM Act, 2012, Section 107(2). The fiscal outcomes proposed within this strategy paper are consistent with the national financial objectives as outlined in relevant policy documents and various legislations.

13. During the FY 2016/17, the County realized a total of Kshs 3.757 billion as total revenue. The total recurrent budget represents 68 per cent of targeted county government revenues while Kshs 1.21 billion was attributed to development expenditure. A substantial proportion of this was utilized to address pending bills for various development projects during the fiscal year. Comparatively, the 2017/18 FY revenue performance indicates a significant reduction in recurrent spending

through the reduction of wage bills that took over 60% of equitable share revenue.

14. There was a noted increase in construction supplements, DANIDA funding and conditional allocations leading to that increase. County government revenue increased to 4.51 billion expected by the closure of FY 2017/18. This is from Kshs 3.76 billion during 2016/17, Kshs 3.59 billion reported in 2015/16, Kshs 2.53 billion reported in 2014-2015. This growth illustrates the importance of increased allocation of shareable domestic revenue from national government.

15. The receipts from National Government are expected to reach Kshs 4,751 million of which 33.06% is expected to represent development expenditure as per budget summary of the MTEF period. As stipulated in the 2018 Budget Policy Statement and Revenue Allocation for each county, resulting to Kshs 240 million short-falls. The shortfall is expected to be received as balance carried forward and included in the FY 2018/19 budget through supplementary adjustment. The shortfall was also caused by underperformance in raising local revenues with the county only able to meet about 60% (Kshs 142.4 million of 248 million) of the target. During 2016/17, the county managed to collect Kshs 96 million of targeted Kshs 300 million expected. With the automation of revenue collection systems, this expected to improve.

16. The total cumulative expenditure for salaries for the period is expected to be Kshs 1.937 billion, while aggregate effect of the shortfall from the two combined revenue sources – county-own revenue and equitable share – indicate that the total expenditures for the subsequent years will be under funded by Kshs 188.89 million by FY 2018/19. The government is aware of this shortfall and aims to boost local revenue sources to drive the rate of growth desired moving forward.

17. The County Government's development as a percent of total budget was 40.3 percent in FY 2015/16. It is budgeted at 32 percent in FY 2016/17 and 31% against a projected at 34% previously forecasted during FY 2017/18. The significant drop is not anticipated but an increase by 2.06% in FY 2018/19. These resources for development are above the 30percent minimum threshold set out in the PFM law.

Improving access to quality health services

18. The health sector falls under the social pillar in the Kenya Vision 2030. It aims to achieve the highest possible health standards in line with the population needs through supporting provision of equitable, affordable and quality health and related services to all Kenyans. In line with this, Tharaka Nithi county government health sector goal is to reduce Health inequalities and suffering amongst Tharaka Nithi citizens by providing

effective leadership and also providing equitable, responsive, accessible and accountable high quality health care services.

19. Spending in the health sector recorded improvements in preventive health services, curative health services, nutrition services, diagnostic services as well as health information services. The county government has strived to implement programs and projects aimed at ensuring improved health promotion and prevention services; addressing the health needs of children, mothers and adolescents; improving the health infrastructure; enhancing social health protection and achievement of universal health coverage and the strengthening of adherence to normal standards as well as health regulation.

20. The county implemented a number of projects including building and operationalization of new dispensaries, renovating existing buildings and procurement of various medical tools and equipment, construction of a major Theatre in Magutuni Hospital, a maternity unit at Kiereni dispensary, renovated and operationalized a general Theatre in Tharaka Hospital, established a renal unit and renovated and equipped a Maternity Theatre in Chuka Hospital. This also includes the disbursement of DANIDA and World Bank grants to health facilities, employment of more health care workers, upgrading dispensaries into Health centres, purchase of four ambulances, a utility vehicle, procurement of vaccine refrigerators and other assorted medical tools and equipment.

21. The investments also focused on strengthening the capacity of the Human resource for Health basically through supporting three (3) staff for international training and approximately 10% attended seminars lasting for more than five days. Although the County has not conducted an empirical review to ascertain the outcome of these projects at the population level, service level assessment points to improved efficiency and quality of health care services in most of the health care facilities.

22. In general, all the investments contributed towards a responsive Health care system and ultimately resulted into improved quality and efficiency in the delivery of health care services. This has translated into improved access and quality of basic and specialized Health care services that can be evidenced by increment of Health care service utilization rate from 94% in 2013 to 98% in 2016. To this effect, the financial year FY 2018/19-2020/21 MTF Budget will prioritize scaling up of policy interventions aimed at enhancing equitable access to high impact healthcare services, infrastructural development controlling non-communicable diseases, and generally by improving health service delivery in the county. The emphasis will therefore, be addressing these challenges in order to ease the burden to the households and attainment of the highest standards of care for sustained long-term growth and development.

Quality and Relevant Education and training

23. Sustainable Development Goal number four (4) on education strives to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The Government's overall goal in the education sector is to increase access to education and training; improve quality and relevance of education; reduce inequality as well as leverage on knowledge and skills in science, technology, and innovation for global competitiveness. To achieve this goal the Government is committed to further entrenching universal and compulsory basic education and expanding tertiary education.

24. The Constitution of Kenya 2010 stipulates the powers and functions of the County on Education is Pre-primary education, village polytechnics, home craft centres and childcare facilities. As of now the County government has constructed and equipped 196 classrooms for ECDE at a cost of 34M thereby reducing the ratio of classroom to pupil ratio from 1:50 to 1:43, nineteen youth polytechnics were equipped at a cost of 3.5M hence increasing the number of learners from 600 students to 900 students and also increasing the number of students absorbed in the job market from 250 to 340. Promoted the Rights of children in collaboration with child rights advocacy bodies by monitoring the welfare of the children below 18 years at a cost of 5M thereby increasing the number of children under protection from 200 to 500.

25. Continued investment in free primary and secondary education will ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes. In addition, the increased focus of ECDE will ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education. The county shall also ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university in order to increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

26. The medium term strategy will therefore, focus on:
    - Construction and improvement of infrastructure in all early learning institutions and youth polytechnics.
    - Enhance capitation and grants to polytechnics, support for education and curriculum reforms and enhancement and support for examination, competence assessment and certification.
    - Expansion of education and training opportunities in marginalized and underserved areas.
    - Provision of bursaries to needy and deserving cases.

- Capacity enhancement of ECDE teachers and polytechnic instructors.
- Supporting the national government in the enhancement of ICT integration in education at all levels.

27. Affirmative action will be applied to eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations. As a key strategy the county shall ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy and ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.

Continued Investment in Infrastructure

28. Tharaka Nithi County represents over 1,670 kilometres of roads in the national grid, covering both classified and unclassified networks across the five sub counties. Road construction and maintenance activities include construction of new roads, rehabilitation and maintenance of existing roads. As a priority within the county government, this represents a significant portion of annual development expenditure

29. During FY 2018/19, the County Government will continue to foster National Government and county government coordination of efforts to improve access to public amenities such as unoccupied markets, construct low volume seal roads, opening more rural access roads and construct various footbridges. All weather road networks facilitate swift transportation of the enormous volume of agriculture produce and people thereby boosting trade and the government will relentlessly work to improving trade across sub counties.

30. The county government will make ICT infrastructure synonymous with overall infrastructure development. A significant portion of urban areas is yet to benefit from integrated networks through information systems. Installation of network infrastructure and purchase of servers and adoption of integrated management information systems in the health sector will be one of the revolutionary projects undertaken during 2018/19.

31. Rollout of programmes and activities within each sector will be supported by the planning department to ensure that ICT infrastructure is accessible to each department to reinforce efforts that aim to deliver seamless

services to the residents and business community in Tharaka Nithi. Functional and operational *Huduma* Centres will ease business registration and access to supporting services.

Enhancing Service Delivery through Good Governance

32. It is the 5th year in Kenya's history since the devolution took effect. The 2010 Constitution ushered in immense far reaching changes in the governance landscape of Kenya. Before 2010 when governance was centralized, rigidity and delays in project implementation meant political lobbying of national government was how an area got developed. The decentralization has led to distribution of resources to all corners of our country and spread development to previously unknown villages. Further, it has devolved leadership hence reducing political and social risks that comes with system where leadership is centralized hence some communities/people feel left out.
33. Critical determinants of devolution's success are how well counties develop systems that ensure they are responsive and accountable to the needs of members of the public. It is in the light of this, Tharaka Nithi County government acknowledges this administrative tool and has embraced it in the operations as law requires.
34. Public participation is a core element in Kenya's development agenda to accelerate growth and address long-standing inequalities in economic opportunities, investment, and service delivery in different parts of the country. Citizen participation in governance and public service delivery is increasingly pursued in a bid to improve the performance of governments. Indeed, improving delivery of public services continues to be a key objective that has occupied the agenda of public administrators.
35. In reference to Intergovernmental Relations Act 2012, Tharaka Nithi County worked closely with the national government to ensure service delivery in PPIs in various sectors. Besides national government and government agencies, the county engaged development partners across the sectors; for example, in the health sector, the county partnered with USAID and UNICEF in acquisition of vaccine refrigerators and assorted equipment. In agriculture, the county partnered with FAO in offering training to farmers.
36. To strengthen accountability and fiscal discipline, the County Government will continue building capacity of the officers and develop a strategy to enhance revenue management by identifying strong revenue raising measures (including revenue automation) and correct duplication and distortions in local taxes and fees that hurt the business environment.
37. A major drawback to devolution has been the low performance of own-source revenue against respective target since the establishment of County Governments (CGs) in 2013. It has been established that revenue

forecasting in CGs is not supported by macroeconomic assumptions or a sound methodology; revenue predictions once included in the budget are hardly updated since there is no in-year monitoring that is done.

38. The county government has enhanced the fight against corruption and its adverse effects to the county which include inefficiency, low productivity and high costs of doing business. The county government will continue with the implementation of the measures articulated in National Call to Action against corruption which include continuous and objective lifestyle audits for all County Accounting Officers as well as Authority to Incur Expenditure (AIE) holders. The county government is also committed to strengthening expenditure control and improve the efficiency of public spending through Public financial management reforms aimed at promoting efficiency, transparency and accountability in order to free resources for priority social and development projects and to improve governance in the county administration.

General Economics and Commercial Affairs (GECA)

39. GECA, which falls under Economic pillar in Vision 2030, is a major area of focus as it plays a critical role in the transformation and economic development of the County. GECA covers department of Trade, Industry & Cooperative development and Tourism. The county government has undertaken several initiatives to see to it that the sector grows. Trade subsector witnessed had achieved in areas that focused on Offering training to people, giving Loans to business owners, Constructing markets and overhead structures, re-verifying weighing and measuring equipment. This has led to Considerable growth in new enterprises establishment and also improved businesses and increase in trade volumes.

40. Cooperative subsector foresaw coffee quality and quantity improvement and control to societies, Diversification of 5 multipurpose societies and continuous audit and supervision of societies which in general improved farmer's income. Also, tourism subsector mapped out and branded tourist sites, improved Mt. Kenya Kinondoni lodge and two forums of promoting tourism, which includes Tharaka-Nithi Cultural festival, thereby growing county revenue and creating jobs. There are various major hotels in the county which accommodates tourists. More hotels are being established by private investors with one eco-lodge.

41. The County government in partnership with key stakeholders and the national government is working to promote local tourism, increase tourism earnings, international and domestic tourist arrivals, and conference tourism; develop and diversify tourism product and

continually improve and brand county tourism sites. The county government will undertake specific activities such as promoting Chogoria as the preferred access route to Mt Kenya, and creating the necessary facilities and infrastructure through cooperation with private sector players, negotiating with Kenya Forest Service to grant concessions for establishment of lodges within the government forests.

42. Building of leisure and tourist facilities around the many excellent landmarks - from waterfalls to giant hills and frolicking valleys -Promoting the Ura Gate as the preferred access route to Meru National Park to promote tourism that translates to increase in revenue as well as job creation. Other areas that the county is focusing on is consumer protection, access to capital and market as well as growth and development of industries to enable value addition

Environmental Conservation and Making Water Accessible

43. Kenya's development blueprint sets a target of universal access to water and basic sanitation for all by 2030. To date, about 56 percent of Kenyans have access to reliable clean water, while 70 percent have access to clean sanitation.

44. The County Government working with National Government will continue to invest in clean water supply and put in place measures to control floods and harvest rain water as well as to protect and conserve the environment. The county government remains committed on its bid to mitigate the impact of climate change as per the Protocol on Climate Change following the adoption of the Paris Agreement. In addition, the county government will continue to mainstream climate change measures into all its projects and programmes.

45. In collaboration with development partners (WSTF, NDMA, TARDA, Upper Tana, TWSB and ADB) the county has managed to construct 23 new intakes and improvement of existing domestic water supply projects across the county. This has seen improvement in terms of the reduction in distance covered to access water services by an average of two Kilometers. Through the same partnership also the sector has managed to develop and upgrade 138 boreholes to solar pumping. This has improved efficiency in groundwater exploitation by reducing the manual pumping strain.

46. The county has been involved in various environmental awareness programmes by organizing 4 environmental stakeholder meetings and

involved in 3 annual world environment day and 2 annual international day of forest celebrations. This has increased the capacity of people in conservation and protection of the environment as well as helped the farmers to practice smart agriculture, non-wood forest products enterprises like bee keeping, basket weaving, tree nursery preparation and management among others.

47. Fifty two ha of forest have been rehabilitated and various hills are under conservation, Formation of 3 CFA (community forest association) in Chogoria forest station, Chuka forest and Kiera Hills and formation of 4 PFMPS (Participatory Forest Management Plans In Kiera Hills, Ntugi Hills, Gikingo Hills, Chogoria Forest, Chuka Forest and Gikingo Hills. Going forward, the county government will prioritize on forest service and management, sanitation and waste management, governance of land and water utilities, the reduction of non-revenue water, prudent infrastructure development and adoption of best practices in operation and maintenance, domestic and irrigation water supply through construction of various Dams in partnership with the national government.

Agricultural Transformation to improve food security and livelihoods

48. Agriculture being the main activities in the county, its aimed at increasing production and productivity by providing high quality crops, innovative and competitive crops and other related services for nutrition value and house hold income, increasing market access, adopting new input technologies, modern mechanization, creating an enabling policy and legal framework, improving efficiency and effectiveness of sector, and sustainable management of resources in the sector. During FY 2018/19, these objectives will be met through four main programmes: crop production, livestock development services and veterinary services.

Economic Policy and Outlook

International, National finance and economic reports review the importance of the improved relations between governments, better fiscal balance and management of economic disparities. County Government of Tharaka Nithi will continue to invest in its readily available resources to improve food security, infrastructure, security, trade, social and health services for its residents through stringent control of projects and nationally-promoted initiatives. The CG has identified the time line as one major factor affecting oversight and management of fiscal policies set annually for the control of current status of projects to align with national priorities. This is especially true during the process of determining current year to date (YTD) and last annual estimate (LAE) in the supplementary budget.

In addition, the CG's focus on further devolution of services is projected to yield results in the medium term due to the well estimated sector ceilings and resource envelope consideration

The County Government of Tharaka Nithi fiscal policy and budget framework has been designed to promote trade agreements, cross-border infrastructure developments and promotion of products of the county in other counties. Periodic reports indicate that this has been achieved through collaborative activities with neighboring counties as well as participative approach in national economic policies and events with stakeholders such as the National Treasury, Public Sector Accounting Standards Board (PSASB) and the recommendations that they share. The level of development and expenditure needs are factors witnessing growth in the county.

This means that the annual budgets will reflect this through various indicators that were used to arrive at the figures therein. In comparison to a similar period in 2016, real GDP growth for Quarter 1 2017 is 5.5%. However, inflation rose to 7.7%; and is expected to generate shocks due to changes in the global currency markets.

Risks to the Outlook

49. The risks to the outlook for 2018/19 and the medium-term include continued weak growth in advanced economies that will impact negatively on our country exports and tourism activities. In our county context, slumped economic growth may result to delayed disbursement of funds by the National Treasury, shrinking market for agricultural products and increased unemployment.
50. Public expenditure pressures, especially recurrent expenditures, pose a fiscal risk. Wage pressures and the inefficiencies in service departments may limit continued funding for development expenditure. The impact of insecurity on tourism and depressed rainfall could also affect trade and agricultural production and therefore remain a risk to the growth outlook. The County Government will undertake appropriate measures to safeguard macroeconomic stability should these risks materialize.

III: FISCAL POLICY AND BUDGET FRAMEWORK

Section Overview

51. This sub-section provides a summary of the section and the key actions the County Government has decided to take in the budget allocation. These decisions are best listed in point form as a concise summary of the way forward that has been decided.

Fiscal Policy Status

Prudent Fiscal Policy

52. Through economic planning and budgetary policy, the county government has initiated programmes to create transparency and accountability systems for managing public finance. These interventions are aimed at guiding spending plans as a basis of FY 2018-2019 budget and midterm. The County government will implement these interventions through the proposed budget ceiling and priority programmes which includes: infrastructure, Agriculture, Health, Education, Water and Business considered to be core areas with greatest impact on job creation and increased private investments.

Fiscal Strategy Paper's obligation to observe Fiscal Responsibility Principles

53. The County Government of Tharaka Nithi pledges fiscal discipline as set out in PFM Act, 2012 as well as adoption of best practices.
In reiteration of commitments to prudent fiscal policy County Government recognizes that the fiscal stance it takes today will have implications into the future. In this regard, the county government will;
    - Ensure that there is equitable sharing of burdens and benefits of the use of resources and public borrowing between the present and future generation. Thus, the county government shall make prudent policy decisions today so that it does not impose an unnecessary debt burden on future generations;
    - Ensure that development portfolio is not crowded out by increasing wage burden;
    - Ensure adherence to the ratio of development to recurrent of at least 30:70 on annual basis and over the medium term, as set out in the legal framework- Section 107(2) of the PFM Act 2012

- Regulation 25 (1)(b) of the PFM (County Governments) requires that County wage bill shall not exceed 35% of the total revenue hence the county government will respect ratios guiding the wage levels.
- Delays on paying goods and services should be minimized to enable County Government get competitive prices in the market.

Adherence to Fiscal Responsibility

54. In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations, and in keeping with prudent and above-board management of public resources, the Government has adhered to the fiscal responsibility principles as set out in the statute as follows: a) The National Government's development expenditure as a percentage of total budget has been above the 30% minimum threshold set out in the PFM law. Despite the constraints in collection of local revenues, the development expenditures are expected to fall under the stipulations of law, requiring a minimum of 30% as development expenditure during FY 2018/19 and above 33% during FY 2019/20.

55. The chart below illustrates projected Development Expenditures in ratio to equitable share and locally collected revenue. Approximately 60.92% of recurrent expenses can be attributed to employee compensation, including but not restricted to the various forms of personal emoluments and allowances. This is expected to drop, with the proposals to reduce redundancy and duplication of duties within each department and during FY 2019/20, a substantial drop in the wage bill will be realized and a more significant proportion of the equitable share will be appropriately diverted to development priorities.

56. These proportions demonstrate the County Government's commitment to strict observance of fiscal responsibility principle of ensuring that government's expenditure on wages and benefits for public officers does not exceed 35 percent of the equitable share of the revenue domestically raised pursuant to Article 209 (4) of the Constitution of Kenya.

Fiscal Structural Reforms in FY 2018/19 Budget

57. Development budget will majorly focus on priority programmes and the county government will make all efforts to focus on savings and development to transforms lives. Therefore, every budget review will focus on minimising non-priority projects to achieve the priority development

plans in CIDP (2018-2022) and the Governor's manifesto that will also guide resource mobilization and allocation.

58. The *Transforming Lives* principle will ensure maximum programme absorption capacity regardless of the source of funding. Some of the major sectors that the FY 2018/19 budget prioritises on include: Health, infrastructure, water and agriculture. These will help realize the goal of unlocking the great potential- revolutionizing lives of citizens through increased household incomes, ease of doing business and improved infrastructure among others. All other sectors are as well factored in to ensure that there is equity and comprehensive development.

59. The County Government's borrowing plans remain anchored in the medium term Debt Management Strategy which aims at ensuring public debt sustainability. The strategy envisages possible borrowing from domestic and external sources. While external financing will largely be on concessional terms, the county treasury shall continue to diversify financing sources. The County Government will ensure that the level of domestic borrowing does not crowd out the private sector investment.

60. In the context of the 2018 MTDS, the County Government is seeking diversification of financing sources through establishing a platform for exploiting the domestic debt market as well as international financial market. Therefore, through this year's DMS the County Government will be able to borrow through concessional agreements and engage in other Public-Private-Partnerships (PPP) where debt is a consideration in order to finance development projects.

61. However, it is important to note non-concessional external borrowing will be undertaken in a cautious manner and limited to development projects. The Government will continue playing a key role in domestic debt market reforms to ensure the market remains vibrant and continues to deepen as it provides an opportunity for the private sector participation in accelerating the economic activities of the country.

Budget Framework for FY 2018/2019

62. The medium term fiscal framework for FY 2018/19 is set based on macro-fiscal framework discussed above. Kenya's Real GDP is expected to increase by over 6% in FY 2018/19 as underpinned by continued good performance across all sectors of the economy. On a lower geographical scale, Tharaka Nithi County has a "Bright Light" GDP of Kshs 13.08 billion as at 2015 with projected growth at par with that of the national economy. Agriculture, infrastructure, health and public service sectors will be the key drivers of the development agenda. In this regard, the projected economic growth assumes normal weather pattern during the year and improved investor confidence in the entire county economy.

Inflation is expected to remain low and stable, reflecting continued implementation of a prudent monetary policy by National Treasury. The exchange rate, food and oil prices are expected to remain stable over the same period.

Revenue projections:

63. The FY 2018/19 budget targets total resource envelope of Kshs 4.751 billion which consists of equitable share of Ksh 3.642 billion, CORe of Ksh 300.0 million and Kshs 551 million as loans and grants and an expected balance brought forward of Kshs 258 million. The CORe of Ksh 300.0 million represents 6.31% of the total county revenue for the FY 2018/19. This represents a higher amount than the projected figures of Ksh 180.0 million for FY 2017/2018. The increase of CORe estimate can be largely attributed to the new strategies in local revenue collection anticipated in the coming years. The County Government has plans in place to automate revenue collection systems and eliminate the manual system so as to increase the amount of revenue collected by August 2018.

64. The Kshs 551 million loans and grants is inclusive of Kshs 129.8 million for leasing of medical equipment that will be delivered directly to the facilities by the National Government and Kshs 121 million meant for completion of County Headquarters directly paid by the National Treasury.

The table below gives a detailed breakdown of the expected total county revenue

Table 1: County Total Revenue projections

S/No	Source of Income	Amount
1)	**County Own Revenue**	**300,000,000**
2)	**National Government Funding**	
	i) Equitable Share of National Revenue	3,642,400,000
	ii) Loans, Grants and Donations	
	✓ Compensation for user fees foregone	8,218,119
	✓ Rehabilitation of Village Polytechnics	39,238,936
	✓ Road Maintenance Levy Fund	95,901,220
	✓ Leasing of Medical Equipment	129,787,234
	✓ Supplement for construction of county headquarters	121,000,000
	✓ Loans & Grants	267,888,581
	iii) Expected Bank Balance b/f	258,397,430

	Total National Government Allocations	**4,451,895,350**
	GRAND TOTAL FUNDING	**4,751,895,350**

Expenditure forecasts:

Fiscal balance and deficit financing

67. Reflecting on the projected expenditures and revenues, the overall fiscal balance (on a commitment basis and excluding grants), is projected to be zero. This complies with National Treasury advisory that county governments should assume a balanced budget.

Summary

68. Fiscal policy outlined in this CFSP aims at improving resource mobilization as well as observing fiscal discipline. This will be achieved through both administrative and legislative reforms aimed at enhancing resource mobilization, improving efficiency in government expenditure and strengthening public finance management reforms. The fiscal space created will avail resources to scale up investments in Agriculture, Infrastructure including roads and stadia as well as health and water while at the same time providing sufficient resources to all devolved functions and also give support to the achievement of "The Big Four" plan. The Fiscal policy will also endeavour to adhere to medium-term debt targets as provided in the medium term debt management strategy that aims at ensuring public debt sustainability.

IV: Medium Term Expenditure Framework

Resource Envelope

68. The resource envelope available for allocation among the spending County Departments is based on the updated medium term fiscal framework which is outlined in Section III.

69. Under the PFM Act 2012 (104), the county government is required to mobilise resources for funding the budgetary requirements of the county government and putting in place mechanisms to raise revenue and resources. The County Treasury in consultation with various county departments is planning to launch a revenue mapping exercise targeting to harmonize fees and charges and recommend on new sources. Additionally, the County Treasury will draft and table to the County Assembly various tax laws that will help in increasing the CORe sources by increasing the revenue categories. The county government in consultation with stakeholders will carry out a comprehensive review of the existing rates with view to adjusting it to a reasonable and sustainable level.

70. The national government funding is capped at population (45per cent), poverty index (20per cent), land area (8per cent) basic equal share (25per cent) and fiscal responsibility (2per cent) of the national revenue released by the auditor general. The allocation is expected to gradually increase as more functions are bundled and transferred to counties from the central Government. The national Government funds are projected to grow by at least 20per cent per annum for the next five years. However this will depend on the criteria that will be adopted by the CRA and the amount that will be allocated to the county governments.

Spending Priorities

70. The Constitution (2010) Chapter Twelve and the PFM Act, 2012 requires County Governments to observe the principles of public finances of efficiency, effectiveness, accountability and transparency in their financial management. The county treasury is mandated to monitor, evaluate and oversee the management of public finances and economic affairs of the county government. In line with this, the current County Government has enforced measures to eliminate inefficient and wasteful public spending within each department.

71. Despite a number of counties prepositioned to be suffering low productivity and growth in labour intensive socio-economic sectors, Tharaka Nithi county Government is focused on improving the county economic profile

against exogenous shocks such as the climatic changes observed recently. The county government in trying to ensure that there is water for all for both domestic and irrigation purposes will implement a number of programmes including the high Grand falls, build dams and reservoirs and the Tana catchment initiative.

72. Improving the county economic will also be achieved by immensely mechanising and commercializing agriculture through improving horticultural farming, increasing acreage under irrigation farming, use of hybrid livestock and crop varieties. Giving farmers in our county better access to finance, capacity building them, better post-harvest handling and storage, policy interventions, establishing a corporation to protect them against price wars and enforcing quality control will bear fruit over the medium term for our county.

73. Infrastructure is a key element to development, and the county government is keen on its development so as to open up the county to potential investors hence spurring up growth for future generations. During the FY 2018/19, the County Government will continue to foster National Government and county government coordination of efforts to construct low volume seal roads, opening more rural access roads and construct various footbridges. All weather road networks facilitate swift transportation of the enormous volume of agriculture produced and people thereby boosting trade. In line with this, the county government will make ICT infrastructure synonymous with overall infrastructure development.

74. Tourism is a key player in economic development of the county and the country at large. The County government in partnership with key stakeholders and the national government is working to promote local tourism, increase international and domestic tourist arrivals, conference tourism; develop and diversify new tourism products and continually improve and brand county tourism sites so as to increase the revenue base. Cost effective, customer-driven economic diversification remains the cornerstone for all dockets.

75. The MTEF budget is critically reviewed annually in a view to modify priority expenditures and increase funds for priority programmes. The 2nd CIDP (2018-2022), together with the current administration priorities guide resource allocation, illustrated in the baseline ceilings for each docket.

76. As we finalize the FY2017/18 MTEF Budget, we will critically review expenditures to ensure that they are geared towards identified priority programmes that form the focus of the County Government. Taken as a whole, the MTEF budget for FY2018/19 will focus on the following: Water, health, agriculture and Infrastructure.

Analysis and Statement on Debt Position and Contingent Liabilities

77. The Medium Term Expenditure Framework for the three year period 2016 - 2018 is expected to guide economic management and reform within the County Government. This is based on the principles of fiscal responsibility which includes providing effective social, economic and developmental strategies that will significantly manage county own revenue and equitable share.

78. Debt management has been prudent at County level. The reduction of borrowing capacity arising from public finance management regulations 2015 has encouraged the County Government to enforce shrewd debt and liabilities management. The short term lending from commercial banks that was being used to finance short term cash demands arising from delayed disbursements of exchequers has been stopped. The intervention has resulted in savings on hefty interest demands from commercial lenders. However, the challenge of delayed receipt of disbursements hasn't been addressed by The National Treasury.

79. The county has none or planned external debt obligations. However, bills payable from FY 2017/18 of approximately Kshs 1.0 billion will be fully provided for in the subsequent budgets. Therefore, there are no major events that are likely to impact negatively on CG debt position and credibility.

80. The current and most dominant ongoing capital project is the construction of the county headquarters, which has been taken over by the National Government. Going forward the Government has limited the occurrence of new liabilities and has encouraged a strong regulatory framework to continue managing tax and other mandatory obligations.

81. The sustainability of this strategy is tailored to our current economic circumstances and on the continuity of good governance and consistent management of expenditure incurred on a quarterly basis.

Medium Term Expenditure Estimates

Baseline ceilings

Finalization of spending plans

82. The completion of the detailed budgets is the first phase in the process of finalizing the department expenditure budgets under recurrent and development appropriations proposed. Priority programmes have been

identified and evaluated in the planning process culminating into ADP for FY 2018/19. Detailed budgets will be heavily scrutinized and the resource envelope firmed up, it is unlikely that additional resources may become available. Therefore, the departments are required to adhere to the approved expenditure ceilings as proposed in CFSP 2018.

Details of Sector Priorities

83. The medium term expenditure plan for MTEF (2018/19 – 2021/22) ensures continuity in resource allocation based on prioritized programmes aligned to the MTP III of Vision 2030 and CIDP (2018-2022). It is also well aware of transition period following the forthcoming elections. The strategic policy initiatives of the current leadership aims at accelerating economic growth, creating employment and providing water for all. The recent achievements and key priority targets for each sector are based on the reports from the dockets.

Health Sector

84. The major objective of the health services docket is to provide effective leadership and participate in provision of equitable, responsive, accessible and accountable high-quality health care services to Tharaka Nithi Citizens. The three key programmes currently supporting this mandate are preventive and promotive health, curative and Rehabilitative health and general administration services. The prevalence of diseases in Tharaka Nithi is still restricting development.

85. Over the past four years, the county implemented a number of projects ranging from building of new dispensaries, renovating existing buildings and procurement of various medical tools and equipment. In particular, twenty (20) new dispensaries were constructed and operationalized through equipping and deploying Health care providers. This has been geared towards treatment of diseases including malaria, diseases of the respiratory system, skin diseases, diarrhoea, and accidents, which account for about 70 per cent of morbidity.

86. To improve on the performance of this sector, the County Government will work closely with National Government in investing substantial resources in this docket during the 2018/19 - 2021/22 MTEF period. This is through scaling up the provision of specialized medical equipment and increasing the number of health facilities at the community level in order to increase the number of residents who access quality healthcare services. The sector will also initiate the digitization of the health information system so as to improve on efficiency and effectiveness in service delivery. Additional

resources will be provided to prepare, respond and contain situations of emergency as they arise.

87. The county government will invest Kshs 171 million on health infrastructure. The key projects to be implemented in the MTEF include: standardizing Magutuni and Marimanti Level 4 hospitals, upgrading Gatunga Model Health Center to a Level 4 Hospital whereas Chuka Level 4 hospital will be upgraded into a level 5 hospital (County referral hospital).

    During the FY 2018/2019, the docket has been allocated a total of Kshs 1.866 billion compared to Ksh 1.394 billion in FY 2017/18. This allocation comprises of Ksh 1,579 million and Ksh 171 million for recurrent and development programmes respectively.

Infrastructure, Roads, Public Works, Housing and Legal Affairs

88. This government envisions sustained economic growth and social development through this docket, which is in the process of expanding and sustaining physical infrastructure. Improved mobility is one of the administration's crucial objectives for 2017/18 – 2018/19 FYs. During the last financial year, the docket focused on the key programmes including grading, gravelling and opening of new roads. This year, tarmacking of roads, improving drainage and construction of public infrastructure will be a major leading priority, as presented within the proposed ceilings. Improving access to hard-to-reach areas will boost the local economy.
89. Cost effective and reliable infrastructure through roads and revolutionary construction methods is synonymous with development. However, harsh weather slows down efforts towards a more efficient county; as such, frequent rehabilitation of roads is required in a majority of the towns and villages in Tharaka Nithi. Despite this, quality transport channels must be established in every part of the county. Support from grants and funds amounting to over Kshs 95.9 million will be utilized to purchase equipment for the crucial road maintenance.
90. Tharaka Nithi County's strategic position can promote and benefit from growth in Embu, Meru, Machakos and Kitui. Upgrading major towns such as Kathwana to business hub in the region is one measure to increase its economic contribution and increase local revenue and conference facilities, contemporary roads and public amenities are crucial. The county lobbied for the National Government to upgrade more than 120 km of road to low volume seal tarmac including roads around Chuka Town, Chogoria, Marimanti and Kathwana are now targeted to ease access to business centres.

91. The County Government embarked to construct the county headquarters for the County Government during the first term of operations. The process is anticipated to be completed by June 2018. Construction of the County Assembly offices and chambers as well as sub-county administration offices remain a major priority for the county in order to provide quality access points for the delivery of services

92. The infrastructure docket has been allocated Kshs 591.98 million for the FY 2018/19. This allocation comprises of Ksh38 million and Ksh 553.75 million for recurrent and development programmes respectively.

Agriculture, Livestock Veterinary and Fisheries Development

93. This docket is the most reliable by people in the county as a pillar to their life and the main objective of this activities include sustaining agricultural activities through value addition, raising market accessibility through high quality input technologies, improving market infrastructure, capacity building, mechanization, horticulture and extensive services, creating an enabling policy and legal frame work hence sustainable exploitation of available resources' throughout this programmes include agriculture, livestock, veterinary and fisheries.

94. All this programmes that received funds were fully implemented. The provision of farm inputs to farmers, purchase and installation of milk coolers are two projects from this category. Other projects that the docket focussed on include the construction of cereal stores in Mukothima and renovating the Kajuki cereal store. Distribution of 20,220 cattle at Mwimbi and Muthambi wards. Farmer's field schools were also conducted through partnership with the Upper Tana Resource, soya and climbing beans FAO, ASDSP Kenya cereal enhancement programmes.

95. There are also school programme that were established at Mumbuni and extensive services During the 2016/17-2018/19 MTEF period, focus has directed to increase agricultural production and productivity through input subsidy programme, mechanized agriculture, irrigated agriculture, improved animal genetics, vaccine production and exploitation of trout fisheries; enhancing county food security through establishment and increasing of strategic food storage facilities, fostering up-taking of agriculture and livestock insurance schemes. This is in line with the county sector plan, which aims to revolutionize agriculture in Tharaka Nithi.

96. To achieve the goals, the docket will require substantial funding for the FY 2018/19. The docket has been allocated Kshs 429.4 million compared to Kshs 391 million allocated in FY 2017/18. Ksh 178.4 Million has been

allocated for recurrent expenditure and Kshs 251 Million for Development programmes.

Education, Culture, Youth, Social Services and Tourism Docket

97. The County docket of Education, Youth, Culture, Sports, Social Services and Tourism Sector has identified the Development needs, Priorities and Strategies that will guide the county government in preparing its budget for the coming financial year and over the medium term. In the period under review the Education docket had been allocated Kshs. 284 Million to implement its programmes. The allocation comprised of Ksh. 199 million and Ksh. 85 million for recurrent and development programmes respectively.

98. The Education sub-sector comprises of ECDE and Vocational Training. Vocational training has identified access to vocational education as its development need. The priorities in this entail refurbishment/rehabilitation of Youth Polytechnics including workshop halls, classrooms, dormitories and administration blocks. The sub sector will also endeavor to capacity build Polytechnic staff in order to offer quality skills. They will also offer grants to the polytechnics, recruit Polytechnic staff as well as procure workshop equipments and materials. The compliance and Quality standards will also be harnessed to give quality training.

99. Access to quality pre-primary education (ECDE) is priority of the sub sector whereby construction/renovation of ECDE classrooms will be carried out. Due to the issues of retention and having children in school, the sub sector has planned in collaboration with the GoK/Ministry of Education to provide school feeding programme/establishment of child friendly schools as well as integration of children with special needs in normal schools.

100. The establishment of home craft centres will harness development of skills. Promotion of sports is a priority of the sector to construct/rehabilitate stadiums and also establishment of a county academy for sport. The sector will also procure sports equipment and tools as well as establish sports lottery and trust fund.

101. The sub sector intends to promote county heritage and culture through holding music festivals as well as culture and arts exhibition. There will be construction of cultural centres and identification/registration of cultural groups who will be trained and empowered to benefit from government services.

102. On social protection the sector plans to create awareness on PLWDs, gender, youth and women empowerment. It will develop policies on child protection, welfare and development. The sector will partner with the GoK on social safety nets to harness cash transfer for the elderly. The management of existing rescue centres is of importance to improve on the welfare of the disabled. The sector plans to construct a County rescue centre to lessen the burden to privately owned centres.

103. The Tourism sub sector plans to develop, diversify and promote tourism products with the objective of increasing number of tourist arrivals. Branding and advertising of touristic sites will be a strategy for promotion and marketing hence increasing revenue for the County. The total resource allocated for the FY 2018/19 for the Docket of Education, Tourism, Sports, culture is Ksh 351.4 Million of which Ksh. 110.5 Million is for development vote and Ksh 240.9 Million for the recurrent vote.

Public Service, Labour and Administration

104. The Docket enhances public service delivery, organization and coordination of County Government business through planning and mobilization of human resources in the public sector and urban areas.

105. The Docket has been implementing several programmes. Through expending the resources allocated, the department has been able to realize deliverables which included implementation of devolution; establishment of structures in urban centres, public service training and management, coordinating of service delivery at the grassroots. The department has also directed efforts to stalled projects from previous financial years and explored viable projects for the future.

106. The medium term priorities and financial plan for the FY 2018/19 will have total resource allocation estimated at Kshs 283.2 Million, under recurrent expenditure.

Trade, Industry and Cooperatives Development

107. The overall function of the sector as stipulated in the Fourth Schedule, Constitution of Kenya, 2010 relates to trade development and regulation, including markets; trade licences (excluding regulation of professions); fair trading practices; local tourism; and cooperative societies.

108. The docket contributed significantly to the county's economic growth after investment in public facilities and construction of markets. It is still among the key areas with potential of accelerating the economic growth and development for the achievement of the developments envisioned in the

CIDP II and MTP II of Vision 2030. The general objective of the docket will be promotion and development of trade, innovation, saving mobilization and investment.

109. The docket has implemented promotion of production of cereals, constructed 47markets and overhead structures, conducted five trade fairs as per the programmes and re-verified 4015 weighing and measuring equipment, enforced good governance through creation of awareness (training offered to 150 peoples) and inspections, monitored integrity status of the co-operative leadership and improving public infrastructure in the county.

110. Notable accomplishments for the sector during the period include stabilization of market prices for agricultural produce through signing of future contracts, issuance of loans through the County Loans Board, drafting and submission of corporation bill and small and medium enterprises act which seek to establish an investment arm for the government. Cooperative subsector foresaw coffee quality and quantity improvement and control to 5 societies. Diversification of 5 multipurpose societies and continuous audit and supervision of 20 societies which in general improved farmer's income. The societies posted an increase of 57% in coffee prices from an average of Ksh 35 to Ksh 55.

111. Emerging issues within the docket which need to be addressed to enable the sector realize its targets include: poor infrastructure; perceived insecurity; unreliable and high cost of energy; influx of sub-standard, counterfeit and contra-band goods; low access to credit facilities and financial services; high interest rates and insufficient long term financing; multiple trade regulations; and low level of awareness on regional opportunities.

112. For 2017/18 – 2019/20 MTEF period, the programmes prioritized for funding are; Industrial development and Investment; Cooperative Development and Management; Trade Development and Promotion; and General Administration, Planning & support services. To implement these programmes, the Docket has been allocated of Ksh 178.1 Million during the FY 2018/19. This comprises of Ksh 106.6 Million and Kshs 71.5 Million for recurrent and development programmes respectively.

Physical Planning, Energy, Lands and ICT

113. The sector comprises four main functions; ICT infrastructure development, energy resource development and management, spatial planning services and land management and administration

114. There has been numerous achievements in the docket in the last years. Physical planning sub sector implemented programmes such Fencing of livestock yard in Gatunga, Construction of public toilet in Gatunga and Chogoria, Ongoing drainage development in Chogoria and Chuka, **E**stablished town boards in Marimanti, Chuka and Chogoria. Construction of Chogoria Bus Park, street lighting and solar lighting in Marimanti and Chogoria, improvement of drainage and market construction and the ongoing preparation of urban plans for the key towns and markets.

115. Land subsector achieved programmes such as land Adjudicating and issued tittle deeds to land owners. The physical planning department has. The continued approval of building plans has been geared towards ensuring controlled development of towns and markets. This has reduced land and plot ownership disputes.

116. Energy subsector in partnership with REA programme connected electricity to institutions, public facilities, trading centres and households. Different households were also provided with home solar lanterns as source of light

117. Some of the key achievements in the ICT subsector include WAN and LAN installation, Purchase of server and fibre cable extension through wireless to county HQ in partnership with GOK.

118. Though faced by many challenges, the docket is focused on implementing various programmes to address issues on ICT infrastructure and equipment, information management systems, policy and standards, grid electricity, alternative and renewable sources of energy , automation of services, steady power supply, urban infrastructure, security of land tenure ,land use/spatial plans, waste management, disaster preparedness and controlled survey and mapping. To achieve one- projects in the given programmes, the docket has been allocated Kshs. 161.1 Million for the FY 2018/2019 of which Kshs. 90.1 Million is for recurrent expenditure and Kshs. 71 Million meant for development.

Environment, Natural Resource and Water Management

119. The sector's goal under environment, water services and natural resources is to increase tree cover percentage and ensure access to clean and adequate water for sustainable development to the people of Tharaka Nithi by 2025. The devolved county sector functions include: control of air pollution, noise pollution, other public nuisances and outdoor advertising; refuse removal, refuse dumps and solid waste disposal; implementation of

specific national government policies on natural resources and environmental conservation, including soil, water conservation and forestry; and water services.

120. The County Government recognizes that protecting and conserving the environment, underpinned by effective climate change mitigation and adaptation measures is fundamental to sustain access to clean water, clean environment are healthy productive population. Safe drinking and sanitation do complement efforts towards improved primary healthcare and productivity of labour. For this reason the government will continue to invest in clean water supply, put in place measures to control floods and harvest rain water as well as to protect and conserve the environment.

121. The key achievements include tree planting throughout the county, school greening projects (40 water tanks issued) and distribution of seedlings to communities, developing and upgrading various boreholes to solar pump and constructing of new domestic water and irrigation projects.

122. Over the medium term the docket will source for resources to finance the following programmes: Natural resource Management, irrigation and drainage system, domestic water supply and waste water management. The total resource allocated in FY 2018/19 is estimated at Ksh 60.8 Million of which Ksh. 8.8 Million is for development vote and 52 Million is for recurrent vote.

Finance and Economic Planning

123. The docket plays a key role in enhancing public service delivery, organization and coordination of Government business through planning, coordination and management of financial resources in the county.

124. The Docket has been implementing four (4) programmes with the overall absorption rate standing at 87.3 percent. The County Treasury's achievements includes implementing strategic projects under audit and human resource management, oversight of contingency funds, resource mobilization and management, completion of monitoring and evaluation of county funded projects and expenditure management. The total resource allocated in FY 2018/19 is estimated at Ksh 117.4 Million of which the entire amount is recurrent expenditure with compensation to employees being Kshs 35.6 Million while operations and maintenance is allocated Kshs 81.1 Million.

Office of the Governor and Deputy Governor

125. The Office of the Governor provides overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery in the county as a whole. This mandate entails providing County leadership in implementation of County Policy and development agenda by ensuring the County Government works in harmony through improved policy direction and coordination.

126. The department has been able to achieve following among others: restructuring the dockets (department) to bring together units with similar/related functions; appointment of CEC's and CO's to take charge of these departments and other senior advisory officers in the office of governor.

127. During the 2017/18 – 2019/20 MTEF period, the department will implement four (4) programs namely; Management of County Affairs, Coordination and Supervisory Services, County Government Advisory Services and Management of County Executive Services under the office of County Secretary. The Docket has been allocated Kshs 136.4 million of which the entire amount is recurrent expenditure with compensation to employees being Kshs 61.99 Million while operations and maintenance is allocated Kshs 74.43 Million.

County Public Service Board

128. The board is established through County Government Act, 2012 Section 57 with mandate to establish County Government structures, offices and support human resource related functions such as recruitment and regulation enforcement on behalf of the County Government. The board has been allocated Kshs 12.4 Million for the FY 2018/19 of which the entire amount is recurrent expenditure with compensation to employees being Kshs 8.79 Million while operations and maintenance is allocated Kshs 3.66 Million.

County Assembly

129. The County Assembly plays a crucial role in strengthening the democratic arena and fostering good governance. It approves overall policy within set deadlines and contributes to the development of county legislations and oversight with respect to public expenditure. Vetting and approval of appointments of state officers as per the provision of the constitution has also been done through the County Assembly.

130. The allocation for legislation and oversight (County Assembly) is Kshs 409.0 M in FY 2018/19. This includes Kshs 100.0 Million being proposed for construction of County Assembly chamber and offices.

V: CONCLUSION

A Summary of the main changes and decisions to be put to effect should be revisited in this section.

ANNEXES: Expenditure Ceilings

THARAKA NITHI
COUNTY TREASURY

DEVELOPMENT AND RECURRENT EXPENDITURE CEILINGS

Department	Recurrent Estimates FY 2017/18	Salaries and Wages FY 2018/19	O&M FY 2018/19	Total Rec Ceiling FY 2018/19	% Rec	Development Estimates FY 2017/18	Total Dev Ceiling FY 2018/19	% Dev	TOTAL Ceiling FY 2018/19	% TOTAL Ceiling
Administration	72,341,437	108,793,721	174,415,958	283,209,679	8.90%			0.00%	283,209,679	5.96%
Agriculture	29,553,726	78,970,738	27,537,587	106,508,325	3.35%	109,275,000	209,000,000	13.31%	315,508,325	6.64%
County Assembly	384,000,000	144,000,000	165,000,000	309,000,000	9.71%	100,000,000	100,000,000	6.37%	409,000,000	8.61%
County Public Service Board	7,852,528	8,799,863	3,661,665	12,461,528	0.39%		-	0.00%	12,461,528	0.26%
Education and polytechnics	46,090,583	55,449,878	137,450,625	192,900,503	6.06%	97,050,000	82,500,000	5.25%	275,400,503	5.80%
Energy and ICT	37,525,912	6,057,576	22,505,000	28,562,576	0.90%	102,000,000	20,000,000	1.27%	48,562,576	1.02%
Environment and natural resources	8,838,912	3,027,906	5,857,500	8,885,406	0.28%	53,200,000	52,000,000	3.31%	60,885,406	1.28%
Finance	271,271,979	35,647,038	81,806,935	117,453,973	3.69%	160,000,000	-	0.00%	117,453,973	2.47%
Roads and Infrastructure	17,785,529	12,543,098	25,695,000	38,238,098	1.20%	504,600,000	553,750,000	35.25%	591,988,098	12.46%
Livestock and veterinary services	14,657,970	-	71,904,994	71,904,994	2.26%		42,000,000	2.67%	113,904,994	2.40%
Medical health	227,144,887	1,254,433,000	263,246,881	1,517,679,881	47.71%	106,750,000	171,000,000	10.89%	1,688,679,881	35.54%
Office of the Governor	126,500,000	61,993,186	74,435,000	136,428,186	4.29%			0.00%	136,428,186	2.87%
Physical planning and Urban develo	33,397,475	21,391,271	68,793,000	90,184,271	2.83%		71,000,000	4.52%	161,184,271	3.39%
Public health	22,909,225	-	61,487,119	61,487,119	1.93%			0.00%	61,487,119	1.29%
Trade, industry and cooperatives	30,577,500	84,961,918	21,686,250	106,648,168	3.35%	108,000,000	71,500,000	4.55%	178,148,168	3.75%
Water and irrigation	21,531,000	26,489,430	25,087,100	51,576,530	1.62%	217,500,000	170,000,000	10.82%	221,576,530	4.66%
Youth, culture, sports and Tourism	15,965,725	25,137,188	22,878,925	48,016,113	1.51%		28,000,000	1.78%	76,016,113	1.60%
Grand Total	1,367,944,388	1,927,695,811	1,253,449,539	3,181,145,350	100.00%	1,616,175,000	1,570,750,000	100.00%	4,751,895,350	100.00%

SUMMARY		% Total	% Recommended	FINANCING*	AMOUNT (KSHS)	% Total
Total Budget	**4,751,895,350**			**Total Financing**	**4,751,895,350**	100.00%
Recurrent Expenditure	**3,181,145,350**	**66.94%**	**70%**	County Own Revenue (CORe)	300,000,000	6.31%
Salaries	1,927,695,811	60.60%	35%	Equitable Share	3,642,400,000	76.65%
O&M	1,253,449,539	39.40%		Balances c/d	258,397,430	
				Conditional Grants	551,097,920	11.60%
Development Expenditure	**1,570,750,000**	**33.06%**	**30%**	User Foregone Fees	8,218,119	
				Grant to Polytechnics	39,238,936	
Other Disclosures			**PFM**	RMLF	95,901,220	
County Assembly	309,000,000	8.48%	Lower of 7% or double amount of salary	Other Loans and grants	407,739,645	
Executuve Office	148,889,714	3.88%				