COUNTY GOVERNMENT OF THARAKA NITHI

DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND TRADE

COUNTY FISCAL STRATEGY PAPER FOR 2020/2021 FY

FEBRUARY 2020

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CFSP 2020 will be published on the website at: www.tharakanithi.go.ke within 7 days of adoption by the County Executive Committee

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:

$(ICT)^2$

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 endeavor to build a workplace environment that cultivates person's uniqueness, encourages staff participation, collaboration and integration of diverse skills and capabilities.

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FOREWORD

This County Fiscal Strategy Paper, CFSP 2020 outlines the broad strategic priorities and policy goals of County Government for implementation in financial year 2020/21 and the Medium Term. Further, it sets out the priority programmes that the County Government is implementing in the Medium Term. The priority programmes seek to enhance sustainable development steered by economic transformation strategy that aims at spurring the economic growth of the county through (1) transforming agriculture for improved production and productivity (2) ensuring access to quality and affordable health services (3) providing efficient, affordable and reliable infrastructure and services for sustainable economic growth (4) promoting quality, inclusive, diverse, accessible education and promote cohesion (5) providing conducive environment and sustainable exploration and exploitation of natural resources (6) creating conducive business and tourism environment (7) attaining efficient, equitable and sustainable use of land resource, spatial planning and development of urban areas (8) ensuring provision of efficient and effective public service delivery and (9) strengthening the democratic arena and fostering good governance.

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 2019, this paper is part of efforts by County Treasury to link policy and planning with 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 CFSP 2020 draws priorities from the MTP III of Vision 2030, Governor's manifesto, CIDP 2018-2022, ADP 2020/21 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 CFSP 2020 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 have participated 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, the members of public and all interested persons/ groups who have so far participated in the budget process in FY 2020/21.

Ms. DOROTHY I. KINYUA NAIVASHA
COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE, ECONOMIC PLANNING AND TRADE
THARAKA NITHI COUNTY

ACKNOWLEDGEMENT

The CFSP 2020 has been prepared in accordance with the provisions of the Public Finance Management Act, 2012, Section 117. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of the County Government spending plans, as a basis of the FY 2020/21 budget and medium term framework. This document is expected to give members of the public's a clear understanding of the County's public finances and guide public debate on current economic and development matters.

The preparation of the CFSP 2020 was a collaborative effort among various County departments in a consultative way. It involved review of documents from the Commission on Revenue Allocation, inputs from the Members of the Public and any Interested Persons or Groups. Much of the information in this report was obtained from the various county policy documents and reports and other National Government Statutory reports. Therefore, we are grateful to these actors for their invaluable inputs.

Similarly, I acknowledge the continued partnership with USAID-AHADI. Specifically, the invaluable support and technical assistance in the preparation of this policy paper from USAID-AHADI team comprising of Roselyn Mungai (Chief of Party), John Ochieng (Devolution Team Lead), Sylvester Muiruri (Programme Assistant), and Paul Kamaku (Consultant).

Officers from the County Treasury spent a significant amount of time putting together this strategy paper. We are particularly grateful to the CECM, Finance and Economic Planning Ms. Dorothy Naivasha for her able leadership in the process. In addition, we appreciate the Director, Budget and Economic Planning, Mr. Lawrence Micheni, CPA; and all other Staff at Budget and Economic Planning unit for their immense contribution to this noble task. We received valuable inputs from the technical working group teams, Chief Officers and CECMs 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 Tharaka Nithi County Treasury for their dedication, sacrifice and commitment to public service. To all that were involved, receive my heartfelt appreciation.

MR. ZEPHANIAH RWANDA MBAKA,
CHIEF OFFICER,
FINANCE AND ECONOMIC PLANNING,

ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
ATI	Agricultural Training Institute
BOP	Balance of Payments
CBROP	County Budget Review and Outlook Paper
CCO	County Chief Officer
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CEREB	Central Region Economic Bloc
CIDP	County Integrated Development plan
CORe	County Own Revenue
COG	Council of Governors
CPI	Consumer price Index
CRA	Commission of Revenue Allocation
EAC	East Africa Community
ECDE	Early Childhood Development & Education
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GIS	Geographic Information System
HIV	Human Immunodeficiency Virus
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
Kshs	Kenya Shillings
MTDS	Medium-term Debt Management Strategy
LAN	Local Area Network
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NSE	Nairobi Securities Exchange
OSR	Own Source Revenue
PE	Personnel Emoluments

PEM	Public Expenditure management
PFM	Public Finance Management
PWDs	People With Disabilities
REA	Rural Electrification Authority
SACCO	Savings and Credit Cooperatives
SRC	Salaries and Remuneration Commission
USA	United States Of America
YP	Youth Polytechnic

LEGAL BASIS FOR THE PREPARATION OF THE COUNTY FISCAL STRATEGY PAPER

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

(1) County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—

    (a) The Commission on Revenue Allocation;
    (b) The public;
    (c) Any interested persons or groups; and
    (d) Any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

County Treasury Fiscal Responsibility Principles

A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility and shall not exceed the limits stated in the regulations. In managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles—

(a) the County Government's recurrent expenditure shall not exceed the County Government's total revenue

(b) Over the medium term a minimum of thirty percent of the County Government’s budget shall be allocated to the development expenditure
(c) The country government’s expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government’s total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly
(d) Over the medium term, the government’s borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
(e) The county debt shall be maintained at a sustainable level as approved by county assembly
(f) The fiscal risks shall be managed prudently
(g) Reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

In addition, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue. Every County Government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

CHAPTER ONE: COUNTY STRATEGIC BLUE PRINT

1.0 Introduction

Tharaka Nithi County envisions to be 'a prosperous, industrialized and cohesive county'. Further, the Governor's manifesto presented a transformational agenda for the County for the period 2017-2022, an agenda which continues to guide the sector priorities. The transformational plan feedback from members of the public and national government policies were the key aspects of the 2nd County Integrated Development Plan (CIDP) for 2018-2022, and the subsequent Annual Development Plans (ADPs). The plans have placed key focus on programmes, projects and initiatives required to achieve the governor's manifesto and the National Government's "Big 4 Agenda" towards implementation of the Kenya's Vision 2030. This has been the key focus since 2017 on implementing various policies and structural reforms under the 'Sustaining Development for Economic Transformation' agenda that target to initiate a rapid social-economic transformation and a paradigm shift in infrastructure development.

1.1 Overview

1.1.1 General Context

The 2020 County Fiscal Strategy Paper (CFSP), will strive to implement programmes set out in the CIDP 2018-2022 whose broad policies and priorities are anchored in the national development agenda. It outlines the broad strategic development issues and the fiscal framework, together with the summary of National and County Government public expenditure management.

Kenya's broad-based economic growth has remained strong and resilient at an average rate of 5.7 per cent per year for the last six years (2013 - 2018) outperforming the average growth rate of 4.7 per cent in the period 2008 -2012 and 5.4 per cent in the period 2003 to 2007. The growth is estimated at 5.6 per cent in 2019 and projected to recover to 6.1 percent in 2020. This performance is supported by a strong rebound in the agriculture output, steady recovery in industrial activities, robust performance in the services and investments in strategic areas under the 'Government's Big Four Agenda'.

Overall inflation has remained low, stable and within the National Government target range of 5+/-2.5 per cent in December 2019 at 5.8 percent from 5.7 percent in December 2018 reflecting higher food prices. Kenya's rate of inflation compares favorably with the rest of sub-Saharan African countries and its peers such as Nigeria and Ghana whose inflation rates were 11.9 per cent and 8.3 per cent respectively in November 2019.

Interest rate were low and stable for the period 2008 to 2011 due to ample liquidity in the money market. However, interest rates increased in 2012 following tight monetary policy stance in order to ease inflationary pressures. Interest rates remained stable and low in 2013 to October 2019, except from June to December 2015 when world currencies were under pressure. During the period, the Central Bank Rate (CBR) was adjusted appropriately to anchor inflation expectations, the central Bank rate was reduced to 8.5 per cent on 25th November 2019 from 9.0 in August 2018 as there was room for easing monetary policy stance to support economic activity.

1.1.2 County Specific Context

The County Government has aligned its priorities to the Big 4 agenda over the next five years. These include enhancing food and nutritional security, provision of affordable and decent Housing, supporting value addition and raising share of manufacturing sector to GDP, and universal health coverage. The attainment of these national goals will help advance the Vision 2030 agenda – helping Kenya to move forward towards a middle-income economy with a high standard of living.

Particularly, the County Government of Tharaka-Nithi has been preparing county economic development plans, which ideally are aligned to the National Government's Medium-Term Plan (MTP III) and the Big 4 agenda. Thus, the County Government endeavors to address routine challenges more drastically in order to build on the success of structural reforms as the basis of achieving economic growth. Substantial progress has been realized despite the many challenges that faced devolution in the last seven years.

The strategic priorities of the current leadership are anchored on fostering sustainable development that promotes inclusive economic growth and opens economic opportunities for a better future for residents in the County. Therefore, this CFSP covers the following broad priorities;

a) Transform agriculture for improved production and productivity
b) Providing Universal Health Coverage (UHC) to guarantee quality and affordable healthcare services.
c) Provide efficient, affordable and reliable infrastructure and services for sustainable economic growth
d) Promote quality, inclusive, diverse, accessible education and promote cohesion
e) Conducive Environment and sustainable exploration and exploitation of natural resources
f) Create conducive business and tourism environment
g) Attain efficient, equitable and sustainable use of land resource, spatial planning and development of urban areas
h) Ensure provision of efficient and effective public service delivery
i) Strengthen the democratic arena and fostering good governance.

1.2 Programmes for Achieving the County Strategic Blueprint's Objective

The County Fiscal Strategy Paper 2020, articulates priority economic policies and structural reforms as well as sector-specific expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY2020/21, FY2021/22 and FY 2022/23. This seeks to achieve the County Government's development goal to ensuring a secure, resilient and globally competitive first-class county in service delivery for all. Most of these sector-specific programs, policies and structural reforms are ongoing and will help the County Government to achieve its development goal. Every strategic objective is achieved by various priority strategies as listed.

1.2.1 Transform agriculture for improved production and productivity

Agriculture plays a strategic role in the progress of economic development for any society. Through increase in agricultural production, there is potential rise in per capita income in the rural community alongside production of primary raw materials that set stage for industrialization. Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Offer Subsidized high-quality inputs to the farmers
b) Promote conservation agriculture
c) Expansion and operationalization of ATI
d) Enhance produce marketing
e) Construction and operationalization of community grain stores, cooling plants and enhance other preservation techniques as well as policy intervention to curb food wastage after bumper harvests.
f) Promote value addition and processing plants in the county.
g) Enhance extension services
h) Improve mobility for extension staff
i) Improvement of livestock for increased production
j) Improvement of animal feed and nutrition
k) Improve pest and disease control mechanisms
l) Encourage use of disease and drought resistance and resilience crops and animals.
m) Capacity build farmers, creation of awareness and focus on value chain development
n) Harnessing ground water by borehole drilling, equipping and rehabilitation of existing ones
o) Development of domestic and irrigation water supply systems/schemes
p) Metering water projects for efficiency
q) Rain water harvesting and development of storage reservoirs
r) Enhance protection, conservation and Management of Water sources

1.2.2 Ensure access to quality and affordable health services

Health sector is among the key priority sectors in Tharaka Nithi County Government and it envisions a county free from preventable diseases and ill health. To achieve this, the following priority economic policies, structural reforms and sector-specific expenditure programs will be implemented:

a) Upgrading Chuka Level 4 Hospital to a fully pledged level 5 Hospital (County Referral Hospital)
b) Improve diagnostic services through procurements and installation of specialized equipment in the referral hospital
c) Strengthen the county emergency services and referral system by procuring additional ambulances
d) Investment in renovations and creating of spaces for missing services in the existing health facilities
e) Strengthen the medical facilities by procuring and equipping them with the requisite medical equipment
f) Increase the workforce numbers and recruit specialist across all the cadres
g) Increasing allocation for Essential Medicines and medical supplies and supply them on time.
h) Supplement cost of health services to the elderly, persons living with disabilities and any other special cases as identified.
i) Computerization of health systems in all County health facilities for efficiency and effective service delivery.
j) Conduct Support supervision to improve on leadership and governance
k) Improve service delivery through customer satisfaction and demand creation
l) Enhance capacity development for technical staffs on essential services.

1.2.3 Provide efficient, affordable and reliable infrastructure and services for sustainable economic growth.

Infrastructure is key to achieving investment, increased production, access to essential services and overall economic growth. The County Government has put in place the following priority economic policies, structural reforms and sector-specific expenditure programs:

a) Spot improvement of feeder roads
b) Construction of tarmac roads
c) Opening up new roads
d) Grading and maintenance of rural roads
e) Construction of bridges and footbridges
f) Regulating transport system in the county
g) Road protection works
h) Establishment of County housing scheme services

i) Provision of modern ICT infrastructure and equipment
j) Development and maintenance of Integrated County Management systems
k) Energy and ICT standards and policy development
l) Revenue automation and surveillance system's maintenance
m) In collaboration with the National government, expand electricity connection – Last mile connectivity
n) Promote use of alternative and renewable energy.
o) In collaboration with the National government, establish a power sub-station to ensure reliable and quality power supply.

1.2.4 Promote quality, inclusive, diverse, accessible education and promote cohesion

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Construction /Completion / innovation of ECDE classrooms
b) Provision of teaching and learning materials.
c) Enhancement of bursary funds
d) Strengthening of supervision services
e) Recruitment of ECDE teachers, care givers and strengthen supervision service
f) Provision of feeding programme / establishment of child friendly schools/ integration of children with special needs in normal schools
g) Capacity Building of Youth Polytechnic staff and ECDE teachers and care givers
h) Refurbishment and Rehabilitation of Youth polytechnics and Procurement of Equipment and materials
i) Inspection and quality Assurance of institutions
j) Recruitment of Youth Polytechnic instructors
k) Development of home craft centres curriculum with relevant agencies
l) Construction/ Completion / rehabilitation of Stadiums
m) Procurement of equipment and tools and training of sportsmen and women
n) Construction of cultural centers and holding Culture and arts exhibition
o) Organize Music festivals to enhance cohesion and cultural growth
p) Empowerment of PWDs and vulnerable groups

1.2.5 Conducive Environment and sustainable exploration and exploitation of natural resources

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Provision of skips, litter bins and garbage collection trucks
b) Trainings and capacity building on climate change
c) Domestication of international treaties on climate change

d) Tree planting exercises for protection and conservation of the natural environment
e) Afforestation and reforestation for restoration and protection of water catchment areas
f) Promote agroforestry
g) Encourage safe and sustainable Exploration and Exploitation of natural resources
h) Formulating relevant policies on mining, climate change and pollution control.
i) Mapping and identification of gazetted and a non-gazetted area in collaboration with National government for mineral resources

1.2.6 Create conducive business and tourism environment

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Strengthening and support to cooperative societies.
b) Formation of SACCOs and sensitization
c) Formation of producer business groups
d) Inspection, investigation and monitoring of the trade affairs in the county
e) Calibration and verification of traders' equipment for standardization and consumer protection
f) Formation of cooperatives and rehabilitation of cooperatives to enjoy economies of scale and easy access to farmers
g) Market widening, surveys and creation of data bank to enhance market access
h) Value addition to agro processing units/industrial units
i) Capacity building and awareness creation to all traders
j) Development and diversification of tourism products
k) Branding, advertising and Creative tour packaging
l) Develop Niche products
m) Holding annual cultural festivals to promote integration
n) Establishment and promotion of ecotourism ventures.

1.2.7 Attain efficient, equitable and sustainable use of land resource, spatial planning and development of urban areas

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Land Adjudication in collaboration with National government
b) Development plans
c) Market infrastructure development
d) Resource Mapping
e) Opening up of Kathwana Municipality new roads
f) Road improvement and completion of tarmacking Kathwana market
g) Mapping of Land uses
h) Approval of Survey plans in collaboration with national government

i) Establishment of G.I.S Lab and Land Information Management Systems
j) Digitizing of all data
k) Alternative Dispute resolution mechanisms and public Involvement
l) Market and urban Centre development, upgrade and beautification.
m) Installation and operationalization of street lights
n) Development of sewerage system, drainage systems and receptacles.

1.2.8 Ensure provision of efficient and effective public service delivery

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Ensuring there is adequate office space
b) Carry out staff training and development
c) Perform staff recruitment, placement, trainings and re-designation
d) Enforcing work ethics
e) Storing, updating and securing staff files
f) Management of county financial resources
g) Resource mobilization and Engaging development partners
h) Strict enforcement of financial regulations and regular auditing
i) Conducting Public participation and civic education
j) Develop county plans and budget in accordance with the PEM Cycle
k) Monitoring and evaluating progress of county projects
l) Regular data collection and management to help in planning
m) Ensure good labour relations through dialogue.

1.2.9 Strengthen the democratic arena and fostering good governance

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Oversight of county activities especially with respect to public expenditure
b) Approving overall policy within set deadlines
c) Development of county legislations
d) Vetting and approval of appointments of state officers
e) Capacity development for County Assembly members and staff.

1.3 Outline of County Fiscal Strategy Paper

This section gives the outline of the County Fiscal Strategy Paper. The CFSP has five chapters with chapter one giving the County's strategic blueprint. It sets the pace and direction of the whole document. Chapter two outlines the recent economic developments and policy outlook in which the 2020/21 MTEF budget is to be prepared. It links the broad national macroeconomic parameters with the county's own economy in terms of their broad impacts. The chapter also relates the growth outlook for Kenya as contained in the Budget Policy Statement to the county's own economic policy settings. Chapter three gives an overview of the fiscal framework that supports the county economic growth over the medium term while continuing to provide adequate resources to facilitate the development agenda and fiscal priorities of the County Government. It sets out the County Government's fiscal policy stance in light of its strategic blueprint's objective and also provides an update on the county's progress in enacting and implementing fiscal structures to enable it to be fully compliant with the PFM Act 2012 and PFM Regulations 2014. Chapter four gives a clear picture of the county's resource base and spending priorities in terms of sectors and outlining the sector based expenditure ceilings. Chapter five provides a summary of the main changes and decisions to be put to place and the way forward.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1 Overview

Despite the global challenges, the Kenyan economy has remained robust and resilient as a result of the strong public and private sector investment and sound policy regime. Economic growth has averaged 5.6 per cent over the last three quarters of 2019. the growth momentum is expected to be 6.1 per cent in 2020 and 7.1 per cent in the medium term on the basis of the expected strong rebound in the agricultural output, steady recovery in industrial activities, robust performance in the services sector and increased investments in the Big Four Agenda.

The macroeconomic environment has been stable with low and stable interest rates and a competitive exchange rate that has boosted exports. The year-on-year overall inflation was 5.8 per cent in December 2019 as a result of low food prices in light of the good weather conditions. This is expected to remain within the target of 5 (+/-2.5) per cent in 2020.

The foreign exchange market has experienced a narrowing current account deficit of about 4.3 per cent down from 5 percent in 2018. This reflects the impact of the strong growth in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports and reduced international oil prices.

2.2 Gross Domestic Product Growth and its Main Drivers by Sector

The domestic economy has remained strong and resilient even under the increased global challenges based on strong public and private sector investment and conducive economic and financial policy environment. Over the last six years, the broad-based economic growth has averaged 5.6 percent as compared to 4.8 percent in the period 2008-2013 and 5.4 percent in the period 2003-2007.

The per capita income increased from Kshs 113,539 in 2013 to Kshs 202,859 in 2019 representing a 79 per cent improvement. The quarterly economic growth averaged 5.5 percent in the first three quarters of 2019 due to the resilient non-agricultural sector. The full year growth is expected to by 5.6 per cent down from 6.3 percent from 2018. In the third quarter, the economy grew by 5.1 per cent compared to a growth of 6.4 per cent in a similar period of 2018. This is mainly due to the strong performance in the services subsectors such as information and communication, transport and storage and accommodation and restaurant.

The agricultural sector recorded a decreased growth of 3.2 percent in the third quarter of 2019 as compared to 6.9 per cent in the similar period of 2018 due to delayed long rains. Hence the contribution of the sector to the GDP growth declined to 0.6 percent in the third quarter of 2019 as compared to the similar period in 2018.

The non-agricultural sector (service and industry) remained vibrant and grew by 5.7 percent in the third quarter of 2019 down from 6.5 in a similar period in 2018. The main source of growth was from the services sector which expanded by 5.7 percent in the third quart roof 2019n as compared to 6.5 percent in the same period of 2018. This was supported by accommodation and restaurant (9 percent), transport and storage 9 7.1 percent) and financial and insurance (5.6 percent). The other top contributors in this sector were Information and technology (8.4 percent) and real estate (4.9 percent). The services sector contributed 3 percent to the GDP growth in the third quarter of 2019.

The performance in the industry declined to 4.5 percent in the third quarter of 2019 as compared to 5.5 percent in the same period of 2018 as a result of reduced activities in manufacturing electricity and water supply and construction.

2.3 Recent economic Developments

2.3.1 Global and Regional Economic Developments

Global growth is projected to pick up to 3.1 percent in 2020 up from 3.0 in 2019. This is on account of recoveries in stressed emerging markets and macro-economic policy support in major economies.

Table 1: Global GDP Figures

REGION/COUNTRY	Actual 2018	Estimated 2019	Projected 2020
World	3.6	3.0	3.4
Advanced Economies	2.3	1.7	1.7
Of which: USA	2.9	2.4	2.1
Emerging and Developing Economies	4.5	3.9	4.6
Of which: China	6.6	6.1	5.8
India	6.8	6.1	7.0
Sub-Saharan Africa	*3.2*	*3.2*	*3.6*
Of which: South Africa	0.8	0.7	1.1
Nigeria	1.9	2.3	2.5
EAC-5	6.5	5.6	6.0
Of which: Kenya	6.3	5.6	6.1
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda			

The advanced economies will see a slower growth of 1.7 percent down from 2.3 percent in 2018 mainly due to the poor trade relations between the USA and China, the Brexit effects, increasing oil prices due to the Iran crisis and normalization of monetary policy. The

Coronavirus crisis is likely to negatively affect international trade due to restriction on travel and leisure.

Growth in the emerging markets is expected to pick up to 4.6 percent in 2020 up from 3.9 percent in 2019 due to recovery in most of these economies. The situation in the sub Saharan Africa will be strengthened with a growth of 3.6 percent from 3.2 in 2018 due to higher commodity prices, improved capital market access and contained fiscal imbalances. The East Africa Community (EAC) will experience a growth of 6.0 percent in 2020 from 5.6 percent in 2019 as a result of a table macrocosmic environment, improved agricultural activities, robust investments and strong private sector consumption.

2.3.2 Local Economic Trends

2.3.2.1 The Broad Money Supply Trend

The decline in Net Foreign Assets (NFA) and Net Domestic Assets (NDA) led to a slowdown in broad money supply, M, from 8.4 percent in November 2018 to 5.9 percent in November 2019. The growth in M3 was supported by increasing demand deposit even with a decline in the time and saving deposit, foreign currency deposits and currency outside bank. Over the year ending November 2019, the NFA of the banking system grew by 15 percent as compared to 29.4 percent for the year ending November 2018.

NDA registered a growth of 3.5 percent between November 2018 and November 2019 as compared to 3.9 percent in the period covering November 2017 to November 2018. This resulted from the decline in net credit flows to the public sector. On the other hand, net credit flows to the government and the private sector increased over range same period.

Annual credit to the private sector grew by 7.3percent from 3.0 over the period November 2018 to November 2019 and November 2019 to November 2018 respectively. The repeal of the interest rate cap is expected to spur growth in credit.

2.3.2.2 The Inflation Rate Trend

Year-on-year overall inflation remained low and stable with the target range 5+/-2.5 percent in December 2019 at 5.8 percent up from 5.7 percent in December 2018 due to higher food prices. Core inflation (Non-food- Non fuel) remained below 5.0 percent during the period under review. Fuel inflation declined from 6.9 percent in December 2018 to 2.5 percent in December 2019 due to declining energy prices. The delay in the onset of long rains led to low agricultural productivity leading to higher food prices. The prudent monetary policies led to low demand pressures thus the core inflation has been low and stable in the recent past.

2.3.2.3 The Interest Rate Trend

Between 2008 to 2011, the ample liquidity in the market ensured low and stable interest rates. This changed in 2012 following the tight monetary policy stance to address the inflationary pressures. Thereafter, the rates have remained stable and low with the Central bank of Kenya acting appropriately to anchor inflation expectations. The CBK rate was reduced from 9 percent to 8.5 percent to support economic activity through quantitative easing. Enhanced liquidity in the market led to the interbank rate reducing from 8.2 percent to 5.9 percent in 2019. The government security rates have been reducing despite the increased domestic borrowing by the government. During the period from December 2017 to December 2018, the 91-day Treasury bill rate declined to 7.3per cent from 8per cent. At the same time, the 182-day and 364-day treasury bills rates declined to 8.45 and 9.7per cent from 10.5per cent and 11per cent respectively.

The ample liquidity in the monetary market led to low interbank rates which only changed from 8.15 in December 2018 to 7.7 per cent a year before. The government security rates have been reducing despite the increased domestic borrowing by the government. During the period from December 2017 to December 2018, the 91-day Treasury bill rate declined to 7.3per cent from 8per cent. At the same time, the 182-day and 364-day treasury bills rates declined to 8.45 and 9.7per cent from 10.5per cent and 11per cent respectively.

The interest rate capping law implemented in September 2016 created a stable commercial bank regime. The lending rates declined from 17.7 per cent in 2017 to 12.6 per cent in 2018 when the CBR reduced from 9.5 per cent to 9.0per cent over the period. Similarly, the deposit rates declined to 7.6 per cent from 8.7per cent due to the same policy implication creating an interest spread deviation of 5.0per cent from 5.9 per cent over the same period.

2.3.2.4 The Balance of Payments Trend

In year to October 2019, the overall Balance of Payments (BOP) position improved to a deficit of $873.3 million representing about 0.9 per cent of GDP from a deficit of $13382.4 million in the year to October 2018. This was due to the decline in the capital and financial accounts. The decline in the capital account was $438.6 million due to the decline in project grants. The financial account deteriorated to $ 6346.3 million as compared to $ 5829,3 million from the previous year. Other investments, direct investments and portfolio of the financial inflows was $3680.8 million, $1357 million and $ 1284.5 respectively.

The current account balance narrowed by $3.4 million to a deficit of $3753.2 representing 4 percent of the GDP, compared to $4452.8 the previous year. The strong performance of the export was from horticulture and manufactured goods, diaspora remittances, higher tourism receipts and transport services and lower imports. The merchandise account $9965.7 million deficit from $ 1252.6 million for the previous year.

2.3.2.5 The Exchange rate trend

The Kenya shilling has been relatively stable due to the low current account deficit and sufficient foreign reserve cushion. Over the year ending in December 2019, the shilling appreciated against the US Dollar and Euro but weakened against the Sterling Pound. The shilling has continued to display less volatility compared to the currencies in the continent due to the improved inflows.

Foreign exchange reserves stood at 5.0 months of import cover in 2019 which is above the EAC requirement of 4 months. This has provided an adequate buffer against short term shocks in the forex market.

2.3.2.6 The stock market trend.

A decrease in the equity share prices was caused by the retarded rate of activity in the Capital market. This is evident in the NSE 20 share index which was 3712 points in December 2017 to 2834 points in end December 2018. The decreased market capitalization of Kshs 2,522 billion in 2017 compared to Kshs 2,102 billion in December 2018 resulted in the weakening of the share prices. The contraction indicates the global equities markets tendency as investors move to bonds market with an expectation of a hike in the U.S. interest rates on economic data and strong jobs

2.3.2.7 Impact of the Macro-economic performance indicators to the County

Budget implementation started on a slow note in the first quarter of the FY 2019/20 due to the delay in enactment of the Division of revenue Act hence the county didn’t receive any funding in the first quarter.

2.4 Update on Fiscal Performance and Emerging Trends

The first supplementary budget was presented to the county assembly in November 2019 given the need to appropriate funds for payment of pending bills as per the direction of the National treasury. The protracted impasse on the division of the revenue bill by the two houses of parliament also made it necessary to adjust the budget after an agreement was reached.

2.4.1 Revenue

The revenue received during the first six months of the 2019/20 financial year comprised Kshs 1389.3 million from the equitable share allocation, Kshs 117.8 million from local sources, Kshs 107.5 million from grants and Kshs 41.2 million from balances carried forward from last financial year. The total revenue received represented 33 per cent of the annual revenue projections totaling Kshs 5075.2 million.

The county has continued to enhance efforts in mobilizing revenues. Local Revenue collection for the first six months of the financial year 2019/20 was KSHS 117.8 million with the highest collection being realized in the month of November (25.4 Million). The top five collection streams that realized above Kshs million are health services/hospitals (Kshs 49.3 million), Cess fees (Kshs 18.02 Million), market and slaughter (Kshs 14.05 million), single business permit (Kshs 8.3 million), vehicle parking (Kshs 6.6 million) and liquor permits (Kshs 5.6 million). The regions and centres with collections above five million in the first six months are Chuka hospital (41.6 million), Chuka town (Kshs 15.6 Million), Igamba ngo'mbe (Kshs 10.2 million), Tharaka south (Kshs 8.7 million), Chogoria town (Kshs 6.8 million), Tharaka North (Kshs 6.2 million) and Marimanti hospital (Kshs 5.34 million).

In the first half of the financial year, the county has recorded a local revenue deficit of about Kshs 52 million given the annual target of Kshs 350 million, hence there is a need for increased efforts to make sure that the second half-year target is surpassed to cover for the deficit from the first half. Enhanced supervision and monitoring should be scaled up with the aim of targeting to meet the annual projection.

2.4.2 Expenditure

The total expenditure for the first half of the FY 2019/20 is Kshs 1.656 billion which is comprised of 965.6 million for recurrent expenditure and 375.0 million for development. The recurrent expenditure represents 32 per cent of the annual budget recurrent estimates while the development expenditure represents 22 per cent of the annual budget estimates. During this period, the County Assembly received Kshs 131.9 million for its operations. The recurrent expenditure represents 32 per cent of the annual budget recurrent estimates while the development expenditure represents 22 per cent of the annual budget estimates. Out of the total expenditure, 58 per cent was used for recurrent expenditure, 23 per cent for development, 8 per cent for County assembly operations and 11 per cent remained unspent in the year as at December 2019.

2.4.3 Fiscal performance

Budget execution started on a slow note in the first quarter of the FY 2019/20. The slowdown was due to delays in the county allocation of revenue proposed in the revised Division of Revenue Bill, 2019. The impasse between the Senate, CRA and Council of Governors (COG) on one hand and the National Assembly and national government delayed the enactment of the division of revenue bill due to the disagreement on how much Counties should receive as equitable share.

In the financial year 2017/18, the total revenue realized to finance the budget was of Kshs 4,262,852,311 which comprised Kshs 3,642,400,000.00 from equitable. Kshs 242, 951, 703.00 from local own revenue sources and Kshs 377, 500, 608.00 from loans and grants.

At the end of the financial year Kshs 41,225,753 remained unspent. From the receipts Kshs 3,132,539,341.00, was used to finance recurrent expenditure, Kshs 1,348,167,636.00 for development expenditure and Kshs 351,999,598 for county assembly legislative services. Local revenue collected for the first half increased from Kshs 84,311,255 for the FY 2018/19 to Kshs 117,756,646 in the FY 2019/20 representing a 40% increase.

2.4.4 Comparison of Actual Performance against Budget

Table 2: Comparison of Actual Performance against Budget

PARTICULARS	**2018/19 FY Actual**	**2019/20 FY Budget Estimates**	**2019/20 Actual (First half)**	**% Utilisation**
TOTAL REVENUE & GANTS	**4,873,932,327**	**5,075,336,806**	**1,655,768,854**	33%
Unspent Bal from Previous FY	611,080,016	41,225,752	41,225,752	100%
Revenue (Total)	**4,262,852,311**	**5,034,111,054**	**1,614,543,102**	32%
Equitable Share Allocation	3,642,400,000	3,924,600,000	1,389,308,400	35%
Local Revenue	242,951,703	350,000,000	117,756,646	34%
Grants (Total)	377,500,608	759,511,054	107,478,056	14%
Total Expenditure	**4,873,932,327**	**5,075,336,806**	**1,655,768,854**	33%
Recurrent	3,132,539,341	2,985,640,985	965,589,082	32%
Development	1,348,167,636	1,689,045,821	374,996,301	22%
County Assembly	351,999,598	400,650,000	131,891,999	33%
Unspent Bal Current FY	41,225,752	-	183,291,472	-

2.5 Significant Economic, Legislative and Financial Events

Since devolution, there have been the forming of the regional economic integration in the sub regions bringing together counties with common geographical and political ties. These economic blocs are aimed at addressing common development challenges. They also aim to help achieve economies of scale in delivery of some programs and improve bargaining power of the members in national platforms. Tharaka Nithi is member of the Central Region Economic Bloc (CEREB) with other members being Meru, Embu, Muranga, Kirinyaga, Kiambu, Nyeri, Laikipia, Nyandarua and Nakuru. The broad objective of the bloc is to leverage on economies of scale in the region especially shared resources and opportunities.

In April 2019, the CRA submitted to the Senate Recommendations Concerning the Third Basis for Revenue Sharing among County Governments for the Period FY 2019/20 – 2023/24. This review is bound to have far reaching consequences on the horizontal allocation of equitable share revenue. A summary of the proposed third formula (as well as the current and previous ones) is shown in Table 3 below.

Table 3 : Revenue sharing formula parameters

Indicator	**1st formula**	**2nd formula**	**Proposed 3rd formula**
Health index			17%
Agricultural index			10%
County population	45%	45%	18%
Basic equal share	25%	26%	20%
Rural access index			4%
Urban households			5%
Land area	8%	8%	8%
Poverty	20%	18%	14%
Fiscal effort index		2%	2%
Fiscal responsibility (Prudence)	2%		2%
Development factor		1%	
Total	**100%**	**100%**	**100%**

2.6 Economic Policy and Outlook

Economic growth projections take into account national growth outlook and the emerging challenges. In a national perspective, the projections take into account the emergent policies and strategies as outlined in "The Big Four" plan and prioritized in the MTP III of Vision 2030. Owing to weaker trade and investment at the start of the year, global economic growth is expected at 3.4 percent in 2019 from a projection of 3.0 per cent in 2019 down from 3.6 percent in 2018.The sluggish growth reflects the continued global trade sanctions between the U.S.A and China, subdued investment and demand for consumer durables in emerging markets and developing economies, rising energy prices and the continued Brexit uncertainties.

The BPS 2020 projects a GDP growth of 5.8% in the medium term, this is expected to guarantee a revenue growth of at least 3% annually for the County Governments. This anticipated revenue allocation to the county has been factored in the budget projections in this CFSP. The government has projected a balanced budget in the medium term.

Inflation has been projected to remain within target of 5+/- 2.5% in the medium term and is therefore not expected to have adverse effect on the budgetary resources for the County Government.

In order to align and support the National government focus on the four areas of Food security, universal health care, expansion of manufacturing and housing, the county has committed to sustain allocation of significant resources to the concerned sector. An average of 31 per cent of budgetary allocations will go to the health sector while the Agriculture and cooperatives will receive about 11 per cent.

This growth will be supported by a pickup in agricultural and manufacturing activities underpinned by improved weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business and consumer confidence.

Over the medium term economic growth in Tharaka Nithi county is expected to sustain economic growth due to continued adherence to the fiscal responsibility principles of prudent and transparency in management of public resources in line with the constitution and the PFM Act 2012.

The County Government has invested in strategic areas under the “Big four” plan that aims to increase job creation through manufacturing and trade, improved food security, Infrastructure, affordable housing and quality healthcare.

Table 4: Macroeconomic Indicators Underlying the Medium Term Fiscal Framework (FY 2019/20 MTEF)

	2018/19	2019/20	2020/21	2021/22	2022/23
National Account and Prices	**Annual Percentage change**				
Real GDP	5.9	5.9	6.2	6.3	6.6
GDP Deflator	3.9	4.9	5.5	5.4	5.3
CPI Index (eop)	5.1	5.2	5.0	5.0	5.0
CPI Index (Avg)	5.0	5.4	5.0	5.0	5.0
Terms of Trade (-deterioration)	0.6	0.5	0.8	1.1	0.3
	PERCENTAGE OF GDP				
Investments and savings					
Investments	19.7	24.2	21.4	22.2	22.5
Gross National Savings	15.2	19.2	16.6	17.7	19.5
Central Government Budget					
Total Revenue	18.2	20.1	18.3	18.2	18.2
Total expenditure and Net lending	26.0	27.8	23.6	23.0	22.4
Overall balance Commitment basis (excluding. Grants)	-7.9	-7.6	-5.2	-4.8	-4.3
Overall balance Commitment basis (including. Grants)	-7.7	-6.3	-4.9	-4.5	-3.9
Nominal debt(eop) net of deposit	56.7	57.5	56.1	54.5	52.4
External Sector					
Current external balance, including official transfers	-4.5	-4.9	-4.8	-4.4	-2.9
Gross international reserve coverage in months of imports	6.4	6.4	6.4	6.4	6.4

2.7 Risks to the Outlook

This sub-section deals with the risks associated with the outlook of the proposed budget 2020/21 and the medium term.

Risks	*Mitigation measures*
2.8.1 Risk in Changes in Macroeconomic Assumptions Unexpected changes in in macroeconomic variables create risks to both revenue and expenditure projections in this CFSP as they play a key role in the formulation of the budget. Some of these risks include	Tharaka-Nithi County understands that the risks in macro-economy largely affect the programmed spending on the development budget. The National Treasury has developed a national mitigation of measure by establishing the Public Investment Management Unit which will be responsible for ensuring that all capital projects are planned, appraised and evaluated before funds are finally committed in the budget.

Risks	*Mitigation measures*
adverse changes in real GDP growth rates, inflation rate, exchange rate and volatility of commodity prices that affect the County's own source revenue. However, on the overall, any negative external and internal shocks to our economy may adversely affect transfers from the national government and may significantly affect the funds allocated to Tharaka Nithi County.	Tharaka Nithi County shall ensure that capital projects planning, appraisal and evaluation are conducted efficiently and necessary commitments made through to ensure that funds are allocated early in the financial year. To this end the County will develop comprehensive work plans, procurement plans and cash flow projections and ensure these are submitted as required (by the 15 June of each financial year) to mitigate the effects of any adverse macroeconomic changes and ensure that if this risk crystalizes then the effects are borne by the National government.
2.8.2 Shortfall in County Revenue The third revenue sharing formula proposed by CRA will lead to reduction of Tharaka Nithi county revenue significantly. The County Government has projected as part of its revenue envelope own source revenue that will be used for budgetary support. Own source revenue generation has continued to face challenges that has resulted in consistent drop in the revenue collected and the failure to achieve the targets in the past. The County Government anticipates to loose Kshs 400 million in reduction of equitable share should the CRA third generation formula proposed for sharing revenue be approved by the Senate	Understanding the own source revenue environment, the county has in the FY 2019/20 MTEF reduced the budget to reflect more closely the expected revenue given the current environment. However, in the medium term the government will undertake measures aimed at expanding the revenue base and increasing tax compliance through the integration of technology in revenue collection. Further, the County will develop legislation over key revenue sources and develop enforcement mechanisms to stem the revenue leakages. The County Treasury proposes budget cuts and other austerity measures geared towards consolidating the fiscal position to be in tandem with anticipated changes.
2.8.3 Pending bills Tharaka Nithi County continues to face a few challenges of pending debts and bills. The pending bills currently appropriated stands at Kshs 160.78 million.	The pending bills of Kshs 160.78 million from FY 2018/19 have been appropriated for in FY 2020/21. The County government will continue to ensure full compliance to payment of pending bills in line with the payment plans submitted to National treasury and Controller of Budget. In the medium term, commitments will be made against the appropriated resources and payments will be made in strict compliance with the approved estimates.
2.8.4 Contingent Liabilities	

Risks	*Mitigation measures*
Tharaka Nithi County Government continues to face potential litigation on the pending bills and/or due to lack of compliance on the various statutory requirements including the myriad of requirements imposed by Kenya Revenue Authority. Though there were no active cases at the time of the development of this CFSP (2020), the possibility of such being brought remains a risk.	The County will continue to ensure full compliance with contractual agreements and with statutory requirements imposed by the various national agencies. Further, the county will seek to revamp its legal department to ensure that the implementing departments get the requisite legal advice when dealing with all contractual matters.

CHAPTER THREE: FISCAL POLICY BUDGET FRAMEWORK

3.1 Overview

This sub-section provides a summary of the section and the key actions the County Government has decided to take in the budget allocation.

3.2 Fiscal Policy Status

Through Economic planning and budgetary policy, the County Government has initiated programmes aimed at fostering economic growth and development, strengthening our fiscal framework, especially in support of the priority programs being implemented by the Government. The interventions are aimed at guiding spending plans as a basis of FY 2020-2021 budget and medium term. 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.

3.3 Fiscal Strategy Paper's Obligation to Observe Principles

Tharaka Nithi County Government 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, the County Government recognizes that the fiscal principles it adheres today will have implications in the future. In this regard, the County Government will;

a) Ensure there is sound fiscal policies and uniform practices for managing county resources.
b) 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;
c) Ensure that development portfolio is not crowded out by increasing wage burden;
d) 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
e) 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; and
f) Tharaka Nithi County Government will make prompt payments for contracted goods and services.

3.3.1 Fiscal Responsibility

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, Tharaka Nithi County Government is expected to adhere to the fiscal responsibility principles as set out in the statute whereby, the county governments' development expenditure as a percentage of total budget has been above the 30% minimum threshold set out in the PFM Act. The County Government has continued to realize this minimum threshold despite increasing pressure from high wage bill which takes up about 42.6 per cent of the total budget. Consequently, due to the constraints in collection of local revenues, the development expenditures are expected to remain relatively within baseline of the stipulation of PFM Act that requires a minimum of 30% as development expenditure. The County Government will not deviate from other fiscal responsibility principles stipulated in Section 107 of the PFM Act 2012 but will make appropriate modification to the financial objectives to be contained in the CFSP to reflect the real circumstances.

However, the implementation of Special Human Resource Audit on Wage Bill Mitigation and other prudent measures in personnel management being speared by the County Public Service Board will ease the wage burden. On the other hand, the County Treasury will employ consolidating measures of recurrent expenditure through sustaining austerity measures (expenditure cuts on discretionary items, develop transport policy and stringent reimbursement rules among others) to ensure there is efficacy in the use of resources employed for operations and maintenance. These and other efforts will ensure more resources have been channeled to development in the medium term thus compliance with the threshold implied in the PFM Act 2012.

3.3.2 Fiscal Structural Reforms

Development budget will majorly focus on priority programmes and projects. Similarly, the County Government will make all efforts to focus on savings and development agenda to transforms lives Therefore, every budget review will focus on minimizing 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.

The County government will give attention to pro-poor initiatives that directly impacts on *Mwananchi.* Some of the major sectors that the FY 2020/2021 budget will prioritize on include the 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.

Other reforms that are vital is continued fiscal consolidation policy to strengthen the County's return on investment position. With the fiscal consolidation strategy, sectors will be encouraged to adopt efficiency in allocation of resources and observing the concept of value for money with a view to promoting sustainability and affordability. This will ensure efficiency not only in projects outcomes and impacts but also in how the projects are funded.

However, it is important to that note non-concessional external borrowing will be undertaken in a cautious manner and limited to development projects.

3.3.3 Debt Financing Policy

The increasing debt has been managed by the County Treasury where the County Government effectively ceased usage of overdraft facilities to mitigate short term cash flow shocks caused by late release of exchequer transfers. This perennial phenomenon was partly attributed to delayed disbursement of funds by National Treasury and low ratio of County Own Revenue (CORe) to equitable share which stood at 6.0 percent for FY 2018/19. On pending bills, the County government continues to ensure full compliance to payment of pending bills in line with the payment plans submitted to National treasury and Controller of Budget to clear them.

3.4 Budget Framework Proposed for FY 2020/21-2022/23 MTEF

Despite the meagre resources, the Tharaka Nithi County Government will put every effort to achieve sustainability and affordability taking into considerations the National treasury fiscal consolidation measures. This will be achieved by ensuring that the FY 2020/2021 budget framework continue to entrench fiscal discipline and expenditure rationalization.
prioritization of key sectors and functions approach will be taken on in order to

- To achieve the set targets and intended impacts by Linking programs and intended objectives with clearly defined inputs, outputs and outcomes.
- Fund the most critical needs and achieve maximum impact on the beneficiaries through judicious utilization of meager resources.
- Harmonize cash flows and procurement and implementation plans for coherence and take into account resource constraints.

3.4.1 Revenue Projections

Based on the Draft 2020 Budget Policy Statement, the revenue projections for the FY 2020/21 amounts to Kshs 5,140,212,896 which includes the equitable share, local revenue and loans and conditional grants. The County is expected to receive Kshs 3,861,300,000 as equitable share and Kshs 928,912,896 from the loans and conditional grants allocation. The county own revenue sources are estimated to be Kshs 350,000,000 which will be achieved through improved administration and supervision and expanding the tax base. In the medium term, 76.24 per cent of the county revenues will be financed by the equitable share, 16.97 per cent from loans and conditional grants and 6.79 per cent from county own revenue sources.

Table 5: County Government Revenue Sources by type

Financial Year	Equitable Share	User Fees forgone	Fuel Levy	Medical equipment	Const. HQ	Youth Polytechnics Grant	Other Loans and Grants	Own Source Revenue	Total
2018/19	3,642,400,000	8,218,119	95,901,220	-	-	40,500,000	232,886,269	242,951,703	4,262,857,311
2019/20	3,844,000,000	8,218,119	111,402,375	131,914,894	1,152,184	55,638,298	307,617,021	350,000,000	4,809,942,891
2020/21	3,861,300,000	8,218,119	115,085,841	132,021,227	50,000,000	60,799,894	542,631,900	350,000,000	5,140,212,896
2021/22	3,554,000,000	8,218,119	126,594,425	163,829,787	-	67,343,287	514,277,206	365,000,000	4,799,262,824
2022/23	3,731,700,000	8,218,119	139,253,868	180,212,766	-	74,077,616	539,991,066	380,000,000	5,053,453,435
% total 2020/21	75.24%	0.16%	2.23%	2.89%	0.97%	1.19%	10.53%	6.79%	100.00%

Table 6 : County Government revenue Trend

Financial Year	2017/18	2018/19	2019/20	2020/21	2021/2022	2022/23	Proportion of total Revenues (2020/21
Equitable Share	3,684,400,000	3,642,400,000	3,924,600,000	3,861,300,000	3,554,000,000	3,731,700,000	75.24%
Loans and grants	414,967,594	377,500,608	800,736,806	928,912,896	880,262,824	941,753,435	17.97%
Own Source Revenue	143,414,734	242,951,703	350,000,000	350,000,000	365,000,000	380,000,000	6.79%
Total	4,242,782,328	4,262,852,311	5,075,336,806	5,140,212,896	4,799,262,824	5,053,453,435	100.00%

Figure 1 shows the actual revenue sources for FY 2017/18 and FY 2018/19, and the projected revenue for FY 2019/20 & FY 2020/21.

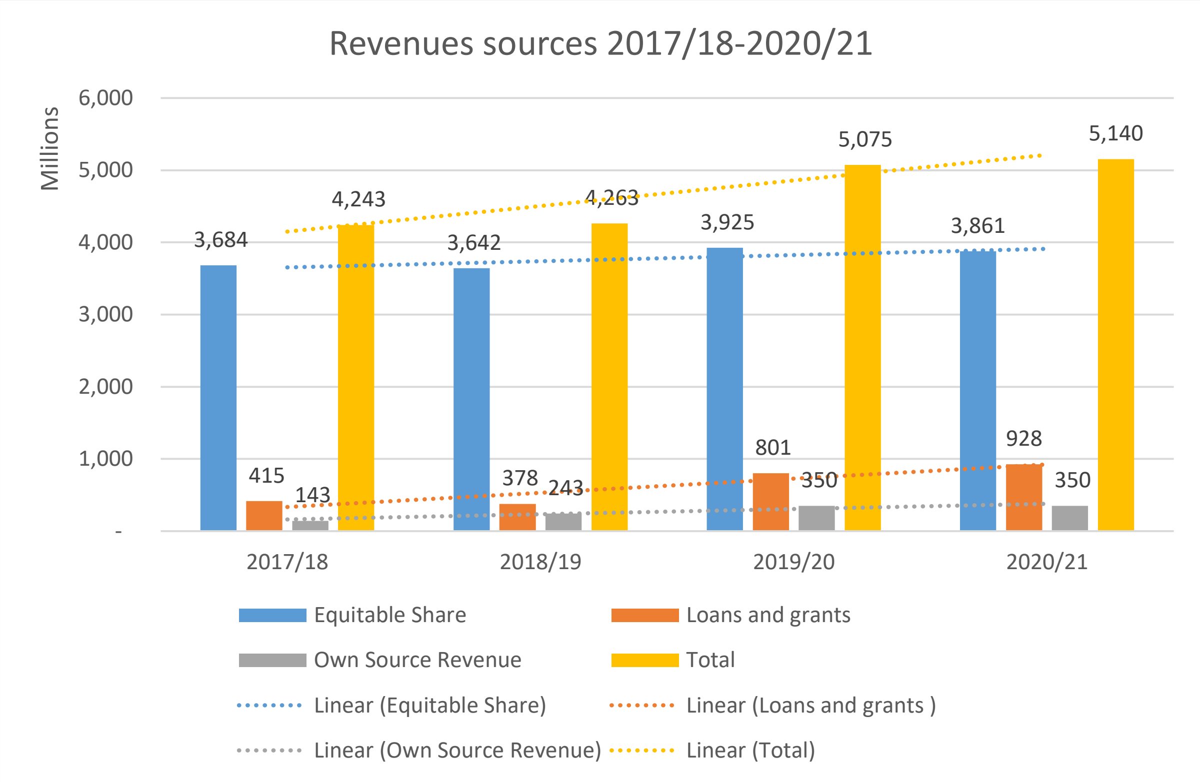

Figure 1: County Revenue by Source, Estimates, Actual and Trends

3.4.2 Expenditure Projections

From table 7, the total expenditure for the FY 2020/21 is expected to be at Kshs 5,140,212,896 million which is higher than the projected total expenditure for the FY 2019/20 of Kshs 5,075,336,806 million. There is an increase in the expenditure due to the expected increase in loans and grants and County Own Revenue.

Table 7: Estimates vs Actual Expenditure FY 2016/17- 2020/21

FINANCIAL YEAR	2016/17	2017/18	2018/19	2019/20	2020/21
Estimates	3,754,910,000	4,632,233,415	5,721,000,703	5,075,336,806	5,140,212,896
Actual	2,773,840,000	3,708,427,271	4,873,932,327		
Deviation	981,070,000	923,806,144	847,068,376		

This is further illustrated in Figure 2 below:

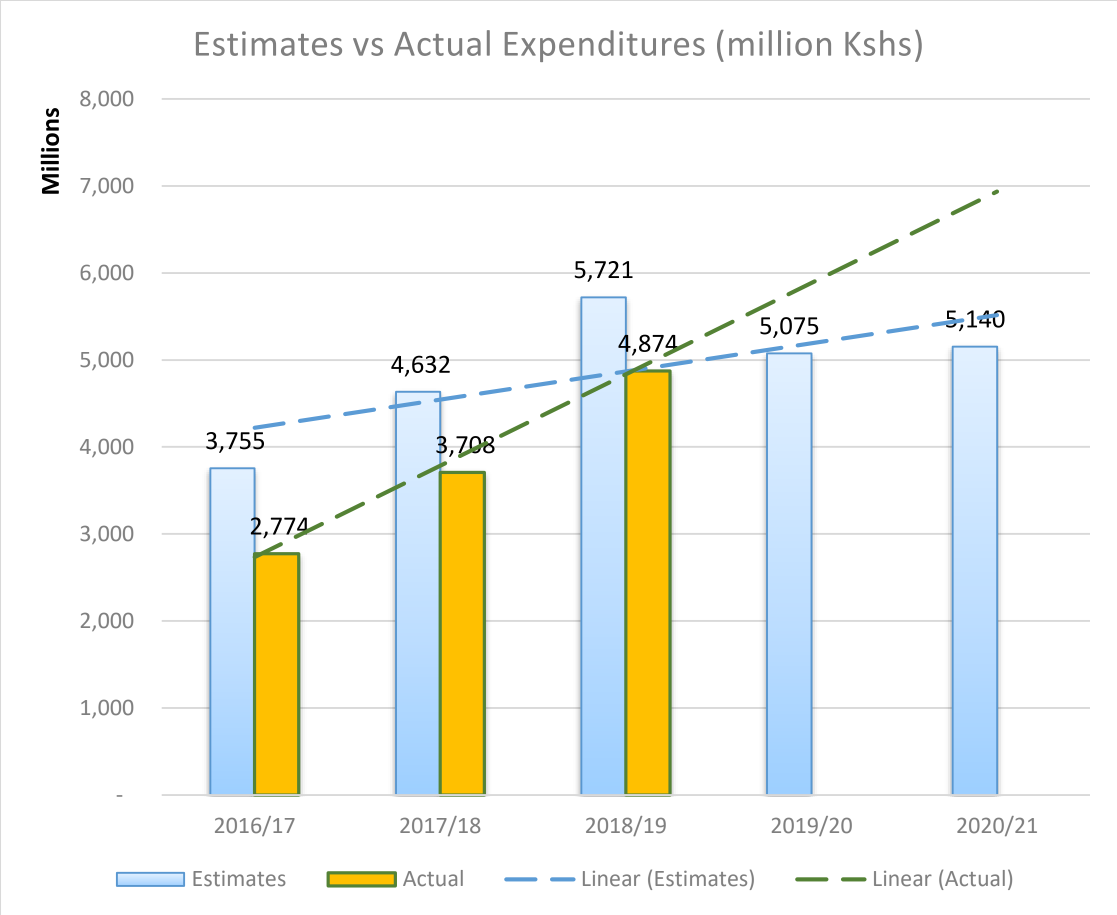

Figure 2: Estimates versus Actual expenditures (Million Kshs)

Figure 3 shows the expenditure by economic classification with the highest expenditure going to personal emoluments hence leaving very little resources for development purposes.

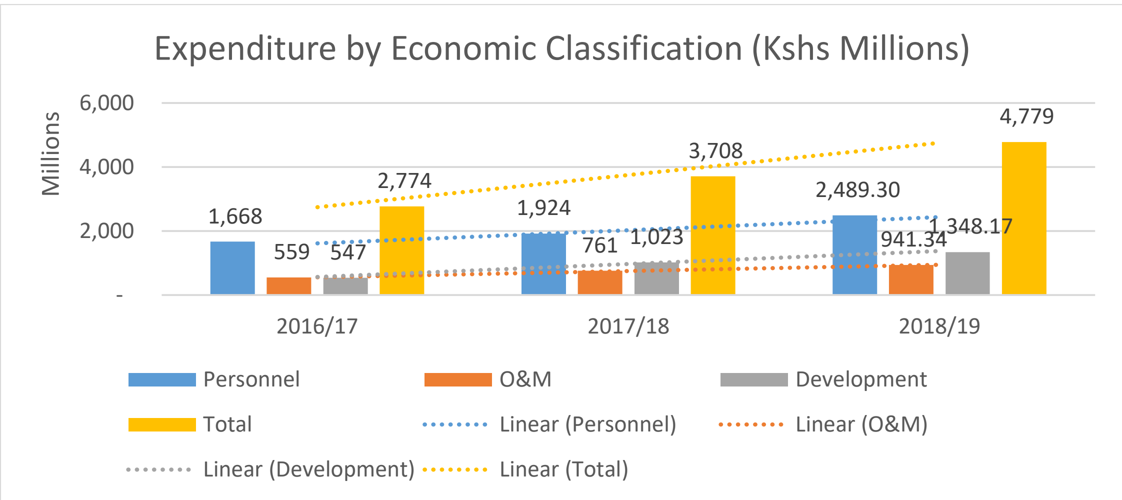

Figure 3: Actual expenditure by economic classification from FY 2016/17 to FY 2018/19

Table 8: County Government Fiscal Projections FY 2020/21 MTEF

	2018/19 FY	2019/20 FY	2019/20 FY	2020/21 FY	2020/21 FY	2021/22 FY	2021/22 FY	2022/23 FY
Particulars	**Actual Expenditure**	**Budget Estimates**	**Projections CFSP 2019**	**Projections CFSP 2020**	**CBROP 2019**	**CFSP 2021**	**CBROP 2020**	**CFSP 2022**
TOTAL REVENUE & GRANTS	4,262,852,311	5,034,111,054	4,659,942,891	5,140,212,896	5,125,897,353	4,759,262,824	5,382,192,221	5,023,453,435
Unspent Bal b/f \Previous FY	611,080,016	41,225,752	-	-	-	-	-	-
Revenue (Total)	**4,873,932,327**	**5,075,336,806**	**4,659,942,891**	**5,140,212,896**	**5,125,897,353**	**4,759,262,824**	**5,382,192,221**	**5,023,453,435**
Equitable Share Allocation	3,642,400,000	3,924,600,000	3,844,000,000	3,861,300,000	4,228,400,000	3,554,000,000	4,264,876,000	3,731,700,000
Local Revenue	242,951,703	350,000,000	200,000,000	350,000,000	220,000,000	325,000,000	230,000,000	350,000,000
Grant income	377,500,608	759,511,054	615,942,891	928,912,896	677,497,353	880,262,824	887,316,221	941,753,435
Subtotal	**4,262,852,311**	**5,034,111,054**	**4,659,942,891**	**5,140,212,896**	**5,125,897,353**	**4,759,262,824**	**5,382,192,221**	**5,023,453,435**
Total Expenditure	**4,778,808,329**	**5,075,336,806**	**4,477,724,773**	**5,140,212,896**	**4,925,457,423**	**4,759,262,824**	**5,382,192,220**	**5,023,453,435**
Recurrent	3,430,640,693	3,386,290,985	3,079,741,905	3,587,714,852	3,387,716,095	3,331,483,977	3,767,534,554	3,516,417,404
Recurrent as % of CG Total Revenue	*70%*	*67%*	*66%*	*69.8%*	*66%*	*70%*	*70%*	*70%*
Personnel Emolument	2,289,300,500	2,257,010,424	2,034,666,273	2,190,810,836	2,238,132,900	2,189,260,899	2,421,986,499	2,310,788,580
Operations & Maintenance	1,141,340,193	1,129,280,561	1,045,075,632	1,396,904,016	1,149,583,195	1,142,223,078	1,345,548,055	1,205,628,824
Personnel Emoluments as % of CG Revenue	*47%*	*44%*	*44%*	*42.6%*	*44%*	*46%*	*45%*	*46%*
Development	1,348,167,636	1,689,045,821	1,397,982,868	1,552,498,044	1,537,741,328	1,427,778,847	1,614,657,666	1,507,036,031
Development as % of CG Total Revenue	*28%*	*33%*	*30%*	*30.2%*	*30%*	*30%*	*30%*	*30%*
Unspent Bal Current FY	41,225,752							

From Table 8, the fiscal projections indicate that the equitable share will marginally increase from Kshs 3,844 million in the FY 2019/20 to 3,861 million in the FY 2020/21 while the county own revenues will remain Kshs 350 million over the same period.

The projected recurrent expenditure for FY 2020/21 is expected to be Kshs 3,587.71 million which is 69.8 per cent of the County Government total revenue, while Kshs 1,552.5 million is the expected expenditure for development which is 30.2 per cent of the total revenue of the County government. The next financial year's forecasted to be at an average of 70 per cent and 30 per cent of the county government total revenue for recurrent and development expenditures respectively.

Expenditure by economic classification is as indicated in Table 9. The personal emolument for the FY 2020/21 is estimated at 42.6 per cent of the County government total revenue. The projected personal emolument for the next financial years is expected to be at an average of 44.45 per cent of the County government total revenue which is above the threshold of 35 per cent of the county government total revenue.

3.4.3 Recurrent Expenditure Forecasts

Table 9: Actual Expenditure by Economic Classifications - FY 2018/19-2022/23 MTEF

	Actual Expenditure	**Budget Estimates**	**Projections**	**Projections**	**Projections**
Particulars	**2018/19 FY**	**2019/20FY**	**2020/21 FY**	**2021/22 FY**	**2022/23 FY**
Total Expenditure	4,778,808,329	5,075,336,806	5,140,212,896	5,410,915,859	5,681,461,652
Recurrent	3,430,640,693	3,386,290,985	3,587,714,852	3,872,100,595	4,065,705,624
Personnel Emolument	2,289,300,500	2,257,010,424	2,190,810,836	2,405,351,378	2,525,618,947
Operations & Maintenance	1,141,340,193	1,129,280,561	1,396,904,016	1,466,749,217	1,540,086,678
Recurrent as % of CG Total Expenditure	71.79%	66.72%	69.8%	71.56%	71.56%
Personnel Emoluments as % of CG Expenditure	47.91%	44.47%	42.6%	44.45%	44.45%
O&M as % of CG Expenditure	23.88%	22.25%	27.16%	27.11%	27.11%

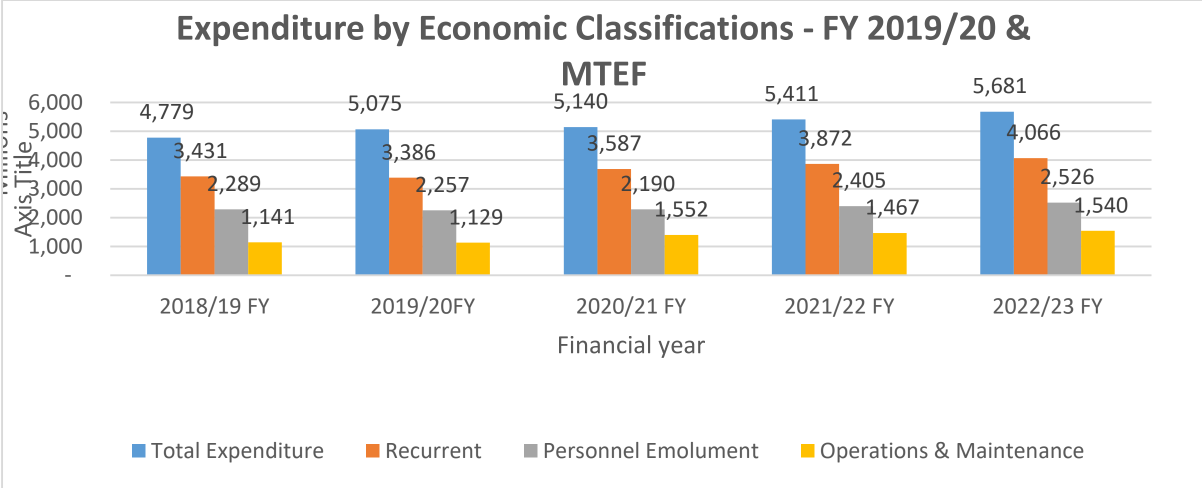

Figure 4: Expenditure by Economic Classifications from FY 2018/19(Actual recurrent expenditure) – FY 2022/23

3.4.4 Development and Net Lending

The expenditure allocation to development for FY 2020/21 is Kshs 1,552.5 million which represents 30.2 % of the total county resource envelope. This is below the threshold required as per the public finance regulations and is expected to remain so in the medium term unless allocations to salaries and other recurrent expenditure are reduced. The actual and projected development expenditure are presented in Table 10.

Table 10: Actual and Projected Development Expenditure

Particulars	Actual	Budget	Projections	Projections	Projections
FY	**2018/19 FY**	**2019/20 FY**	**2020/21 FY**	**2021/22 FY**	**2022/23 FY**
Total Expenditure	4,778,808,329	5,075,336,806	5,140,212,896	5,410,915,859	5,681,461,652
Development	1,348,167,636	1,689,045,821	1,552,498,044	1,623,274	1,704,438,495
Development as % of CG Total Revenue	28%	33%	30.2%	30%	30%

Figure 5 shows the actual and projected expenditure on development by the County government over the period 2018/19-2022/23 financial years.

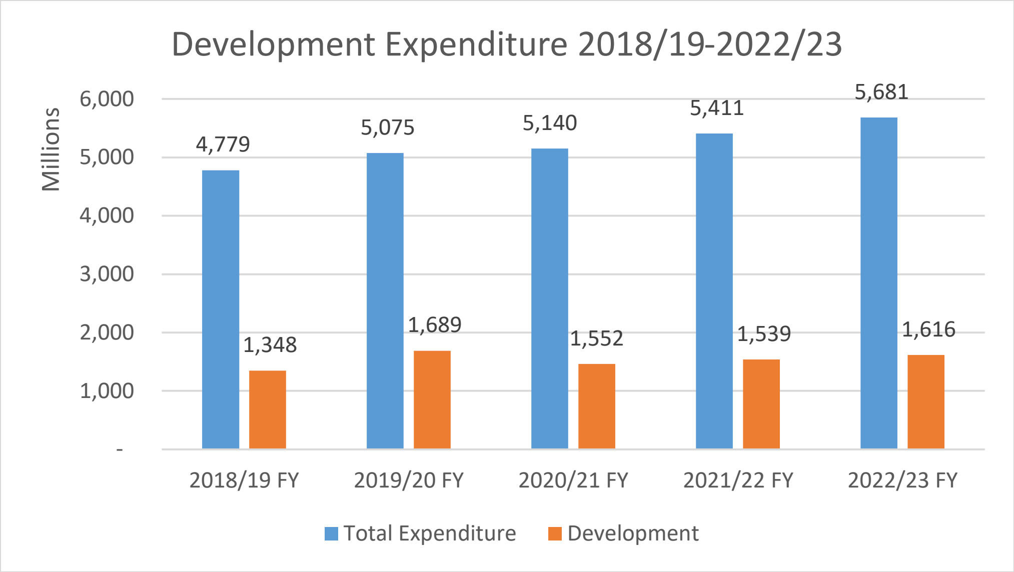

Figure 5: Projected Development Expenditure 2018/19 (Actual development expenditure) - 2022/23

3.4.5 Fiscal Balance and Deficit Financing

Based in the projected revenues and expenditures, the county aims at achieving a nil deficit (excluding grants) unless the local and equitable share disbursements are below optimal. In such a scenario where the two main revenue streams are below the target levels, then the county will resort to supplementary budget adjustments to cover the gap by the third quarter within the financial year.

3.5 Summary

The 2020/2021 financial year budget will be financed through the equitable share allocation, county own revenue sources and loans and conditional grants. The main source of funding will be through the equitable share constituting 76.24 per cent of the total revenue sources. This will be followed by loans and grants with 16.97 per cent and finally, the county own sources with 6.79 per cent. On the expenditure side, the biggest utilization will go towards compensation of employees followed by development expenditure and finally operations and maintenance costs

CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.0 Overview

The Medium Term Expenditure Framework (MTEF) is an annual, rolling three year-expenditure planning. It sets out the medium-term expenditure priorities and hard budget constraints against which sector plans can be developed and refined. It aims to ensure that budgets reflect Government's social and economic priorities.

4.1 Resource Envelope

The resource envelope available for allocation among the spending County Departments is based on the updated medium term fiscal framework which is outlined in chapter 3.

Under the PFM Act 2012 (104), the County Government is required to mobilize resources for funding the budgetary requirements of the County Government and putting in place mechanisms to raise revenue and resources. To enhance efficiency in collection and administration of Own-Source Revenue (OSR), the County Treasury in consultation with various county departments seeks to continuously strengthen legal and institutional frameworks for OSR, identify new opportunities for optimizing county's OSR and continuously improve county's capacity for revenue collection and administration.

For the FY 2020/2021, locally mobilized revenue or County Own Revenue (CORe) will finance about 6.79 % per cent of the expenditure priorities in the projected budget of Kshs 5,140 million. In the FY 2019/20, the projected CORe is expected to be Kshs 350 million which will be retained at the same level in financial year 2020/2021 based on the revenue potential as per the first half of 2019/20 FY. Equitable Share from National Government will account for 76.24 per cent of total budget resources while loans and conditional grants will be 16.97 per cent.

Table 11: Resource Envelope for FY 2018/19-2020/21

	FY 2018/19	**FY 2019/20**	**FY 2020/21**
Equitable share	3,642,400,000	3,924,600,000	3,861,300,000
Grants	643,981,001	800,736,000	928,912,896
CORe	300,000,000	350,000,000	350,000,000
TOTAL	4,586,381,001	5,075,336,000	5,140,212,896

The national government funding is capped at population (45 per cent), basic equal share (26 per cent), poverty index (18 per cent), land area (8 per cent), fiscal effort (2 per cent) and development factor (1 per cent). The Commission on Revenue Allocation (CRA) has developed a third basis for revenue sharing among counties. In accordance with the provisions of Article 217, the third basis will be used to share revenue among counties for a period of five years once it is approved.

Table 12: Summary of Third generation formula Weights

Indicator	**Weight**
Health index	17%
Agricultural index	10%
County population	18%
Basic equal share	20%
Rural access index	4%
Urban households	5%
Land area	8%
Poverty	14%
Fiscal effort index	2%
Fiscal responsibility (Prudence)	2%
Total	**100%**

4.2 Spending Priorities

The County Government is focused on maximizing it resources for the economic welfare of its citizen, and in that effort, it monitors, evaluates and oversees allocation and management of the public finances.

Access to quality and affordable health services being the major goal of health sector is of key priority to the County Government and it is working hard to ensure that its citizens are healthy by providing efficient, effective and affordable health services. The County Government aims at renovating, equipping and upgrading more dispensaries and hospitals, supply pharmaceuticals and non-pharmaceuticals supplies, automate services in more health facilities and carry on with all other basic services. The County Government will invest Kshs 1,499.8 million for medical services programs and Kshs 330.9 million for public health and sanitation preventive services the FY 2020/2021. This allocation comprises of Kshs 1,397.7 million and Kshs 330.9 million for recurrent in medical and public respectively. The development allocation in the health sector will be Kshs 102.1 million to support the improvement of infrastructure.

The County is geared towards developing capacity of farmers, mechanizing the farming process and enhancing irrigation, promoting modern methods of farming, offering high quality seeds, improving tea buying centers as well as ensuring extension services are easily accessible. The sector has been allocated Kshs 565.7 million. Of which Kshs 116.7 million has been allocated for recurrent expenditure and Kshs 449 million for development programmes. The high allocation to the agriculture development program is mainly supported for donor funding under the Kenya Climate Smart Agriculture and Agriculture Sector Development Support Program. The livestock veterinary and fisheries development programs have been funded to the tune of Kshs 130 million comprising of Kshs 87 million for recurrent and Kshs 43 million for development.

The provision of clean and safe water in another priority for the country government. The target is to ensure all households have access to clean and adequate water for irrigation and other domestic uses. The Government will invest in clean and adequate water supply, put in place measures to control floods and harvest rain water. In FY 2020/21, the county government will commit Kshs 191.6 million towards water services and irrigation. This comprises of Kshs 51.2 million for recurrent expenditure and Kshs 140.4 million for the different development initiatives. Key among these is the drilling of boreholes in the semi-arid regions using the county equipment that have already been acquired.

Infrastructure is a key factor towards achieving economic growth and social development in the County. In the 2020/2021 financial year, the government will concentrate much on completion of the ongoing tarmacking of roads, and continuous expansion and improvement of other feeder roads, completion of ongoing Governors' residence construction. Other projects include automation of more hospital's services, expansion of electricity connection in collaboration with REA, purchase of more modern ICT equipment as well as connecting and improving the network. The total resource allocated for the FY 2020/21 for the infrastructure sector is Kshs 474.1 million of which Kshs. 411.5 million is for development vote and Kshs 62.6 million for the recurrent vote.

The County Government has laid out key strategies with the aim of providing quality, inclusive, diverse, accessible education and promote cohesion. The priorities include quality pre-primary education, refurnishing or rehabilitating Youth Polytechnics, offering grants to the YPs, recruiting and capacity building both ECDE and YP staff for quality trainings. Also, promotion of sports, recognition of the needs and rights of PWDs and marginalized groups are priorities. This sector has been allocated a total of Kshs 368.1 million towards education, vocational, youth affairs, sports, culture and tourism activities.

During the financial year 2020/2021, public administration sector will majorly be focusing on public service delivery, organization and coordination of county government business. This will be done through planning and mobilization of finances and human resources, development of County plans and budget as per the PEM cycle, data collection, staff evaluation and capacity building, ensuring that the working conditions are conducive for everyone and customer attendance is effective and a priority. To implement these programmes, the public administration sector has been allocated of Kshs 401.4 million during the FY 2020/21 which all goes to recurrent vote.

Public finance management is a key component in the delivery of services across all the department. The sub sector carries out function including accounting, procurement planning and budgeting and Audit. The allocation towards this function during the next financial year will be Kshs 196.5 million.

The mobilization of local resources is essential in supporting the implementation of the county budgets. The total amount of County Own Revenue (CORe) collected in FY 2018/19 was Kshs 243 million constituting an increase of 70 percent from Kshs 143 million realized in FY 2017/18. This also represents a 19 percent under collection given the annual CORe target of Kshs 300 million approved in the FY 2018/19 budget. The improved performance in CORe collection can be attributed to deployment of an automated system, and increased enforcement and monitoring of revenue collection. On the other hand, the failure to meet the annual target can be attributed to labor unrests, incomplete mapping of revenue streams contributed to these dismal results. To further deepen the local revenue sources, the county has allocated Kshs 115 million.

Land demarcation and use, developing sewerage system, drainage systems and receptacles, lighting, constructing, improving and modernizing markets and urban centers are major focus with the aim of maximizing use of land and offer conducive environment for the business growth. This is entirely with the aim of attaining efficient, equitable and sustainable use of land resource, spatial planning and development of markets and urban areas. Lands, physical planning and urban development will have total resource allocation estimated at Kshs 272.5 million, comprising of Kshs 84.3 million under recurrent expenditure and Kshs 188.2 million under development. Out of this funding Kshs 138 million will be financed through world Bank under the Kenya Urban Support Program.

The County Government recognizes that protecting and conserving the environment is fundamental to a healthy population. Part of the activities to achieve a conducive environment and sustainable exploration and exploitation of natural resources include; tree planting, policy formulation and implementation, natural resource exploration, safe and sustainable exploitation of the natural resources and creation of awareness to aid conservation. The County Government has allocated a total of Kshs 23 million for the environment and natural resources which is sorely recurrent.

For energy and housing the county has allocated Kshs 11.8 million while the County Public Service Board will receive Kshs 22.8 million, both of which are recurrent expenditure.

Strengthening the democratic arena and fostering good governance is the mandate of the County Assembly, which is an independent arm of the County Government. The County Assembly, in financial year 2020/2021, will get funds to ensure they carry on with their roles which include general oversight, approving overall policy and ensuring they are delivered on time, developing of County legislations, vetting and approval of appointments of state officers as well as capacity development for County Assembly members and staff. The total resource allocated in FY 2020/21 is estimated at Kshs 500 million of which Kshs 400 million is meant for recurrent expenditure and Kshs. 100 million for construction of speaker's residence, chambers and officers as development expenditure.

The overall total ceilings for the FY 2020/21 and the per cent share of total expenditure per sector is further illustrated in Figure 6.

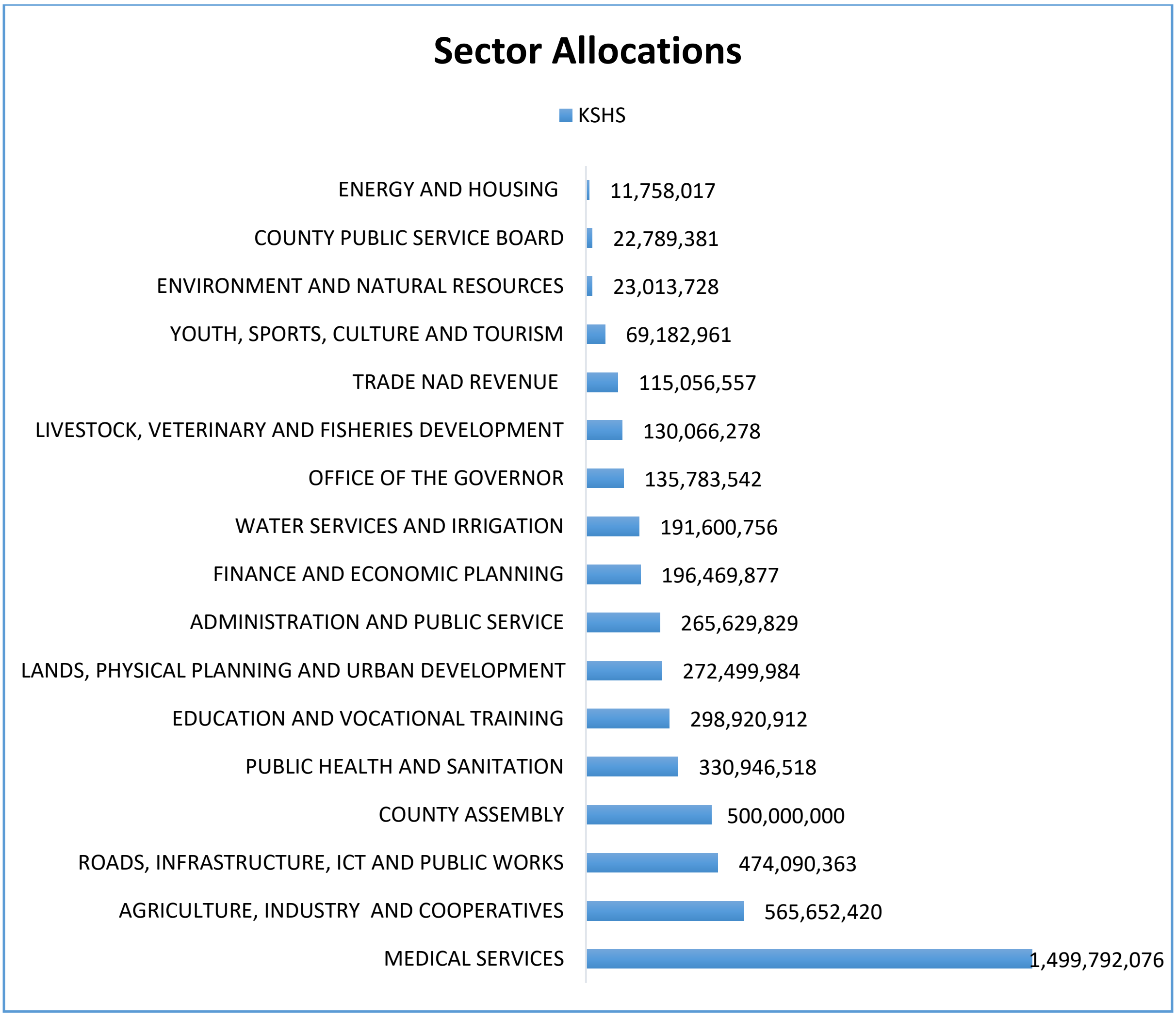

Figure 6: Graphical Presentation of the Sector Allocations

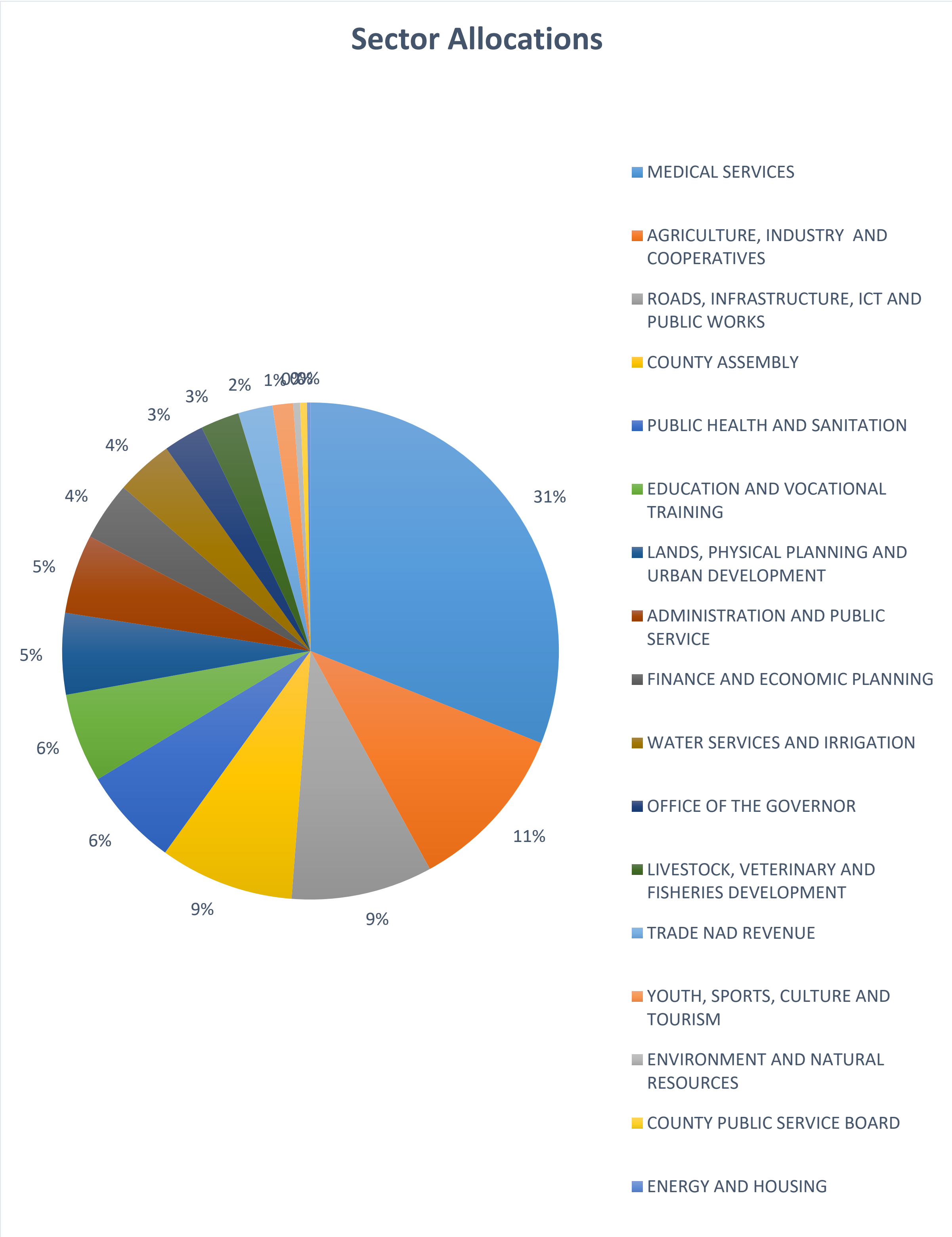

Figure 7: Pie Chart Presentation of Sector Allocation % of Total Expenditure

The overall expenditure and allocations in terms of percentages as per the sectors in this CFSP is well indicated in the above pie chart. Health Sector is a top priority and take the biggest share (31%) followed by Agriculture sector (11%) and roads, infrastructure, ICT and public works and comes third with (9%).The priority sector are based on their contribution towards the socio-economic development of the County. All other sectors are contributors to the growth of the economy as well and allocations are fair and on priority basis.

4.3 Medium Term Expenditure Estimates

The summary of indicative departmental ceilings for FY 2020/21 is indicated in Annex that informs the Sector Ceilings for FY 2020/21 and MTEF as shown in table 13 below.

Table 13 : 2020/21 Sector Ceilings

DEPARTMENT	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total Kshs
ADMINISTRATION AND PUBLIC SERVICE	240,589,534	25,040,295	-	265,629,829	-	-	-	265,629,829
AGRICULTURE, INDUSTRY AND COOPERATIVES	95,834,267	20,858,494	-	116,692,761	78,352,500	370,607,159	448,959,659	565,652,420
COUNTY PUBLIC SERVICE BOARD	12,542,798	10,246,583	-	22,789,381	-	-	-	22,789,381
COUNTY ASSEMBLY		400,000,000	-	400,000,000	100,000,000	-	100,000,000	500,000,000
EDUCATION AND VOCATIONAL TRAINING	151,846,409	54,175,333	36,732,702	242,754,444	31,678,000	24,067,192	55,745,192	298,920,912
ENERGY AND HOUSING		11,758,017	-	11,758,017	-	-	-	11,758,017
ENVIRONMENT AND NATURAL RESOURCES	16,641,566	6,372,162	-	23,013,728	-	-	-	23,013,728
FINANCE AND ECONOMIC PLANNING	55,534,320	105,935,557	35,000,000	196,469,877	-	36,959,697	36,959,697	233,429,574
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT	45,432,510	30,097,475	8,800,000	84,329,984	138,170,000	50,000,000	188,170,000	272,499,984
LIVESTOCK, VETERINARY AND FISHERIES DEVELOPMENT	68,940,808	18,157,970	-	87,098,778	42,967,500	-	42,967,500	130,066,278
MEDICAL SERVICES	1,028,757,572	167,141,387	201,780,255	1,397,679,214	102,112,862	-	102,112,862	1,499,792,076
OFFICE OF THE GOVERNOR	50,467,491	85,316,051	-	135,783,542	-	-	-	135,783,542
PUBLIC HEALTH AND SANITATION	247,656,637	22,909,225	60,380,656	330,946,518	-	-	-	330,946,518
TRADE NAD REVENUE	91,484,057	23,572,500	-	115,056,557	-	-	-	115,056,557
ROADS, INFRASTRUCTURE, ICT AND PUBLIC WORKS	28,840,643	33,732,629	-	62,573,272	246,431,250	165,085,841	411,517,091	474,090,363
WATER SERVICES AND IRRIGATION	31,799,988	19,431,000	-	51,230,988	140,369,768	-	140,369,768	191,600,756

YOUTH, SPORTS, CULTURE AND TOURISM	24,442,236	19,465,725	-	43,907,961	25,275,000	-	25,275,000	69,182,961
TOTAL	**2,290,810,836**	**1,054,210,403**	**342,693,613**	**3,587,714,852**	**905,356,880**	**646,719,889**	**1,552,076,769**	**5,140,212,896**

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

The overall expenditure in this CFSP as outlined in MTEP framework has grown moderately taking into account the envisioned moderate economic growth. The critical social areas will continue to receive a significant share of resources as well as capital investments as contributions to the growth objectives. This not only shows commitment of the County Government in supporting the functions of the department in furtherance of the spirit of devolution but also ensures that adequate resources are availed to uplift lives of the Tharaka Nithi residents.

The CFSP 2020 has detailed the set of fiscal policies that are aimed at balancing between changing circumstances due to emerging issues and the need to keep the link to the CIDP and the fiscal responsibility principles entrenched in the PFM Act, 2012. The policies are also consistent with the national strategic objectives such as 'Big Four Agenda' as detailed in the Budget Policy Statement which provides the basis for allocation of public resources.

Details of these strategic objectives are contained in the CIDP (2018-2022). These details were also reviewed and refined during the sector working groups. Each sector working group report provides clarity on the key priorities and resources needed for the 2020/21 MTEF budget. The policies and sector ceilings provided in this document will guide the departments in preparation of the 2020/21 MTEF Programme Based Budgets.

Budgetary resources are usually limited; thus it is imperative that departments prioritize their programmes within the available resources to ensure that utilization of public funds are in line with County Government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. Further, allocation of resources should be done to projects that are already implemented but incomplete. Priority should be given to any stalled projects and the recently initiated by still on-going projects. The departments should also pay attention to estimated requirements for each of the stages in the project cycle to ensure that the budget amounts are based on clear timelines and milestones. There is also need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for programmes.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthen the county's capacity to deliver services to its residents. Monitoring and evaluation will involve the tracking of activities, tracking of budget usage, the assessment of performance and putting in place strategies and actions for the attainment of results.

Proper implementation of the budget is critical towards providing services that will promote sustainable growth. Sustainability requires greater effort from all the stakeholders including County Government departments, sector working groups, civil societies, communities, County Assembly and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.

The Sector Working Groups established will provide a forum for effective engagement by stakeholders as was witnessed during the sector reporting which was a precursor to the development of this paper. The government looks forward to an increased pace in implementation and vibrancy in public participation in the budgeting and implementation of activities in FY 2020/21 and in the medium term.

ANNEX 1: REVISED BUDGET CIRCULAR

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	1. Prepare and issue budget circular with guidelines	CEC Member for Finance	August 30th 2019
2	1.1 One day sensitization workshop	County Treasury –Budget and Economic planning	August 2019
3	2. Sector Working Groups	County Treasury –Budget and Economic planning	
4	2.1 Launch and first meeting for SWGs and sensitization on SDGs	County Treasury –Budget and Economic planning	Postponed
5	2.2 Second meeting for SWGs	County Treasury –Budget and Economic planning	Postponed
6	Submission of projects and programmes to be implemented for FY 2019/20	County Treasury –Budget and Economic planning	14th December 2019
7	2.3 Third meeting for SWGs	County Treasury –Budget and Economic planning	February 2020
8	3. County Annual Progress Report	County Treasury –Budget and Economic planning	September 2019
9	3.1 Draft CAPR	County Treasury –Budget and Economic planning	15th September 2019
10	3.2 Validation of the CAPR	County Treasury –Budget and Economic planning	15th – 20th Sept 2019
11	3.3 Submission to CEC for Approval	County Treasury –Budget and Economic planning	30th September 2019
12	3.4 Submission to CA for Approval	County Treasury –Budget and Economic planning	21st October 2019
13	4.0 Monitoring and Evaluation	County Treasury –Budget and Economic planning	
14	4.1 M&E field work	County Treasury –Budget and Economic planning	27th -31st January 2020
15	4.2 Annual M&E week	County Treasury –Budget and Economic planning	Jun-20
16	5. Statistical abstract 2018	County Treasury –Budget and Economic planning	
17	5.1 Draft	County Treasury –Budget and Economic planning	Mar-20
18	5.2 Launch	County Treasury –Budget and Economic planning	May-20
19	6. Development of ADPs for FY 2020/21 and 2021/22	County Treasury –Budget and Economic planning	
20	6.1. Draft ADP FY 2020/21	County Treasury –Budget and Economic planning	Aug-19
21	6.2 Submission of ADP FY 2020/21 to CEC	County Treasury –Budget and Economic planning	27th August 2019

	ACTIVITY	RESPONSIBILITY	DEADLINE
22	6.3. Submission of ADP FY 2020/21 to County Assembly	County Treasury –Budget and Economic planning	30th August 2019
23	6.4. Report of ADP from County Assembly	County Treasury –Budget and Economic planning	November 2019
24	6.5. Consolidation of CA recommendations to Final ADP	County Treasury –Budget and Economic planning	November 2019
25	6.6. Approval of ADP by County Assembly	County Treasury –Budget and Economic planning	(Within 21 days upon submission)
26	6.7. Meeting with TWGs for ADP FY 2021/22	County Treasury –Budget and Economic planning	30th May 2020
27	6.8. First draft ADP FY 2021/22	County Treasury –Budget and Economic planning	15th August 2020
28	6.9. Validation ADP FY 2021/22	County Treasury –Budget and Economic planning	15th – 20th August 2020
29	6.10. CEC Approval ADP FY 2021/22	County Treasury –Budget and Economic planning	25th August 2020
30	6.11. Submission ADP FY 2021/22 to County Assembly	County Treasury –Budget and Economic planning	30th August 2020
31	7. Development of County Budget Review and Outlook paper (CBROP) 2019	County Treasury –Budget and Economic planning	10th Sep 2019
32	7.1. Estimation of Resource Envelope	County Treasury –Budget and Economic planning	10th Sep 2019
33	7.2. Determination of policy priorities	County Treasury –Budget and Economic planning	"
34	7.3. Preliminary resource allocation to Sectors	County Treasury –Budget and Economic planning	"
35	7.4. Draft County Budget Review and Outlook Paper	County Treasury –Budget and Economic planning	15th Sep 2019
36	7.5. Validation	County Treasury –Budget and Economic planning	15th 20th September 2019
37	7.6. Submission and approval of CBROP by CEC	County Treasury –Budget and Economic planning	30th September 2019
38	7.7. Submission of approved CBROP to County Assembly	County Treasury –Budget and Economic planning	21st October 2019
39	8. Preparation of Budget proposals for the MTEF	Departments	February –April 2020
40	8.1. First retreat to draft Sector Reports (Programmes and projects submitted)	SWGs	1st to 10th February 2020
41	8.2. Public Sector Hearings	County Treasury –Budget and Economic planning	18th -20th February 2020
42	8.3. Review and Incorporation of stakeholder inputs in Sector Proposals	SWGs	18th -20th February 2020
43	8.4 Submission of Sector Reports to Treasury	Sector Chairpersons	18th -20th February 2020

	ACTIVITY	RESPONSIBILITY	DEADLINE
44	8.5. Consultative meeting with CECs/COs on budget proposals	County Treasury –Budget and Economic planning	1st -28th February 2020
45	9. Draft County Fiscal Strategy Paper (CFSP) 2020	County Treasury –Budget and Economic planning	February 2020
46	9.1. Draft CFSP	County Treasury –Budget and Economic planning	15th February 2020
47	9.2. Draft Debt Management Strategy (DMS)	County Treasury –Budget and Economic planning	15th February 2020
48	9.3. Validation	County Treasury –Budget and Economic planning	15th - 20th February 2020
49	9.4. Submission of CFSP and DMS to CEC for approval	County Treasury –Budget and Economic planning	20th February 2020
50	9.5. Submission of CFSP & DMS to County Assembly for approval	County Assembly	28th February 2020
51	10. Preparation and approval of Final Departmental Budgets		
52	10.1. Develop and issue final guidelines on preparation of 2020/21 MTEF Budget	County Treasury –Budget and Economic planning	January, 2020
53	10.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Line departments	30th March, 2020
54	10.3. Submission of Budget proposals to County Treasury (First Draft)	Revenue Department	30th March, 2020
55	10.4. Consolidation of the Draft Budget Estimates (final draft)	County Treasury –Budget and Economic planning	10th April, 2020
56	10.5. Submission of Draft Budget Estimates to CEC	County Treasury –Budget and Economic planning	25th April, 2020
57	10.6. Submission of Draft Budget Estimates to County Assembly	County Treasury –Budget and Economic planning	30th April, 2020
58	10.7. Submission of Final Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	30th April, 2020
59	10.8. Review of Draft Budget Estimates by County Assembly	County Assembly	15th June, 2020
60	10.9. Report on Draft Budget Estimates from County Assembly	County Assembly	15th June, 2020
61	10.10. Consolidation of the Final Budget Estimates	County Treasury	15th June, 2020
62	10.11. Approval of Appropriation Bill by County Assembly	County Assembly	30th June, 2030
63	10.12. Approval of Vote on Account by County Assembly	County Assembly	30th June, 2020
64	11. Public participation	County Treasury –Budget and Economic planning	18th -20th February 2020
65	12. Development committees (ward level)	County Treasury –Budget and Economic planning	Under consideration

	ACTIVITY	RESPONSIBILITY	DEADLINE
66	12.1. 1st meeting	County Treasury –Budget and Economic planning	To be planned
67	12.2. 2nd meeting	County Treasury –Budget and Economic planning	To be planned
68	13. Budget Statement	CEC Finance	18th June, 2020
69	14. Appropriation Bill passed	County Assembly	30th June, 2020

ANNEX 2: PUBLIC PARTICIPATION REPORT

1. Prayers
2. Opening remarks
   - ✓ To ensure promotion of social justice.
   - ✓ Creating synergy.
   - ✓ To look at what plans the County Government has for us in the next financial year.
   - ✓ Priorities of the Government.
   - ✓ Emphasis on the budget process.

Importance of public participation

- ✓ Public participation is a constitutional right hence members of the public are called upon to participate actively during such forums.
- ✓ The forums are important since the government is able to collect views from different people.
- ✓ It provides a platform to give and receive feedback between the community and the government agencies.

Expectations

- ✓ Clear pending bills.
- ✓ Look at all stalled projects.
- ✓ Look at the incomplete projects.
- ✓ Credit Information Sharing (CIS) which includes;
  - Information sharing
  - Coordination
  - Budget public participation taken to the lowest level
  - Communication between the county government and the county residents

3. A brief overview of County Fiscal Strategy Paper

- It (CFSP) has 5 chapters.
- Chapter 1 gives a strategic blueprint.
- Chapter 2 outlines the recent economic development and policy outlook.
- Chapter 3 outlines the fiscal policy budget framework.
- Chapter 4 outlines the medium term expenditure framework.
- Chapter 5 gives the conclusion and wayforward

4. Formation of random groups.

5. Presentation of views from different groups
6. Reactions from members.
7. Comments on the views given.
8. Vote of thanks.
9. Closing prayer.

Comments of the CFSP

1. Energy and housing; Some amount should be set to facilitate connection of electricity to areas not yet covered. Some money should also be set for installation of solar panels.
2. Water and irrigation; the county government should increase the money allocated to water and irrigation sector.
3. Livestock, veterinary and fisheries; A lot of money is set for the sector and yet people pay a huge amount for the services offered by the government including AI.
4. Lands, physical planning and urban development department has been allocated excess revenue and hence it should be reduced.
5. Agriculture, industry and cooperatives department revenue should be deducted and allocated to roads, infrastructure and public works department.
6. County assembly allocation should be reduced and allocated to energy and housing department.
7. Office of the governor has been allocated a lot of revenue. 50 million should be deducted and allocated somewhere else.
8. Youth, sports, culture and tourism; people with disabilities should be allowed to take part in sports and should also be considered in polytechnics.
9. County government should provide seedlings to the county residents in order to ensure the tree cover improves to support environmental conservation.
10. Medical services; a follow up should be done on how medicine is supplied to health facilities.
11. Some funded budgeted for is not used as well as not accounted for hence the government should make sure the same is achieved.
12. Youths should be supported by increasing the funding for programs they will generate employment

13. The county government should strengthen its administration so as to enhance delivery of information to the right people.
14. Public participation should be taken seriously.
15. Environment and natural resources department to be allocated 20 million for development purpose.
16. Education and vocation training department to be deducted 15 million and taken to bursaries.
17. Medical services development revenue to be deducted 30 million and the money should be used for operationalization of completed medical services projects.
18. Operations and maintenance revenue for administration and public service should be reduced by 5 million.
19. Salaries variation between different departments should be addressed.
20. Lands, physical planning and urban development revenue for development should be raised from 138 million to 150 million.
21. Environment and natural resources should get 38 million from lands, physical planning and urban development department.
22. Youth, sports, culture and tourism department has been allocated little revenue. Emphasis should be put on tourism.
23. Agriculture, industry and cooperative department to be added 35 million from the office of the governor.
24. Youth, sports, culture and tourism revenue should be raised by 35 million.
25. County assembly revenue should be reduced.
26. Office of the governor revenue should be reduced by 30 million.
27. Lands, physical planning and urban development should be deducted by 100 million.
28. Water services and irrigation revenue should be raised by 50 million.
29. Education and vocational training revenue should be raised by 20 million.
30. Roads, infrastructure, ICT and public works revenue should be deducted by 30 million.
31. 10 million should be added to public health and sanitation department to support campaigns and public measures.
32. Reduce the allocation to the department of finance and economic planning.
33. Increase allocation to the department of Environment and natural resources to address climate change matters in the county.

34. Take some funds from lands, physical planning and urban development fund other sectors.
35. Establish revolving fund for the youth.
36. Revamp tourism in the county to create job opportunities and incomes e. Gaketha, Ura gate and Chogoria gate to be marketed.
37. Reduce allocation for Public administration by Kshs 5M
38. Increase development expenditure for lands physical planning and urban development to Kshs 150M
39. Reduce allocation to department of revenue by Kshs 10M and transfer to the department of Roads

Reactions from the members

Laws applied to traders are negatively affecting traders who are not quite developed.

As much as people want revenue allocated to some departments to be reduced, they should also consider the activities undertaken by the departments.

Emergency fund should be set aside.

Executive branch of the county government is very weak.

ANNEX 3: PUBLIC PARTICIPATION LIST

No.	Name	Ward	Category	Phone
1	Fr. Patrick Mugambi	Gatunga	Religious Leader	722788686
2	Julia Kajuki	Gatunga	Women	799971879
3	Lydia Karithi	Gatunga	Pwds	705541381
4	Godfrey Nyaga	Gatunga	Youth	799997690
5	Gilbert Mugambi	Chogoria		727123456
6	Linet Gakii Kithuci	Chogoria		705536795
7	Edward Njeru Milton	Chogoria		721480909
8	Ann Kaari Festus	Chogoria		717123672
9	Harrison Mukundi	Chiakariga		717803131
10	Josphat Gitemba	Chiakariga		727707884
11	Ruth Karen	Chiakariga		715256410
12	Susan Gacungu	Chiakariga		726339382
13	Ignation Kinyua	Ganga		721894463
14	Gedion Gitonga	Ganga		715992631
15	Alice Kainda	Ganga		748316715
16	Erick Kibaara	Ganga		723038595
17	Peter Mugendi Mati	Mariani	PLWD	0716200334
18	Peter Mutembei Kangangi	Mariani	Religion	0726444560
19	Denis Muchiri Gitari	Mariani	Youths	0711419864
20	Janis Njeru Gitonga	Mariani	Women	0725861314
21	Timothy Gituma	Igambangombe	Youth	0724024943
22	John Mjagi	Igambangombe	Elders	0748046245
23	Tabitha Kaura	Igambangombe	Women	0727169814
24	Peterson Mutembei	Igambangombe	FBO	0701924031
25	Patrick Micheni	Karingani		
26	Mercy Muthoni	Karingani		
27	Morris Mawira	Karingani		
28	Japhet Kinyua	Karingani		
29	Agnes	Magumoni		0727735396
30	Nancy karimi	Magumoni	Women	0729518110
31	Rev Mwangi	Magumoni	FBO	0711364523

No.	Name	Ward	Category	Phone
32	Mutegi	Magumoni		0711756548
33	Luke nyaga	Mukothima		0707158056
34	Simon najgi	Mukothima		0721393309
35	Gofrey Kanoti	Mukothima		0715539887
36	Betty Gatakaa	Mukothima		0729434157
37	Dinah Igoki	Mwimbi	FBO	
38	Zaberio Muriuki	Mwimbi	PWD	
39	Besnon mwenda	Mwimbi	Women	
40	Janice muthoni	Mwimbi	Youth	
41	Patrick Muriithi	Nkondi		0798687006
42	Robert Gikunda	Nkondi		0705312725
43	Emmanuel Njeru	Nkondi		0720632511
44	Mugao Agnes	Nkondi		0724597236
45	Eunice Kimo	Marimanti		0721925186
46	Kinoti	Marimanti		0728938929
47	Daniel gitonga	Marimanti		0927574089
48	Njeru	Marimanti		0728365135
49	Mugambi Mbaoni	Mugwe		
50	Ciankai Mathai	Mugwe		
51	Morris Mwiti	Mugwe		
52	Janius Nyaga	Mugwe		
53	Desderio Mbaka	Mugwe		
54	Dolycate Mwende	Muthambi		
55	Humphrey Kimathi	Muthambi		
56	Eliphas Kimathi	Muthambi		
57	Purity Gatakaa	Muthambi		
58	Kenneth mugambi	Mitheru		
59	Faith Mugwanyaga	Mitheru		
60	Silvia Igoji	Mitheru		
61	Dina mukwanjeru	Mitheru		
62	Lacton Mugambi	Project Coordinator Tharaka Nithi	Grassroots Development Initiatives Foundation-Kenya (Gradif Kenya)	0715800924
63	Nicholas Ngeche	Executive Director	Ngeche Foundation	0724 622 129

No.	Name	Ward	Category	Phone
64	Aileen Wanja	Project Officer	Shepherds Of Life (Sol)	0725228564
65	Joel Kithure	Acting Cordinator	Caritas –Tharak Nithi County	0725 821 663
66	Kenneth Mauki	Vice Chairperson	Tharaka Nithi Youth Association	0717609328
67	Godfrey Munene Mugo	Igambang'ombe	Chuka Igambang'ombe CBO	0723828144
68	Nanis Keeru	Karingani	Meru Child Sponsorship Program (Redeemed Gospel Church).	0727528555
69	Doreen Kageni.	Igambang'ombe	Igambango'mbe Multi-Purpose Cooperative Society (Imcos)	0727566730
70	Dr. Kanjira Mugambi	Chogoria	Village Hope Core-Chogoria	0723169061 /020 386 45 62
71	Yusufu Nyaga	Magumoni	Muslims Community-Tharaka Nithi	0788 865 870
72	Zaverio Chabari	Igambango,/Mbe	Strategies For Agro- Pastrolists Development (Sapad)	0732 427 443
73	Madam Kaume	Network Secretary	Tharaka Nithi Rh Health Network	0722 385 833
74	Muthengi Kanga	Chief Executive Officer (CEO)	Kenya Connection Ministries	0705160971
75	Patrick Mate M'dei	Program Coordinator	Cpa 2000	0711200281
76	Jachim Njagi	CEO	Ecce	0724374453
77	James Mutwiri	Karingani	Visionary Arts	0726571997
78	Sebastian Marangu	Program Officer	WRUA	0721536089
79	Dennis Jambo	Karingani	Visionary Arts	0710701675
80	Lisper Kathure	Karingani	Pamoja Initітive	0723944158
81	Sylvester Chabari	Marimanti	Tharaka Nithi Youth Association	0707250953
82	Abraham	Ward Adm Igambangombe	Tharak Nithi County Government	721385370
83	Elosy kariithi	Ward Adm Ganga	Tharak Nithi County Government	718739764
84	Annjoy	Ward Adm Mwimbi	Tharak Nithi County Government	710959434
85	Mwangangi Njeru	Ward Adm Karingani	Tharak Nithi County Government	711587360
86	Hillary Mutugi	Ward Adm Gatunga	Tharak Nithi County Government	725032660
87	Casmas Mwarana	Ward Adm Magumoni	Tharak Nithi County Government	717482558
88	Regina	Ward Adm Mugwe	Tharak Nithi County Government	724399071
89	Peter Mwabu	Ward Adm Ciakariga	Tharak Nithi County Government	726088715
90	James Rwigi	Ward Adm Mukothima	Tharak Nithi County Government	724580434
91	Chabari	Ward Adm Chogoria	Tharak Nithi County Government	711156812
92	Mwende	Ward Adm Nkondi	Tharak Nithi County Government	725409018
93	Munyua	Ward Adm Mitheru	Tharak Nithi County Government	723158686
94	Rose	Ward Adm Muthambi	Tharak Nithi County Government	712110447

No.	Name	Ward	Category	Phone
95	Agerine mwende	Ward Adm Marimanti	Tharak Nithi County Government	728707474
96	Muchiri	Ward Adm Mariani	Tharak Nithi County Government	721222475
97	Moses Bundi	Sub county Administrator Tharaka north	Tharak Nithi County Government	729022575
98	Andy Twiri	Sub county Administrator Mwimbi	Tharak Nithi County Government	790127222
99	Purity Gatwiri	Sub county Administrator Muthambi	Tharak Nithi County Government	711952343
100	David Kamwara	Sub county Administrator Chuka	Tharak Nithi County Government	729625944
1001	Cecilia Mukiri	Sub county Administrator Thraka south	Tharak Nithi County Government	723300688
102	Dedan Kimathi	Sub county Administrator Igambangombe	Tharak Nithi County Government	721203166