



**REPUBLIC OF KENYA  
COUNTY GOVERNMENT OF  
NYANDARUA  
COUNTY TREASURY**



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**COUNTY FISCAL STRATEGY PAPER (CFSP) FOR  
2022/23 FY AND THE MEDIUM TERM**

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

**NOVEMBER, 2021**

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## FOREWORD

The County Fiscal Strategy Paper (CFSP) 2021, lays out strategic aims and fiscal strategy for the county's fiscal and budget framework, indicating what the county expects to accomplish with revenue, expenditure, and debt management over the medium term. Importantly, this document details the resource ceilings for each sector and program, which are used to set budget projections. It highlights the policy focus for the County Government for implementation in the Financial Year 2022/23 and over the Medium Term. The priorities therein are anchored in the County Integrated Development Plan (2018-2022), and the Annual Development Plan for 2022/23 Financial Year. The priorities are in line with the Government's Socio-economic Transformative Agenda and other policy guidelines.

The County is reliant on global and Kenyan economic performance while preparing its Fiscal Outlook and Strategy. To this purpose, the County expects that, among other determining variables, both global and national economic performance will promote the implementation of the planned programs and projects while formulating the CFSP.

There has been a fall in economic activity in Kenya. The production sector has been impacted by a drop in consumption and disposable income, which has had a negative influence on the creation of national and county government revenues. The Kenyan government has implemented certain supportive mechanisms in a variety of sectors to ensure that the epidemic does not damage their livelihoods, and this has been passed down to the County through various recovery plans.

Nyandarua County has devised a number of strategies to mitigate COVID's detrimental effects on the macroeconomic environment. To this purpose, Departments are expected to focus their Medium-Term programs and projects on aiding various productive sectors and human capital in recovering from the consequences of the COVID-19. It should be highlighted that the programs are intended to produce a medium-term social budget.

The CFSP 2022 lays out the Medium-Term Fiscal Framework, which offers mechanisms for achieving sustainable growth and development through efficient service delivery in Nyandarua County. This calls for **Openness, Transparency, Accountability, Responsiveness, and Abiding** by the rule of law to facilitate fiscal discipline and maintain macroeconomic stability.

The main sources of County revenue in the Medium Term will be Equitable Share from National Government, Local Revenue Collections and Donor Funding. In the 2022/23 FY and the Medium

Term, the County Government proposes a series of measures to increase revenue and balance its fiscal spending. The County Government's Fiscal Policies in FY 2022/23 will also focus on re-orientation of expenditure from recurrent to development.

The County Treasury has a target of Kes 850 Million for Own-Source Revenue. It is expected that there will be a rise from the economic depression experienced after the COVID-19 pandemic. Also, the County Treasury has identified various streams of revenue that are to enable tapping of resources and achieving this target. The County is to further pursue additional measures to curtail sippages of revenues.

This Paper, therefore, puts into perspective how the County anticipates expending its scarce resources in the 2022/23 FY and the Medium Term. For its successful implementation stakeholder consultations will be primal.

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## **ACKNOWLEDGEMENT**

The formulation of the County Fiscal Strategy Paper has been through joint efforts by various stakeholders. It aims at laying the fiscal framework for the FY 2022/23 Budget and the Medium Term. It presents the broad strategic macroeconomic issues with a summary of Nyandarua County's spending plans through various programmes in the Departments. The Budget estimates for the FY 2022/23 are to be informed by this paper.

The CFSP sets precedent for the preparation of the budget estimates. In its preparation, it is stipulated by various legal instruments that public participation is vital. To this end, the County Treasury invited the public to give comments for enhancement of the policy paper on 10<sup>th</sup> November 2021.

In the preparation, of the CFSP 2022, I take this opportunity to thank the: County Executive Committee Members; Technical County Departments; Members of the Public and organized groups for their input and critique.

We are particularly grateful to Hon. Stephen Njoroge, CECM for Finance and Economic Development for guidance and spearheading the preparation process. Special thanks go to the technical team in the Directorate of Economic Planning and Development who met and worked tirelessly to prepare this document.

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## **CHAPTER ONE**

### **ECONOMIC AND FINANCIAL FORECAST FOR FY 2022/2023 AND THE MEDIUM-TERM**

#### **ECONOMIC OUTLOOK**

##### **1.0 Overview**

This Section highlights the global, regional, national and local economic outlook, and their impact on the County's Economic Development.

##### **1.1 Global and Regional Economic Development**

The global recovery is underway, but the pace has slowed due to the pandemic. The global COVID-19 death toll has climbed close to 5 million, fuelled by the highly transmissible Delta variant, and health risks abound, delaying a full return to normalcy. Pandemic outbreaks in critical global supply networks have caused supply disruptions that have lasted longer than predicted, fuelling inflation in many countries. Risks to the economy have risen overall, and policy trade-offs have become more complicated.

In comparison to the July 2021 forecast, the global growth forecast for 2021 has been lowered down to 5.9% from 6%, while the forecast for 2022 is anticipated to remain stable at 4.9%. However, the slight revision masks significant downgrades for some countries. Due to increasing pandemic dynamics, the outlook for low-income developing countries has dimmed significantly. The downgrade reflects the advanced economy group's more difficult near-term prospects, which are amplified by supply disruptions (IMF World Economic Outlook, October 2021).

In advanced economies, the projected growth of 5.2% in 2021 from -4.5% in 2020 is expected. In 2021, the United States will grow from -3.4% to 6%, Euro area -6.3% to 5% and the United Kingdom -9.8% to 6.8% from 2020 respectively. While other advanced economies will have a growth projection of 4.6% from -1.9% in 2020. (IMF World Economic Outlook, October 2021).

In 2021, Emerging Market and Developed Economies (EMDEs), will expand by 6.4% from -2.1% in 2020. China is expected to rise by 8% in 2021 compared to 2.3% in 2020, while India will expand by 9.5% in 2021 from -7.3% in 2020. In 2020, Sub-Saharan Africa contracted by -1.7%



compared to 3.1% projected expansion in 2021. The key drivers of African expansion, Nigeria and South Africa, are expected to grow by 2.6% and 5% in 2021 from -1.8% and -6.4% respectively in 2020. (IMF World Economic Outlook, October 2021)

East Africa is the only region in Africa that avoided a recession in 2020 due to improved agricultural performance, ongoing public spending on massive infrastructure projects and growing regional economic integration. However, political instability in some nations and a lack of economic diversification in others hampered growth. The global economic recovery is expected to help East Africa's GDP expand to 3 percent in 2021, up from 0.7 percent in 2020. The sluggish dissemination of COVID-19 vaccines, as well as the possibility of more infection could sour that attitude. (East Africa Economic Outlook, 2021)

## **1.2 National Macro-Economic Outlook**

Kenya was among Africa's fastest-growing economies before the COVID-19 pandemic, with an annual average growth of 5.9% between 2010 and 2018. It has recently achieved lower-middle-income status, with a GDP of US \$95 billion, and has effectively developed a broad and dynamic economy. It also acts as a gateway to the wider East African market of close to 200 million people. However, the Country continues to face substantial obstacles in achieving sustainable and equitable economic growth, which have been compounded by the economic disruptions caused by COVID-19. (USAID)

## **1.3 Domestic Economic Development**

According to the Kenya National Bureau of Statistics, Kenya has grown its economy by 0.3% in 2021. Leading indicators for the Kenyan economy point to a relatively strong recovery in the first quarter of 2021. As such, the economy is projected to recover to 6.6% in 2021, partly reflecting the lower 2020 base effect. The service sector has generally been the largest contributor to GDP and will contribute an average of 6.0% to GDP growth in 2021 from a negative contribution of -3.1% in 2020. The contribution is expected to stabilize at 3.2% in 2022. Agricultural output also grew robustly, though most sectors were severely disrupted.

Kenya has made major gains in social development, including reducing child mortality, achieving near-universal primary school enrollment, and narrowing gender gaps in education. Interventions and increased spending on health and education are paying dividends. While the health care system

has faced challenges recently, the most prevalent being COVID-19, devolved healthcare and free maternal health care at all public health facilities has and will continue to improve health care outcomes and develop a more equitable health care system.

With full re-opening of the economy through lifting of the nationwide curfew in October, the national economic performance is expected to improve. However, the economy is still being hit hard through supply and demand shocks on external and domestic fronts thereby interrupting its recent broad-based growth path. In addition to the slow growth exacerbated by the effects of the COVID-19 pandemic, high fuel costs have increased the cost of living. The unpredictable weather has affected rainfed agriculture thereby risking food security and growth of the agricultural sector in the country.

### **Inflation Rate**

According to the Central Bank of Kenya, overall inflation remained anchored within the Government's target range of 5+/-2.5% during the first half of 2021, supported by lower food prices, muted demand pressures and prudent monetary policy. The inflation rate stood at 6.45% in October 2021, after reaching 6.91% in September 2021 as compared to 5.6% in December 2020, mainly reflecting increases in fuel prices during the period. The VAT adjustment in January 2021 had a mild impact on inflation. Fuel inflation remained elevated and consistent, with trends in energy prices and continued interventions in the transport sector to contain the spread of Covid-19 virus. Food inflation increased slightly despite improved food supply arising from favourable weather conditions. Non-Food Non-Fuel inflation remained low and stable below 5% during the period, reflective of muted demand pressures. It stood at 2.6% in June 2021, the same level as that in December 2020.

The rate of inflation affects the cost of providing goods and services for the government, with a high rate making it expensive to provide goods and services. The high rate could also cause a weakening of the Kenya shilling relative to other currencies which will increase the cost of servicing foreign-denominated loans.

### **Kenya Shillings Exchange Rate**

Exchange rates fluctuation affects current account balance and the debt service repayable on foreign-denominated loans. The Kenya foreign exchange market has largely remained stable but

partly affected by tight global financial conditions attributed to uncertainty with the Covid 19 pandemic. The Kenya shilling to the US Dollar exchanged at Kes. 111.1 in November 2021 compared to KES. 110.05 In November 2020. Moreover, the Kenya shilling continues to record less volatility compared to most Sub-Saharan African currencies. The Kenyan shilling has relatively remained stable weakening by only 0.95 percent against the US Dollar in November 2021 as compared to November 2020. This stability in the Kenya shilling was attributed to increased remittances and adequate foreign exchange reserves.

### **Interest rates**

Private sector credit growth remained resilient in the first half of 2021 supported by an accommodative monetary policy stance and increased demand in the first quarter resulting from improved economic activity. In agreement with the Central Bank of Kenya, growth in private sector credit stood at 7.1% in the twelve months to May 2021. Strong credit growth was observed in transport and communication, finance and insurance, real estate and consumer durables. Growth in credit moderated from 8.4% in December 2020 and 9.7% in February 2021, largely reflecting increased loan repayments and write-offs, and reduced demand with re-introduction in April of partial lockdown in five counties that are major business centres and outlets, Nyandarua County being among those affected. Additionally, stronger credit demand from manufacturers of fast-moving consumer goods and COVID-19 related products was witnessed in a similar period in 2020 after the announcement of the first case of COVID-19 in the country.

### **The Stock Market**

Activity in the capital market further slowed down in 2021 with equity share prices declining to 1,956 points from 1,948 points in 2020 according to the Nairobi Securities Exchange (NSE 20 Share Index). The depressed share prices resulted in a lower market capitalization of Ksh 2.1 Trillion in December 2018 from Ksh 2.5 Trillion in December 2017. The decline reflects trends in the global equities markets as investors shift to bond markets in expectation for a further hike in the U.S. interest rates on strong jobs and economic data.

### **Balance of Payments**

As of May 2021, the current account balance was a deficit of USD 5.36 Billion (5.5% of GDP), compared to a deficit of USD 5.14 Billion (5.2% of GDP) in May 2020. This was largely due to

lower receipts from services exports which offset the impact of lower imports of oil, machinery and transport equipment as well as increased receipts from tea and horticultural exports and strong remittances, sourced from the National Treasury.

According to the Central Bank of Kenya, the goods account balance improved to a deficit of 9.4% of GDP in 2021, from 9.9% of GDP in 2020, reflecting lower merchandise imports due to lower oil imports, increased tea exports, and resilient horticulture exports. The value of merchandise exports remained stable at USD 6.33 Billion in the twelve months to May 2021 compared with USD 5.98 Billion in the twelve months to May 2020. Earnings from tea and horticulture increased by 0.6% and 12.3% respectively. Horticulture earnings were boosted by the relaxation of restrictions in key export markets and the increased availability of cargo space. Imports fell by 0.5% during the same period, mainly driven by reduced imports of petroleum products, which fell by 13.8% on account of lower global oil prices. Exports to Africa accounted for 40%, with COMESA and EAC regions accounting for 28% and 25% respectively. China and the European Union were the major importers, accounting for 24.2% and 14.9% of total exports respectively. The balance on the secondary income remained resilient mainly supported by remittances inflows each accounted for 3.5% of GDP in May 2020. Remittance inflows in the twelve months to May 2021 totalled USD 3.44 Billion compared to USD 2.84 Billion in a similar period in 2020, a 21.1% increase. However, services exports declined by 27.6% in the twelve months to May 2021 due to a 43.4% and 50.5% drop in earnings from transport and travel services respectively.

### **Foreign Exchange Reserves**

The Kenyan Shilling exchange rate remained stable against the US dollar in the first half of 2021, despite the impact of COVID-19 on global financial conditions. This stability was supported by resilient receipts from tea and horticulture exports and string diaspora remittances. The Kenyan shilling and other major EAC currencies strengthened against the Us dollar in the second quarter of 2021. A similar trend was recorded for major international currencies against the US dollar during the period. The official foreign exchange reserve remained above the statutory requirement to endeavour to maintain at least 4 months of import cover and the EAC convergence criteria of 4.5 months of import cover. Official foreign exchange reserves stood at USD 9.54. Billion (5 months of import cover at the end of June 2021), and continue to provide an adequate buffer against short term shocks in the foreign exchange market. The approval on April 2, 2021, of a new

programme with the IMF under Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements indicates confidence in the country's macroeconomic policies and will provide an additional buffer against short term shocks.(IMF, Economic Outlook, October 2021)

#### **1.4 County Outlook**

The County's economy is highly impelled by global and national economic stability. The global monetary and fiscal impacts are felt by the Kenyan economy and are consequently translated to the counties. This outlook assumes that such shocks will not have a material impact on the county in the medium term.

The priorities contained in the third Medium Term Plan (MTP III) of the Kenya Vision 2030, Sustainable Development Goals, the African Union Agenda 2063 among others are further cascaded down to the Counties.

The county also leverages on the Presidential Big Four Agenda to expedite food security, Affordable health, Affordable housing and increased manufacturing.

While Kenya's economy is in recovery, COVID-19 has embedded deep imprints on the country's fiscal and debt position. Correspondingly, COVID-19 had severely affected the economic activities of Nyandarua County which resulted in unemployment due to the closure of businesses, disruption of manufacturing and service. For the county to recover and endure an upward growth trajectory, the county has employed crucial measures to address the social and economic development in the County. Such measures include:

- a) Maximize on Own-Source Revenue by safeguarding full automation of revenue collection to pyramid the processes and systems already in place while delving into new revenue streams
- b) Investing in adequate and affordable housing for Nyandarua residents
- c) The County intends to develop regulations on urban development control and invest in urban infrastructure to tackle the projected growth in the urbanization phenomenon
- d) Promotion of early childhood education through implementing the feeding programme and tertiary education (polytechnics) through facilitation of the students through the Higher Educations Loans Board ( HELB)

- e) Investment promotion by marketing Nyandarua through the investment authority and the county's trade development programme will attract a broad variety of investment opportunities
- f) Improving Agricultural Productivity for Food Security. Measures such as breed improvement and enhancement of extension services have been adopted by this department to actualize this.
- g) Started the construction of Mashujaa complex expected to turn around the health services provided in the county. It will address the health matters as contained in the big four agenda.
- h) Construction of potatoes processing plant that will cushion farmers against the perennial prices experienced in the agricultural sector. It will ensure smoothing of supply and make a trade-off between supply and demand thus stabilizing the food prices.
- i) Clearing of 2440 plots at Ol-Kalou town thus paving the way to increased commercialization. It is expected that plot owners will put up business structures on the cleaned plots to boost commercial activities within the town.

## **CHAPTER TWO**

### **MEDIUM-TERM FISCAL FRAMEWORK**

#### **2.0 Overview**

The County Government's mandate as stipulated by the Fourth Schedule of the Constitution of Kenya is discharged by Departments through the implementation of projects and programmes. These projects and programmes are allocated funds through the County Budgeting process that is periodic.

Section 104. (1) of the PFM, 2012 stipulates that; Subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County Government including the implementation of the Budget of the County Government.

The County Government will continue to fast track development through the implementation of programmes and projects. It shall also continue to strengthen revenue mobilization and expenditure rationalization.

The COVID-19 pandemic has had a significant impact on the business environment and occasioned a depressed revenue collection. As required by PFMA 2012, the annual budget process aims to improve the process, efficiency and effectiveness of revenue mobilization and government spending to ensure stimulation of economic activity within the county.

#### **2.1 Review of Fiscal Performance July - September 2021**

The County Treasury prepared the 2021/22 FY budget and was approved by the County Assembly. The total resource envelope amounted to Kes 7,217,631,789 in which Kes. 4,885,102,660 (67.68%) was to fund the recurrent expenditure and Kes. 2,332,529,129 (32.32%) was meant for development expenditure. The major sources of revenue were Kes. 5,670,444,228 (78.56%) as equitable share from the National Government, Kes. 590,000,000 (8.17%) as projected Own Source Revenue inclusive of Linda Mama and Kes. 957,187,561 (13.26%) as conditional grants and loans from various organizations. Out of the total budget, Kes. 814,643,697 (11.29%) was allocated to support the County Assembly in performing its roles as well as infrastructural development.

## Revenue performance July-September 2021

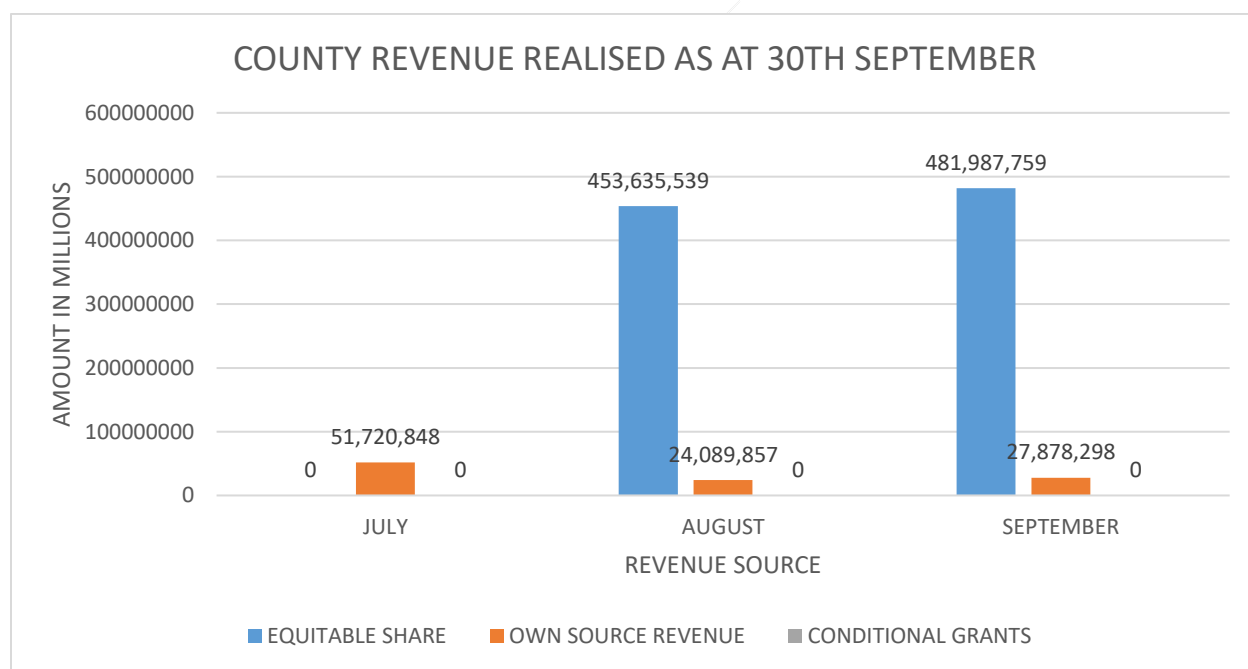
Over the 3 months, the major source of revenue was Kes. 935,623,298 from the Equitable Share and Kes 103,689,003 as Own Source Revenue. Conditional Grants were not received within the period. This is summarized in Table 1 below.

**Table 1: County Revenue Source July- September 2021**

MONTH	EQUITABLE SHARE	OWN SOURCE REVENUE	CONDITIONAL GRANTS	TOTAL
July	-	51,720,848	-	51,720,848
August	453,635,539	24,089,857	-	477,725,396
September	481,987,759	27,878,298	-	509,866,057
<b>Total</b>	<b>935,623,298</b>	<b>103,689,003</b>	-	<b>1,039,312,301</b>

Source: County Treasury

**Figure 1: County Revenue by Source July- September 2021**





## Own Source Revenue

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

**Table 2: Analysis of Revenue by Stream**

<b>COUNTY GOVERNMENT OF NYANDARUA</b>						
<b>2021/2022 FY REVENUE COLLECTION AND TARGETS</b>						
<b>REVENUE SOURCE</b>	<b>TARGETS 2021/2022</b>	<b>JULY</b>	<b>AUGUST</b>	<b>SEPTEMBER</b>	<b>1ST QUARTER TOTAL</b>	<b>% REALISED</b>
<b>HEALTH SERVICES</b>						
J.m. Hospital	120,000,000	18,810,552	4,636,227	10,079,394	33,526,173	27.94
Engineer hospital	30,000,000	1,179,824	2,321,367	3,145,367	6,646,558	22.16
N.h.i.f fee/insurance	30,000,000	13,863,667	4,493,651	1,763,750	20,121,068	67.07
<b>Total</b>	<b>180,000,000</b>	<b>33,854,043</b>	<b>11,451,245</b>	<b>14,988,511</b>	<b>60,293,799</b>	<b>33.50</b>
<b>OTHERS</b>						
Public health fees	6,500,000	672,700	477,195	351,700	1,501,595	23.10
Grave fees	40,000	4,200	3,100	3,400	10,700	26.75
Medical certificate fees	800,000	14,500	75,000	40,000	129,500	16.19
<b>Total</b>	<b>7,340,000</b>	<b>691,400</b>	<b>555,295</b>	<b>395,100</b>	<b>1,641,795</b>	<b>22.37</b>
<b>WATER, ENVIRONMENT, TOURISM AND NATURAL RESOURCES</b>						
Conservancy	500,000	5,600	-		5,600	1.12
Exhauster and exh. Milage	500,000	-	7,000	11,500	18,500	3.70
Water fee	400,000	13,463	14,217	11,578	39,258	9.81
Hire of water tanker	200,000	-	-		-	0.00
Dumping fee	100,000	-	-		-	0.00
Park entrance fee	100,000	3,350	-		3,350	3.35
Logging fees	900,000	39,540	17,520	33,430	90,490	10.05
<b>Total</b>	<b>2,700,000</b>	<b>61,953</b>	<b>38,737</b>	<b>56,508</b>	<b>157,198</b>	<b>5.82</b>
<b>PUBLIC ADMINISTRATION &amp; ICT</b>						
Impounded fees	1,000,000	158,138	126,650	69,800	354,588	35.46
Storage fees	30,000	-	2,700	1,410	4,110	13.70
Motor cycle penalty	1,000,000	21,400	365,300	12,350	399,050	39.91

Betting	100,000	-	-	-	-	0.00
<b>Total</b>	<b>2,130,000</b>	<b>179,538</b>	<b>494,650</b>	<b>83,560</b>	<b>757,748</b>	<b>35.58</b>
<b>LAND, HOUSING &amp; PHYSICAL PLANNING</b>						
Plot rates	10,000,000	357,918	210,574	223,770	792,262	7.92
Land rates	4,000,000	170,749	172,184	69,235	412,168	10.30
Market stall rent	1,800,000	110,665	111,900	396,800	619,365	34.41
Ground rent/kiosk rent	1,500,000	53,320	35,000	20,100	108,420	7.23
House/office rent	1,000,000	65,750	36,500	59,700	161,950	16.20
Sub-division of land	7,500,000	479,500	302,600	463,580	1,245,680	16.61
Building plan inspection fee	300,000	9,500	51,500	43,975	104,975	34.99
Site indication	50,000	-	-	-	-	0.00
Change of user	2,000,000	135,500	112,800	107,000	355,300	17.77
Land/plot reg. Fees	1,000,000	17,550	15,750	11,700	45,000	4.50
Dev. (ppa forms)	2,000,000	48,000	40,800	39,600	128,400	6.42
App. Of building plans	9,000,000	437,334	395,870	275,463	1,108,667	12.32
Transfer fees	4,000,000	131,500	157,000	104,000	392,500	9.81
Clearance certificate	4,000,000	183,000	189,000	184,841	556,841	13.92
Hire of hall/chairs	100,000	500	1,500	2,500	4,500	4.50
Survey fees	350,000	-	-	-	-	0.00
Lease extension	500,000	84,500	-	-	84,500	16.90
Search fee	10,000	-	-	-	-	0.00
Certificate of compliance	1,500,000	32,500	80,000	100,700	213,200	14.21
Advertisement	8,000,000	166,299	782,211	593,759	1,542,269	19.28
<b>Total</b>	<b>58,610,000</b>	<b>2,484,085</b>	<b>2,695,189</b>	<b>2,696,723</b>	<b>7,875,997</b>	<b>13.44</b>
<b>TRANSPORT, ENERGY AND PUBLIC WORKS</b>						
Bus and matatu fees	12,000,000	792,852	824,350	841,400	2,458,602	20.49
Motor cycle fees (parking)	10,000,000	647,000	318,200	489,100	1,454,300	14.54
Town parking fee	1,500,000	72,800	58,125	76,040	206,965	13.80
Project management fee	30,000,000	2,812,695	-	40,658	2,853,353	9.51
Disposal of assets	30,000,000	-	-	-	-	0.00

Fire certificate	1,200,000	7,500	4,250	2,750	14,500	1.21
<b>Total</b>	<b>84,700,000</b>	<b>4,332,847</b>	<b>1,204,925</b>	<b>1,449,948</b>	<b>6,987,720</b>	<b>8.25</b>
<b>TRADE, INDUSTRIALISATION, COOPERATIVES &amp; URBAN DEVELOPMENT</b>						
Single business permits	105,400,000	1,854,943	1,725,889	1,391,651	4,972,483	4.72
Sbp penalties	1,500,000	282,639	148,749	132,026	563,414	37.56
Sale of application/renewal	2,000,000	100,600	102,550	70,500	273,650	13.68
Open air market fees	12,780,000	919,420	966,340	868,790	2,754,550	21.55
Change of business	30,000	-	500		500	1.67
Weights and measures	1,500,000	-	-		-	0.00
Cooperative audit fees	1,000,000	7,070	37,045		44,115	4.41
<b>Total</b>	<b>124,210,000</b>	<b>3,164,672</b>	<b>2,981,073</b>	<b>2,462,967</b>	<b>8,608,711</b>	<b>6.93</b>
<b>EDUCATION CULTURE AND ARTS</b>						
Reg.and renewal of groups	10,000		-		-	0.00
Liquor licence/inspection/app	29,000,000	1,844,000	77,000	1,430,480	3,351,480	11.56
<b>Total</b>	<b>29,010,000</b>	<b>1,844,000</b>	<b>77,000</b>	<b>1,430,480</b>	<b>3,351,480</b>	<b>11.55</b>
<b>Agriculture, livestock and fisheries</b>						
Cattle dips	200,000	34,570	8,760	13,470	56,800	28.40
Produce cess royalties	70,000,000	3,466,400	3,645,005	3,207,930	10,319,335	14.74
Slaughter fees	1,200,000	60,350	56,700	60,790	177,840	14.82
Hire of machines(agriculture)	2,500,000	31,000	40,000	66,500	137,500	5.50
Meat inspection	5,500,000	416,475	417,795	409,690	1,243,960	22.62
Vet department (AI services)	4,500,000	506,455	182,484	370,041	1,058,980	23.53
Vaccination	1,000,000		-		-	0.00
C.O. T	400,000	18,190	23,240	15,110	56,540	14.14
Movement permit	300,000	11,670	14,200	12,430	38,300	12.77
Atc Njabini	500,000	10,000		49,500	59,500	11.90
Atc Oljoro orok	1,800,000	36,200	53,160	59,640	149,000	8.28
Fisheries	200,000	1,000	-		1,000	0.50

Motorcycle mortgage fees	400,000	-	-		-	0.00
Subsidized fertilizer sale	12,000,000	455,000	131,400	32,400	618,800	5.16
Reg. Of transporters (Agri)	700,000	61,000	19,000	17,000	97,000	13.86
Shamba rent	100,000	-			-	0.00
<b>TOTAL</b>	<b>101,300,000</b>	<b>5,108,310</b>	<b>4,591,744</b>	<b>4,314,501</b>	<b>14,014,555</b>	<b>13.83</b>
<b>GRAND TOTAL</b>	<b>590,000,000</b>	<b>51,720,848</b>	<b>24,089,857</b>	<b>27,878,298</b>	<b>103,689,003</b>	<b>17.57</b>

From table 2 above, the County managed to collect Kes 103,689,003 (17.57%) of the projected Kes 590,000,000 in the 2021/22 first Quarter. This collection was Kes. 24,438,182 higher than FY 2020/21 collection in the same period. This has been an improvement despite the COVID-19 pandemic effects.

At the beginning of the FY 2021/22, targets were set for the County Departments for the purpose of achieving the projected revenue for the financial year. The Department of health services took the lead with a collection of Kes. 61,935,594 while the Department of Water, Environment, Tourism, and Natural resources registered the lowest collection of Kes. 157,198 which is 5.82% of the set target within the first Quarter (Jul-Sept).

The County will endeavor to realize all the set revenue targets to fund projects and programmes despite the prevailing economic challenges resulting from the covid-19 pandemic.

### **Exchequer issues**

Over the first 3 months of the 2021/22 FY, the County received Kes. 935,623,298 as National Transfers as compared to Kes. 419,172,600 received in the same period in the previous FY. This is 16.5% of the 5,670,444,228 projected equitable share.

Table 3 below tabulates the revenue received in the first quarter of 2021/22 FY.

**Table 3: Exchequer Issues**

S/N	MONTH	EQUITABLE SHARE
1.	July	-
2.	August	453,635,539
3.	October	481,987,759
	<b>TOTAL</b>	<b>935,623,298</b>

### **Conditional Grants**

Over the first 3 three months of the 2021/22 FY, the County did not receive any conditional grants while in the same period in the previous FY Kes.94,849,000 was received.

## **2.2 Revenue Projections /Resource Envelope**

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

In the FY 2022/23, the total resource envelope will be Kes 7,454,179,411 out of which Kes 4,845,216,619 (65%) will go towards the recurrent expenditure while Kes 2,608,962,795 (35%) will go towards funding the development expenditure.

The County budget will be funded through National Government transfers (equitable share) of Kes. 5,930,000,000 which is Kes 259.56 M increase from the 2021/22 financial year.

The County expects to receive an allocation of Kes. 674,179,411 as conditional grants and loans. These include Kes. 6,930,000 from donor fund (DANIDA), Kes. 146,215,617 from road maintenance levy fund, Kes. 12,735,922 from user fee forgone, Kes. 153,297,872 for leasing of medical equipment, Kes. 280,000,000 under KCSAP and Kes. 75,000,000 as a supplement for construction of County Headquarters.

Section 132 (1&2) of the PFM Act, 2012 requires the County Executive Member for Finance to make the pronouncement on the revenue-raising measures for the County Government with the approval of the County Executive Committee. The County Government will mobilise its own source revenue of Kes. 850,000,000. This will be through setting revenue targets across all revenue streams in the departments and strict monitoring to ensure the same is collected.

The County has the potential to improve its own-source revenue. To fully exploit this potential and grow its own source revenue, the county will develop appropriate legislative and policy frameworks that are inclusive in anchoring the taxes, fees and charges. The frameworks will be simple to induce efficiency in mapping out taxpayers and revenue-generating areas to ensure revenue certainty.

The revenue projections are as highlighted in the table below;

**Table 4: Medium-term revenue projections**

<b>Revenue</b>	<b>Revenue estimates FY 2021/22</b>	<b>Revenue Projections FY 2022/23</b>	<b>Revenue Projections FY 2023/24</b>	<b>Revenue Projections FY 2024/25</b>
<b>Equitable Share</b>	<b>5,670,444,228</b>	5,930,000,000	6,167,200,000	6,537,232,000
<b>Local Collections</b>	<b>560,000,000</b>	800,000,000	832,000,000	881,920,000
<b>Linda Mama</b>	<b>30,000,000</b>	50,000,000	52,000,000	55,120,000
<b>Conditional Grants</b>			0	0
<b>World Bank -Kenya Informal Settlement Improvement Project- KISIP II</b>	<b>50,000,000</b>		0	0
<b>World Bank Grant for KDSP (Level 1)</b>	<b>45,000,000</b>	-	0	0
<b>World Bank Grant For KDSP (Level II)</b>	<b>184,795,683</b>		0	0
<b>EU Grant -Instruments for Devolution Advice and Support (IDEAS)</b>	<b>31,223,224</b>	-	0	0
<b>World Bank Loan for Transforming Health Systems</b>	<b>94,478,706</b>		0	0
<b>Donor Fund (DANIDA)</b>	<b>10,799,250</b>	6,930,000		
<b>Road Maintenance Levy Fund</b>		146,215,617	152,064,242	161,188,096
<b>User Fees Foregone</b>		12,735,922	13,245,359	14,040,080
<b>Transfers to Village Polytechnics</b>		-	0	0
<b>Rehabilitation of Village Polytechnics</b>		-	0	0

<b>Supplement for Construction of County Headquarters</b>	<b>75,000,000</b>	75,000,000		
<b>Leasing of Medical Equipment</b>	<b>153,297,872</b>	153,297,872		
<b>World Bank Grant for Kenya Urban Support Programme (KUSP Level 1)</b>				
<b>World Bank Grant for Kenya Urban Support Programme (KUSP Level II)</b>				
<b>World Bank Grant For Climate Smart Agriculture Programme(KCSAP)</b>	<b>289,609,680</b>	280,000,000	291,200,000	308,672,000
<b>Sweden- Agricultural Sector Development Support Programme (ASDP) Level II</b>	<b>22,983,146</b>		0	0
<b>Total Expenditure</b>	<b>7,217,631,789</b>	<b>7,454,179,411</b>	<b>7,507,709,601</b>	<b>7,958,172,177</b>
<b>Recurrent (68%)</b>	<b>4,885,102,660</b>	5,068,841,999	5,105,242,528	5,411,557,080
<b>Development (32%)</b>	<b>2,332,529,129</b>	2,385,337,412	2,402,467,072	2,546,615,097
<b>Total</b>	<b>7,217,631,789</b>	<b>7,454,179,411</b>	<b>7,507,709,601</b>	<b>7,958,172,177</b>



### 2.3 County 2021/22 First Quarter expenditure performance

In 2021/22 First Quarter performance, the County was able to absorb Kes. 378,371,866 representing 5.24% of the actual approved budget compared to Kes. 522,810,060 absorbed in a similar period in the previous FY. The low absorption of funds was a result of the late disbursement of funds by the National Government.

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

**Table 5: First Quarter Year Expenditure in 2020/21 and 2021/22**

	2020/21 - 1 <sup>st</sup> Quarter	2021/22 - 1 <sup>st</sup> Quarter
Recurrent	519,514,713	378,371,866
Development	3,295,347	-
Total	<b>522,810,060</b>	<b>378,371,866</b>

### 2.4 Departmental 2021/22 First Quarter Expenditure

The First Quarter Expenditure in the FY 2021/22 analysis shows that cumulatively, the Departments have spent 5.24% of the total approved Budget as shown in the table 7 below.

**Table 6: Departmental 2021/22 First Quarter Expenditure**

Department	Approved Budget	First Quarter Recurrent	First Quarter Development	Total Expenditure	% Absorbed by Department	% Of Total Budget Spent
Governor's Office	120,886,997	5,440,000	0	5,440,000	4.50	1.44
Office of The County Secretary	2,273,820,000	372,931,866	0	372,931,866	16.40	98.56
Office of The County Attorney	60,350,000	0	0	0	0.00	0.00
Public Administration and ICT	66,990,000	0	0	0	0.00	0.00
County Public Service Board	22,789,000	0	0	0	0.00	0.00

Finance & Economic Development	453,963,827	0	0	0	0.00	0.00
Health Services	840,978,387	0	0	0	0.00	0.00
Education, Culture & Arts	126,821,279	0	0	0	0.00	0.00
Industrialization , Trade, Cooperative Development and Urban Development	246,185,370	0	0	0	0.00	0.00
Ol-kalou Municipality	65,956,600	0	0	0	0.00	0.00
Youth, Sports, Gender & Social Services	259,735,000	0	0	0	0.00	0.00
Water, Environment, Tourism & Natural Resources	363,398,258	0	0	0	0.00	0.00
Transport, Energy & Public Works	948,719,460	0	0	0	0.00	0.00
Lands, Housing, and Physical Planning	76,520,000	0	0	0	0.00	0.00
Agriculture Livestock & Fisheries	475,873,914	0	0	0	0.00	0.00
County Assembly	814,643,697	0	0	0	0.00	0.00
<b>TOTAL</b>	<b>7,217,631,789</b>	<b>378,371,866</b>	<b>0</b>	<b>378,371,866</b>	<b>5.24</b>	<b>100</b>

As indicated in the table, the Office of the County Secretary had the highest expenditure of Kes. 372,931,866 (16.40%) of the budgeted amount and 98.56% of the total expenditure in the First Quarter. This is as a result of the office hosting compensation to employees and other employee benefits. It was then followed by the Governor's office with an expenditure of Kes. 5,440,000 (4.50%) of the budgeted amount while all the other departments did not expend within the time period.

## 2.5 Expenditure Projections

The County Government's expenditure for the FY 2022/23 will be guided by the Annual Development Plan (2022) which outlines the priority areas to be addressed in the FY 2022/23 in the realization of the CIDP II.

Priority for funding in the FY 2022/23 has been given to projects/programmes that aim at raising levels of social economic status and creation of employment opportunities.

The estimated total expenditure for the FY 2022/23 is Kes. 7,454,179,411

**Table 7: 2022/23 Budget Allocations**

<b>Recurrent Budget</b>	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Projected</b>	<b>2024/25 Projected</b>
<b>Personal emoluments (salaries, gratuity, pension, medical insurance)</b>	2,213,200,000	2,465,000,000	2,563,600,000	2,666,144,000
<b>Operations and maintenance</b>	1,658,712,706	2,065,216,619	2,147,825,284	2,233,738,295
<b>Other recurrent expenditures (bursary, emergency, general insurance, mortgage)</b>	281,500,000	315,000,000	327,600,000	340,704,000
<b>Sub total</b>	<b>4,153,412,706</b>	<b>4,845,216,619</b>	<b>5,039,025,284</b>	<b>5,240,586,295</b>
<b>Development Expenditure including trade funds, pending bills and CA</b>	3,064,219,083	2,608,962,792	2,713,321,304	2,821,854,156
<b>Total budget</b>	<b>7,217,631,789</b>	<b>7,454,179,411</b>	<b>7,752,346,587</b>	<b>8,062,440,451</b>

### 2.5.1 Recurrent Expenditure Projections

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

Total recurrent expenditure in FY 2022/23 is estimated to be at Kes. **4,845,216,619**

In the Medium Term, the County Government is committed to ensuring compliance with the Fiscal Responsibility Principle on capping of compensation to employees at 35%.

### **2.5.2 Development Expenditure Projections**

The County Government will endeavor to allocate adequate resources towards development projects as well as aspire to complete critical priority projects as outlined in this Fiscal Strategy Paper. Total development expenditure in FY 2022/23 is estimated to be Kes. **2,608,962,792**.

In the FY 2022/23 Fiscal Policy Strategy, Development expenditures emphasis will be on County Government's high priority projects that aid the achievement of the "Big Four" Agenda, the Third Medium Term Plan (MTP III) of the Vision 2030, CIDP II, and the priorities contained in the Annual Development Plan for the Fiscal Year FY 2022/23.

In addition, the County Government will prioritize ongoing capital projects and in particular infrastructural projects with high impact on poverty reduction, equity and employment creation.

## **CHAPTER THREE**

### **INDICATIVE MEDIUM-TERM RESOURCE ALLOCATION**

#### **3.0 Overview**

This Chapter outlines the Fiscal Framework for the FY 2022/23 as well as the Medium Term. It also provides an overview of the resource envelope, proposed ceilings as well as expenditures.

As a guide to medium-term resource allocation, the County Government will concentrate on socio-economic development through job creation and livelihood enhancement. The FY 2022/23 MTEF budget will concentrate on measures to guide the County's transformation, with guidance being provided by the Constitution and other legal tools; the Acts and Regulations. The County planning framework will endeavour to allocate resources to all the sectors equitably. In strengthening the linkage between planning, budgeting and implementation, the Medium-Term Budget framework for the period 2022/23 will sustain the allocation of resources to core programs and subprograms identified in the CIDP 2 (2018- 2022).

Through the Annual Development Plan (ADP) 2022/23 FY, all the County sectors have identified the priority areas with their estimated resource requirements. The sectoral priorities are in line with the Constitution of Kenya under devolved functions, Vision 2030, Third National Medium-Term Plan (MTP III) 2018-2022, Nyandarua CIDP2 2018-2022, SDGs, Jubilee manifestos and the Presidential Big Four-Point Agenda

The County planning framework will endeavor to allocate resources to all the sectors equitably in achieving the short- and long-term strategic objectives of the County. In strengthening the linkage between planning, Budgeting and implementation, the Medium-Term Budget framework for the period 2022/23 will sustain allocation of resources to core programs identified in the CIDP 2 (2018- 2022).

In the Medium Term, the County will endeavor to automate all its revenue streams to enhance efficiency in revenue collection and in tandem with good canons of tax collection. In enhancing the growth of Revenue emphasis will also be placed on Socio sectors enablers which will revitalize the County Economy and productivity in alienating the burden of taxation as the County manages the ripples of the COVID 19 pandemic.

In addition, through various investment forums and the Region Economic Bloc, the County intends to attract potential Local and Foreign Investors and other Development Partners to assist in the development of the County by creating an enabling environment through legislation of policies aimed at improving the ease of doing business in the County and creating an enabling environment.

### **3.1 Criteria for Resource Allocation**

Over the Medium Term, the County Government will ensure that resource allocations will strive to allocate more resources towards the realization of the Social-Economic Development Agenda as well as align the County to the “National Big Four Agenda” and the County Socio-Economic COVID 19 Re-Engineering Recovery Strategy with emphasis on the Key sectors.

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

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

Resource allocation is vital for the advancement of the socio-economic transformative agenda of the County. The considerations are not limited to:

The “Big Four-Point Agenda “which includes:

- i. Supporting value addition and raising the share of Manufacturing Sector to GDP to 15% by 2022;
- ii. Enhancing Food and Nutrition Security to all Kenyans by 2022;
- iii. Providing Universal Health Coverage to guarantee quality and affordable health care to all Kenyans; and
- iv. Provision of Affordable and Decent Housing for all Kenyans.

In addition, resources allocation has also been based on;

- (i) Development priorities identified in CIDP 2 from the Governor’s manifesto, the Jubilee manifesto, MTP III, sectoral plans and stakeholder’s consultative forums;

- (ii) Mitigation of COVID-19 pandemic effects on all the key facets of socio-economic development for the county citizenry;
- (iii) Assumption into the office of a new administration;
- (iv) A shift of budgetary allocations from a social budget to a more balanced budget factoring both the social and infrastructure development budget;
- (v) Flagship Projects, The Governor's Transformative Agenda and the 80-20 Rule.
- (vi) Ongoing/phased projects: the emphasis is given to the completion of ongoing and unfinished projects and in particular infrastructure projects and other projects with a high impact on poverty reduction, equity, job and wealth creation;
- (vii) Job creation: Specific consideration to job creation for the youth based on sound initiatives identified in the Governor's manifesto and during the county stakeholders' consultation for the CIDP will be considered as well as disability and gender.

## INDICATIVE MEDIUM-TERM RESOURCE ALLOCATION

**Table 9: Departmental ceilings FY 2022/23**

<b>Programme</b>	<b>Approved allocations 2021/22</b>	<b>2022/23 ADP allocations</b>	<b>2022/23 ceilings</b>	<b>Projections 2023/24</b>	<b>Projections 2024/25</b>
Bursary fund	147,500,000	125,000,000	125,000,000	130,000,000	135,200,000
Emergency fund	40,000,000	60,000,000	60,000,000	62,400,000	64,896,000
Mortgage fund- civil	66,000,000	70,000,000	70,000,000	72,800,000	75,712,000
Mortgage fund- executive		50,000,000	30,000,000	31,200,000	32,448,000
Nyandarua county trade development and investment authority	35,500,000	50,000,000	50,000,000	52,000,000	54,080,000
County gratuity	25,000,000	30,000,000	30,000,000	31,200,000	32,448,000
County pension	70,000,000	80,000,000	70,000,000	72,800,000	75,712,000
Medical insurance	52,200,000	90,000,000	85,000,000	88,400,000	91,936,000
General insurance	28,000,000	30,000,000	30,000,000	31,200,000	32,448,000
Salaries (executive)	2,066,000,000	2,300,000,000	2,280,000,000	2,371,200,000	2,466,048,000
KDSP level 1	45,000,000		-	0	0
KDSP level 2	184,795,683		-	0	0
Pending bills- Recurrent	2,046,257		-	0	0
Pending bills- development	133,735,206	300,000,000	240,000,000	249,600,000	259,584,000
Pool vehicles		45,000,000	40,000,000	41,600,000	43,264,000
<b>Sub total</b>	<b>2,895,777,146</b>	<b>3,230,000,000</b>	<b>3,110,000,000</b>	<b>3,234,400,000</b>	<b>3,363,776,000</b>
<b>County public service board</b>				0	0
County public service board	22,789,000	30,000,000	27,845,672	28,959,499	30,117,879
<b>Sub total</b>	<b>22,789,000</b>	<b>30,000,000</b>	<b>27,845,672</b>	<b>28,959,499</b>	<b>30,117,879</b>
<b>Governors office</b>					
Governor's office & investment promotion	65,920,000	66,000,000	66,000,000	68,640,000	71,385,600
Service delivery unit	27,600,000	35,000,000	35,000,000	36,400,000	37,856,000
Liaison and intergovernmental relations	16,186,000	15,000,000	15,000,000	15,600,000	16,224,000
Civic education and public participation	9,400,000	17,000,000	14,000,000	14,560,000	15,142,400



<b>Programme</b>	<b>Approved allocations 2021/22</b>	<b>2022/23 ADP allocations</b>	<b>2022/23 ceilings</b>	<b>Projections 2023/24</b>	<b>Projections 2024/25</b>
<b>Sub total</b>	<b>119,106,000</b>	<b>133,000,000</b>	<b>130,000,000</b>	<b>135,200,000</b>	<b>140,608,000</b>
<b>Office of the County Secretary</b>					
County administration	22,470,000	25,000,000	23,000,000	23,920,000	24,876,800
Human resource management	7,320,000	12,000,000	12,000,000	12,480,000	12,979,200
Cabinet affairs	830,000	4,000,000	2,752,030	2,862,111	2,976,596
Payroll	2,000,000	2,000,000	2,000,000	2,080,000	2,163,200
Assumption of office		40,000,000	40,000,000	41,600,000	43,264,000
<b>Sub total</b>	<b>32,620,000</b>	<b>83,000,000</b>	<b>79,752,030</b>	<b>82,942,111</b>	<b>86,259,796</b>
<b>County Attorney</b>					
County attorney services	60,350,000	66,000,000	50,660,478	52,686,897	54,794,373
<b>Sub total</b>	<b>60,350,000</b>	<b>66,000,000</b>	<b>50,660,478</b>	<b>52,686,897</b>	<b>54,794,373</b>
<b>Finance and Economic Development</b>					
Public finance management	14,743,117	13,400,000	13,400,000	13,936,000	14,493,440
Exchequer and donor funding requisition	2,160,000	2,400,000	2,400,000	2,496,000	2,595,840
Finance reporting	5,315,000	13,300,000	13,300,000	13,832,000	14,385,280
Trade and investment authority operations		10,000,000	10,000,000	10,400,000	10,816,000
Supply chain management	6,880,000	10,000,000	10,000,000	10,400,000	10,816,000
Asset management system (installation and tagging)		15,000,000	15,000,000	15,600,000	16,224,000
Internal audit	8,000,000	8,800,000	8,800,000	9,152,000	9,518,080
Internal audit committee	3,000,000	3,300,000	3,300,000	3,432,000	3,569,280
Revenue enhancement and monitoring	16,700,000	20,000,000	20,000,000	20,800,000	21,632,000
Revenue collection & administration including automation	20,150,000	22,000,000	22,000,000	22,880,000	23,795,200
Planning and economic development	11,750,000	15,000,000	15,000,000	15,600,000	16,224,000
Cidp3 formulation		30,000,000	30,000,000	31,200,000	32,448,000
Economic modelling and research	3,051,700	3,400,000	3,400,000	3,536,000	3,677,440
County statistics and data bank	4,950,000	10,000,000	10,000,000	10,400,000	10,816,000
County budgeting	13,898,750	15,300,000	15,300,000	15,912,000	16,548,480
Monitoring and evaluation	9,100,000	5,400,000	5,400,000	5,616,000	5,840,640

<b>Programme</b>	<b>Approved allocations 2021/22</b>	<b>2022/23 ADP allocations</b>	<b>2022/23 ceilings</b>	<b>Projections 2023/24</b>	<b>Projections 2024/25</b>
<b>Sub total</b>	<b>119,698,567</b>	<b>197,300,000</b>	<b>197,300,000</b>	<b>205,192,000</b>	<b>213,399,680</b>
<b>Public Administration and ICT</b>					
Public administration	8,700,000	10,000,000	6,729,403	6,998,579	7,278,522
Sub-county and ward administration	23,090,000	30,000,000	20,000,000	20,800,000	21,632,000
Enforcement & compliance	17,600,000	14,000,000	9,000,000	9,360,000	9,734,400
ICT & E-government services	10,000,000	21,000,000	11,500,000	11,960,000	12,438,400
Communication	7,600,000	10,000,000	9,000,000	9,360,000	9,734,400
<b>Sub total</b>	<b>66,990,000</b>	<b>85,000,000</b>	<b>56,229,403</b>	<b>58,478,579</b>	<b>60,817,722</b>
<b>Lands, Housing and Physical Planning</b>					
Land administration and management	49,851,545	60,700,000	40,154,409	41,760,585	43,431,009
Land surveying and mapping	8,988,000	20,600,000	13,627,361	14,172,456	14,739,354
Physical planning services	9,510,455	20,500,000	13,561,209	14,103,657	14,667,804
Housing development and management	4,050,000	32,500,000	21,499,478	22,359,457	23,253,835
<b>Sub total</b>	<b>72,400,000</b>	<b>134,300,000</b>	<b>88,842,457</b>	<b>92,396,155</b>	<b>96,092,001</b>
<b>Transport, Public Works and Energy</b>					
Transport section	636,046,261	670,000,000	529,965,374	551,163,989	573,210,549
Equipment management , maintenance and operations		70,000,000	50,000,000	52,000,000	54,080,000
Energy section	75,210,000	82,730,000	52,730,000	54,839,200	57,032,768
Emergency response & preparedness	4,100,000	4,510,000	4,510,000	4,690,400	4,878,016
Public works section	190,497,800	20,000,000	13,563,568	14,106,111	14,670,355
Governors residence		45,000,000	30,000,000	31,200,000	32,448,000
County headquarters		125,000,000	125,000,000	130,000,000	135,200,000
<b>Sub total</b>	<b>905,854,061</b>	<b>1,017,240,000</b>	<b>805,768,942</b>	<b>837,999,700</b>	<b>871,519,688</b>
<b>Education, culture and arts</b>					
Early Childhood Development Education (ECDE)	83,652,219	130,100,000	86,586,343	90,049,797	93,651,789
Youth training	6,050,106	69,000,000	45,922,042	47,758,924	49,669,281
Cultural heritage	7,830,000	17,000,000	11,314,126	11,766,691	12,237,359
The arts	10,220,000	33,000,000	21,962,716	22,841,224	23,754,873

<b>Programme</b>	<b>Approved allocations 2021/22</b>	<b>2022/23 ADP allocations</b>	<b>2022/23 ceilings</b>	<b>Projections 2023/24</b>	<b>Projections 2024/25</b>
<b>Sub total</b>	<b>107,752,325</b>	<b>249,100,000</b>	<b>165,785,227</b>	<b>172,416,636</b>	<b>179,313,302</b>
<b>Health services</b>					
Preventive and promotive services	6,271,274	44,600,000	31,859,193	33,133,560	34,458,903
Youth friendly reproductive health services (preventive and promotive)		10,000,000	7,143,311	7,429,043	7,726,205
Mental health promotion and rehabilitation		10,000,000	7,143,317	7,429,049	7,726,211
Solid waste management and cemeteries	4,900,000	22,000,000	15,715,297	16,343,909	16,997,665
Curative health care services	218,199,497	218,600,000	156,152,904	162,399,020	168,894,981
Universal health coverage	309,636,578	329,500,000	235,372,286	244,787,177	254,578,665
Infrastructure and equipment	87,196,820	473,900,000	450,000,000	468,000,000	486,720,000
<b>Sub total</b>	<b>626,204,169</b>	<b>1,108,600,000</b>	<b>903,386,307</b>	<b>939,521,759</b>	<b>977,102,629</b>
<b>Agriculture, livestock and fisheries</b>					
General administration and extension services - livestock	5,185,143	12,000,000	9,984,481	10,383,860	10,799,215
Livestock production	11,185,618	73,500,000	61,154,946	63,601,144	66,145,189
Veterinary services	16,195,000	57,500,000	47,842,304	49,755,997	51,746,236
Subsidized artificial insemination	12,730,000	14,000,000	11,648,561	12,114,504	12,599,084
Fisheries development	5,300,000	18,000,000	14,976,721	15,575,790	16,198,822
General administration and extension services - crop	6,765,181	336,800,000	280,231,098	291,440,342	303,097,956
Agriculture - Crop Development	386,597,035				
Institutions support	13,185,000	20,000,000	16,640,802	17,306,434	17,998,691
Agricultural mechanization services (AMS)	6,635,000	10,000,000	8,320,401	8,653,217	8,999,345
Seed potato production unit (SPPU lab)	6,180,000	14,000,000	11,648,561	12,114,504	12,599,084
<b>Sub total</b>	<b>469,957,977</b>	<b>555,800,000</b>	<b>462,447,875</b>	<b>480,945,790</b>	<b>500,183,622</b>
<b>Industrialization, Trade, Cooperatives and Urban Development</b>					
Co-operative development	16,530,000	42,900,000	28,088,791	29,212,343	30,380,837
Cooperative audit extension services	5,240,458		-	0	0
Weights and measures	2,920,000	6,000,000	3,928,502	4,085,642	4,249,068

<b>Programme</b>	<b>Approved allocations 2021/22</b>	<b>2022/23 ADP allocations</b>	<b>2022/23 ceilings</b>	<b>Projections 2023/24</b>	<b>Projections 2024/25</b>
Financial and trade services	43,910,000	81,100,000	53,100,256	55,224,266	57,433,237
Industrialization and enterprise	134,825,000	263,000,000	172,199,350	179,087,324	186,250,817
Urban development	41,050,000	50,000,000	32,737,519	34,047,020	35,408,901
<b>Sub total</b>	<b>244,475,458</b>	<b>443,000,000</b>	<b>290,054,418</b>	<b>301,656,595</b>	<b>313,722,859</b>
<b>Ol'kalou Municipality</b>					
Ol'kalou municipality	65,956,600	150,000,000	86,766,418	90,237,075	93,846,558
Ol'kalou municipality office block		25,000,000	25,000,000	26,000,000	27,040,000
<b>Sub total</b>	<b>65,956,600</b>	<b>175,000,000</b>	<b>111,766,418</b>	<b>116,237,075</b>	<b>120,886,558</b>
<b>Youth, Sports, Gender and Social Services</b>					
Sports development	92,725,000	123,000,000	80,419,277	83,636,048	86,981,490
Youth affairs	30,950,000	85,000,000	55,574,297	57,797,269	60,109,160
Alcohol drink control & civic education	6,750,000	11,000,000	7,191,968	7,479,647	7,778,832
Social services	125,360,000	30,000,000	19,614,458	20,399,036	21,214,998
Gender	3,950,000	10,500,000	6,865,060	7,139,663	7,425,249
<b>Sub total</b>	<b>259,735,000</b>	<b>259,500,000</b>	<b>169,665,060</b>	<b>176,451,662</b>	<b>183,509,729</b>
<b>Water, Environment, Tourism and Natural Resources</b>					
Water resource management	224,521,789	251,000,000	164,841,852	171,435,526	178,292,947
Environment management	26,850,000	30,000,000	19,702,213	20,490,302	21,309,914
Climate change resilience	24,600,000	40,000,000	26,269,618	27,320,403	28,413,219
Irrigation and drainage	8,400,000	9,240,000	6,068,282	6,311,013	6,563,454
Natural resources	1,800,000	10,000,000	6,567,404	6,830,101	7,103,305
Tourism development and marketing	47,450,000	78,000,000	51,225,755	53,274,785	55,405,776
<b>Sub total</b>	<b>333,621,789</b>	<b>418,240,000</b>	<b>274,675,124</b>	<b>285,662,129</b>	<b>297,088,614</b>
<b>County Assembly</b>					
County Assembly	814,643,697	800,000,000	530,000,000	551,200,000	573,248,000
<b>Sub total</b>	<b>814,643,697</b>	<b>800,000,000</b>	<b>530,000,000</b>	<b>551,200,000</b>	<b>573,248,000</b>
<b>Grand total</b>	<b>7,217,931,789</b>	<b>8,985,080,000</b>	<b>7,454,179,411</b>	<b>7,752,346,587</b>	<b>8,062,440,451</b>

Figure 2: Departmental Ceilings FY 2022/23

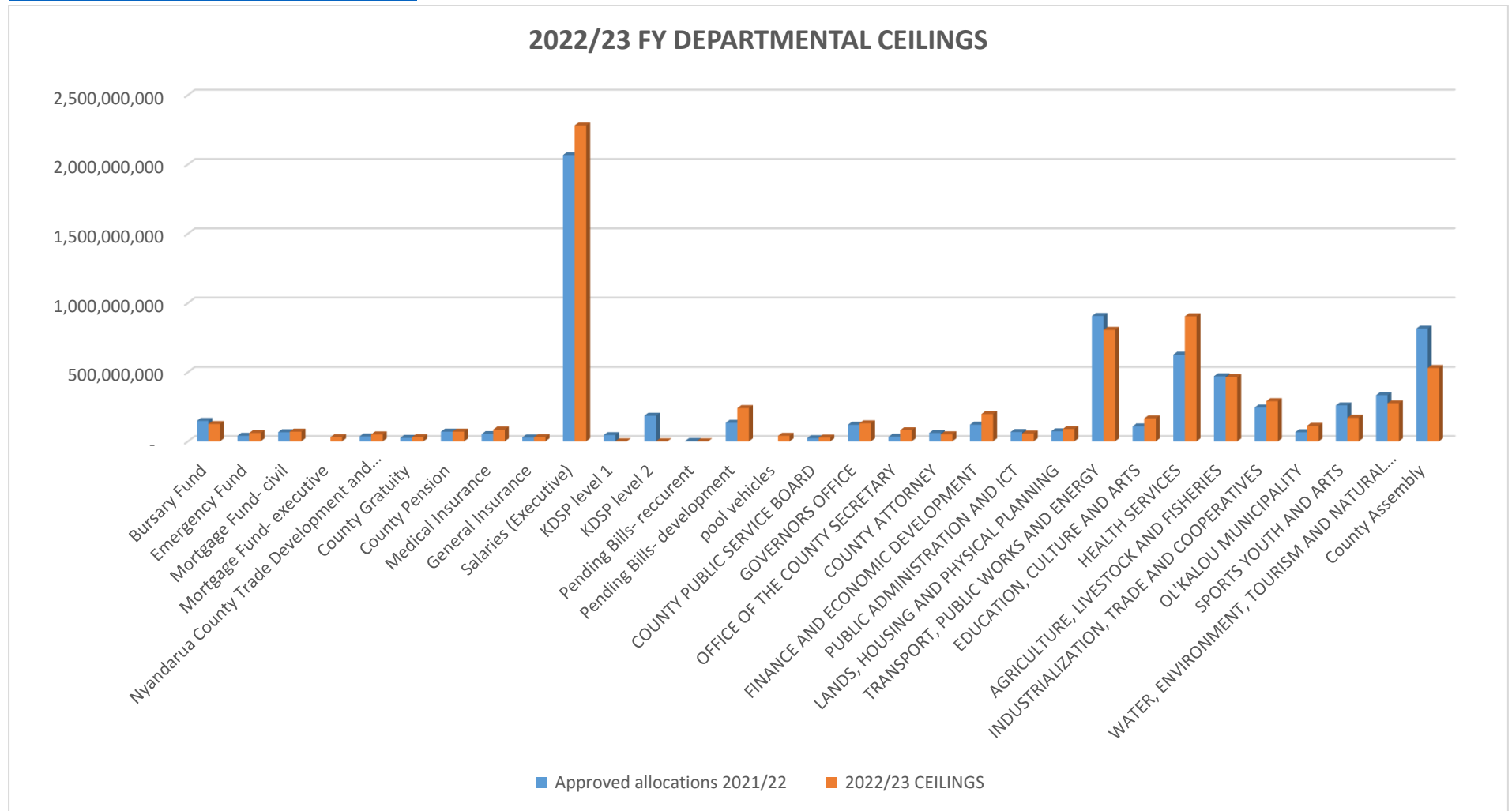
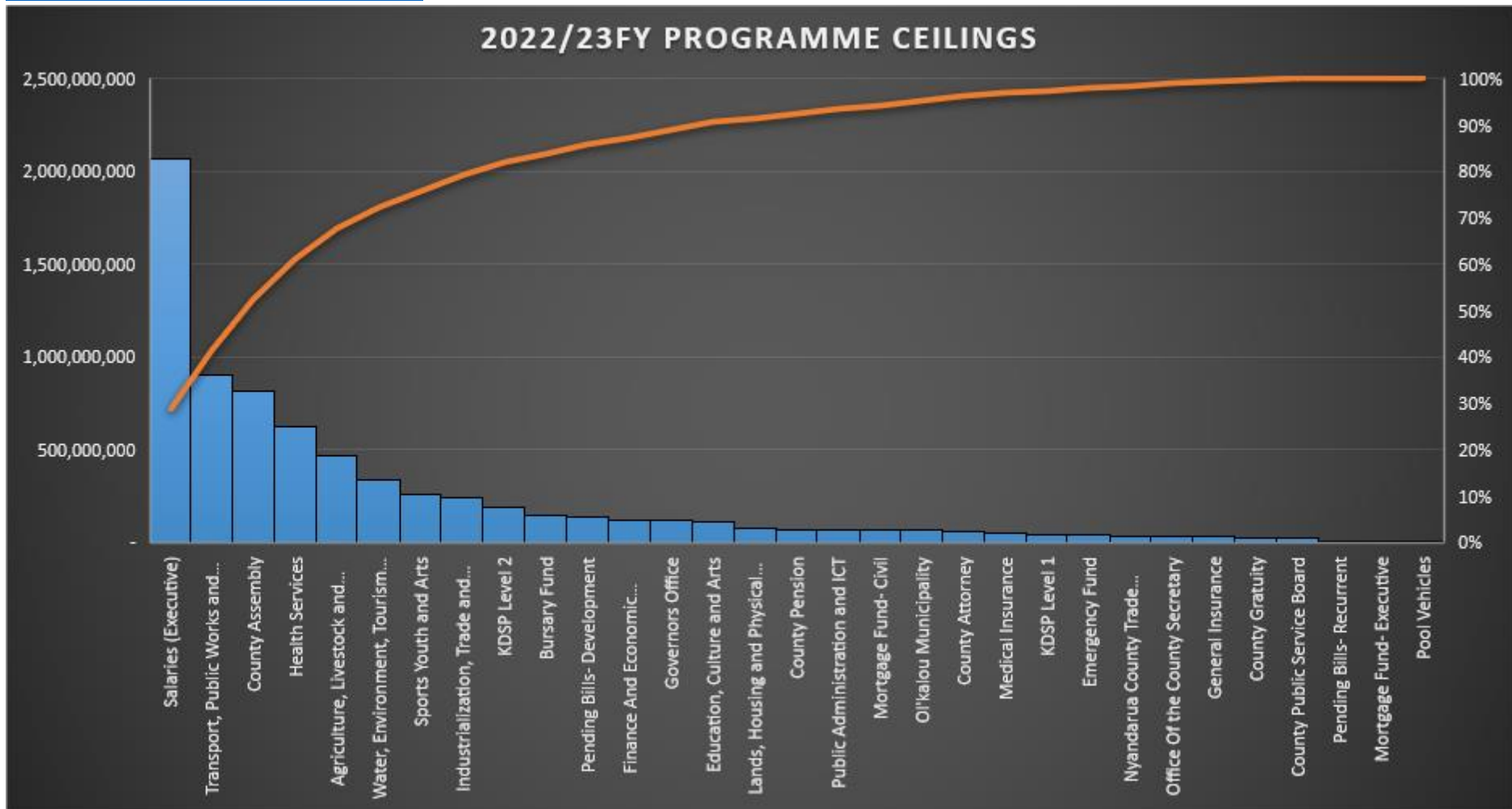


Figure 3: Departmental Ceilings FY 2022/23



### 3.4 Adherence to Fiscal Responsibility Principles

In line with the Constitution, Section 107 of the PFM Act, 2012 and regulation 25 of the PFM (County Governments) Regulations, 2015 sets out the Fiscal Responsibility Principles which the County Governments has to adhere to;

The law stipulates that:

- i. The County public debt shall never exceed twenty (20) percent of the County Government's total revenue at any one time.
- ii. The County Government wages shall be contained at thirty-five (35) percent of the County Government's total revenue in the Medium Term;
- iii. The approved expenditures of a County assembly will be as per senate's recommendations. This shall not exceed 7% of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.
- iv. The County Government actual expenditure on development shall be at least thirty (30) percent of the County Government's total expenditure.
- v. fiscal risks shall be managed prudently; and
- vi. A reasonable degree of predictability for the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

In the 2022/23 FY and the Medium Term, the County Treasury will ensure that the Budgets are prepared in a way that ensures strict adherence to this principle. Table 10 gives a summary of the indicators on Fiscal Responsibility.

**Table 10: County Fiscal Responsibility Adherence**

INDICATOR		Amount (Kes.)	% share of total Budget
County Expenditure	Recurrent	5,068,841,999	68
	Development	2385337412	32
	<b>Total</b>	<b>7,454,179,411</b>	100
Expenditure on wages & benefits		2,565,000,000	34
Expenditure by County Assembly	Recurrent and Development	530,000,000	7
Debt financing	Recurrent and Development	240,000,000	3

From the analysis presented in table 10, the extent of adherence to the Fiscal Responsibility Principles is as follows:

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

In the 2022/23 FY, the County does not plan to borrow externally. The County Government will ensure that all its obligation to the suppliers are met on a timely basis to avoid piling of Pending Bills. The County has allocated resources towards payment of historical pending bills as cleared by the County Pending Bills Committee.

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

In 2022/23 FY, the County's expenditure on wages and benefits will account for 34% of the total expenditure. This includes the employees' pension and gratuity funds and medical schemes. The County is therefore in line with the set limit of 35 % of the County revenues.

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

The County assembly allocation accounts for 7% of the total revenues. This implies that the county has adhered to this Fiscal Responsibility.

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

It is projected that the County Government will spend 35% of its Budget on development in 2022/23 FY. This will be mostly on expenditure towards the completion of on-going projects, flagship projects and other service delivery initiatives. This allocation will also be continued over the Medium Term.

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

Fiscal risks will be managed prudently through the implementation of E-procurement, prudent expenditure management on items and pricing that should reflect the market prices as much as possible.



Further, a provision of Kes.. 60 million has been factored to cater to urgent and unforeseen expenditure. This will ensure that emergencies can be handled without disorienting the plans and Budgets.

**vi. A reasonable degree of predictability for the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future**

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

## **CHAPTER FOUR**

### **ASSUMPTIONS AND RISKS UNDERLYING BUDGETARY AND FISCAL POLICY**

#### **4.0 Overview**

The capacity to translate policy priorities into the budget, and then to ensure conformity of actual expenditures with the budget, depends in large part on the soundness of projections and revenue forecasts. These are based on assumptions in the definition of targets and instruments, in areas such as monetary policy, fiscal policy, exchange rate and trade policy, debt policy, regulation and promotion of private-sector activities, and reform of public enterprises.

This chapter highlights the assumptions and risks underlying the budgetary and fiscal policies.

#### **4.1 Assumptions**

Projections are based on critical assumptions about GDP, wage and productivity trends, interest rates and much more. Key social and economic assumptions underlie these projections, including the estimated impact of fiscal trends on national output, prices, and interest rates.

The global economic activity is expected to gradually recover from the effects of COVID-19. This implies that the multiplier effects in the local economy will likely be felt in the course of the year. An increase in economic activity in the County will accelerate the achievement of the targeted revenues and have the County channel the funds meant for COVID-19 recovery to development programmes.

Macroeconomic policies are typically assumed to be "unchanged" over the projection period and on the basis of current fiscal and monetary policies. The forecasts represent the likely outcomes for growth, inflation, employment and other key economic variables for given unchanged policy settings. The County is highly dependent on revenues from the National Government and Conditional Grants from various Development Partners. To this end, the County expects that all the revenues streams as encapsulated in the CARA 2022 will be released to the County for all the anticipated programmes and projects to take off.

To ensure planned and sustainable growth the County Government will continue to synergize its efforts in implementing the socio-economic priority programmes as articulated in the County's Integrated Development Plan II (2018-2022) and all other relevant policy documents. The County is desirous of ensuring that ongoing programmes and projects are undertaken and completed. Funds not disbursed to the County, in form of Conditional Grants are expected to be disbursed in the current financial year.

Adherence to all the fiscal principles as captured in the constitution of Kenya 2010, and the PFM Act, 2012 is of the essence in the County operations. All programmes and projects implemented are to also adhere to other legal instruments such as the Procurement and Disposal Act and Regulations among other existing policy guidelines.

Disruptive events, such as industrial action, political activities among others are not expected to hinder the implementation of the programmes and projects targeted for the FY 2022/23.

#### **4.2 Risks**

All projections are subject to uncertainty. This means that events such as natural disasters, wars, pandemics, advance of technology among others cannot be projected given current information and methods. The risk to the projected outlook for 2022/2023 FY Budget and Medium Term emanate from both external and internal quotas. The County Government in pursuing its goal of improving the livelihoods of the residents through its Socio-economic Transformative Agenda acknowledges that various risks may hinder the fulfilment of its fiscal objectives.

There are potential risks associated with implementation of county fiscal policies. These includes low national economic performance due to uncertainties associated with global and national influences such as price of crude oil that affect cost of production and exchange rate fluctuations which impact on the performance of the county's economy.

Disbursement of funds from the National treasury which is the major source of county resources is expected to be timely and adequate. Delay in disbursement may impede the implementation plan. There could also be a wait and see attitude from donors and partners due to anxiety associated with elections. Contractors and suppliers may also slow down the implementation of projects due to fear of non-payment as a result of the elections. The disbursements are expected to be released on timely basis.

Revenue flows both at the county and national level may also pose a risk. This can be due to changes in policy by governments leading to unrealized projected revenue e.g. waivers.

Unpredictable weather conditions such as prolonged heavy rains and drought are a risk to the growth of the county economy. This is brought about by global warming which is a major risk in the County's main economic activity i.e agriculture. A prolonged dry season may lead to reduced farm produce which affects food safety in the country and the county. Reduced

agricultural activities will also hurt the county's local revenue which is the major source within the county.

FY 2022/23 being an election year, there is a likelihood of heightened political mood that may affect implementation of the fiscal policies. Political interference is likely to influence the distribution of resources or create hurdles in programme/project implementation. Key political events that pose as risks are the County Executive and Assembly wrangles at the local level, the nationwide political alignments and the National electoral canvassing. The electioneering period is highly likely to bring in changes in policies emanating from what the citizenry of the county prefers which may derail the implementation of planned programs and projects. Political goodwill will be required to implement the budget to meet the objectives outlined herein.

Low global and national economic performance due to the effects of the COVID-19 pandemic is likely to lead to low achievement of the set targets. COVID-19 pandemic continues to have a huge impact on the global economy. It has affected the normal way of doing things and in most cases increased the cost of operations leading to the closure of some businesses and job losses. A lot of funding that would have otherwise been used for development is being directed to curbing the spread and in addition, most businesses are yet to recover from the effects of the lockdown.

In light of the existing risks and the level of exposure, the County through the Departments has set into place for implementation the Risk Policy and mitigation measures. It is expected that the County Emergency Fund will alleviate the emergent issues not captured in the budget.