

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NAKURU

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2022

OCTOBER 2022

© County Budget Review and Outlook Paper (CBROP) 2022

To obtain copies of the document, please contact;

County Executive Committee Member, Finance and Economic Planning

The Nakuru County Treasury

Governors Building,

P. O. Box 2870-20100.

Nakuru, KENYA,

The document will be published after approval on County website: nakuru.go.ke

FOREWORD

Pursuant to the Public Finance Management Act 2012, and the PFM (County Governments) Regulations 2015, the County Budget Review and Outlook Paper (CBROP) presents actual fiscal performance of the Financial Year under review and makes comparison to budget appropriations for the same year. The CBROP further examines the recent/current economic developments affecting the financial and non-financial forecast to show changes from projections espoused in the most recent County Fiscal Strategy Paper.

The County Budget Review and Outlook Paper (CBROP 2022) was prepared against the backdrop of volatility in the global and national economy marked by rising inflation and transition into new County Administration. The global economy slowdown from 6.1 percent in 2021 to 3.2 percent in 2022 on account of high crude oil prices, prolonged effects of post Covid-19 pandemic shocks leading slow recovery from the global supply chain. This has challenge has further led to rise in food and non-food inflation. Kenya economy has continued to demonstrate resilience in the wake of instability in the global economy. The national economy grew by 7.5 percent in 2021 compared to 0.3 percent in 2020, mainly on account of low base rating in previous year's performance. The implementation of the economic stimulus programmes, Big Four Agenda as well as sectoral strategic interventions in Health, Education, Drought Response, Energy and Physical Infrastructure and Environmental Conservation have contributed in strong positive performance.

During the period 2021/2022, the subnational fiscal outcome demonstrated resilience performance amidst prolonged electioneering period ahead of the 2022 general elections and other exogenous shocks from national and international macroeconomic variability. County revenue and expenditure performance recorded appreciable positive growth. Total County revenues increased from Ksh. 20.99 billion to Ksh. 22.55 billion reflecting a seven percent growth. Own Source Revenues (OSR) rose from Ksh 2.82 billion to 3.25 billion mainly on account of significant growth (30 percent) in Facility Improvement Fund (FIF). The County Government recorded significant improvement in expenditure utilisation in the 2021/2022 fiscal year. Total County expenditure amounted to Ksh. 16.88 billion against a total expenditure target of Ksh. 23.51 billion thereby

achieving a 72 percent budget execution rate. Personnel expenditure accounted for 40 percent of the total County expenditure for the 2021/2022 fiscal year, a growth of four percent from FY 2020/2021. Operations & maintenance and other related recurrent expenditures amounted to Ksh. 4.9 billion. The County Government demonstrated strong improvement (22 percent) in the execution of development expenditure in 2021/2022 fiscal year with a Ksh. 5.26 billion spent compared with Ksh 4.32 billion in 2020/2021 fiscal year.

Going forward into the next MTEF period 2023/2024-2025/2026, the County Treasury has adopted a conservative approach in both revenue and expenditure performance observing the current macro and fiscal environment. The next MTEF period will further usher in the 3rd County Integrated Development Plan (CIDP 2023-2027) as well as the strategic intervention of the new County Administration. To achieve a balanced budget in FY 2023/2024 the County total revenues shall equal the total expenditure that is Ksh. 17.1 billion. Transfers from National equitable share of revenue is forecasted to reach Ksh. 13 billion, while transfers from conditional grants is projected decline by 54 percent from allocation in FY 2022/2023 to Ksh. 450 million in FY 2023/2024. Own Source Revenues is expected to rise marginally to Ksh 3.6 billion in FY 2023/2024 from Ksh. 3.2 billion allocated in the FY 2022/2023. County personnel expenditure is expected to remain stable at Ksh. 7.2 billion in FY 2023/2024 in comparison with similar allocations in the current approved estimates. During the period 2023/2024 allocations for Operations and Maintenance (Ksh. 4.5 billion) is expected to similar to FY 2022/2023. Further the County Government has planned to spend Ksh. 5.3 billion for Development Expenditure in FY 2023/2024.

Finally, it is expected that the fiscal framework proposed in the CBROP 2022 shall be firmed up in the finalisation of the County Fiscal Strategy Paper 2023 later in January 2023.

JOSEPH KIUNA

**Ag. COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE AND ECONOMIC PLANNING**

ACKNOWLEDGEMENT

The PFM Act of 2012 and the PFM (County) Regulations of 2015 have been followed in the preparation of the CBROP 2022. The CBROP shows the details of the actual fiscal performance in 2021/2022 compared to the budget appropriation for the year; and gives a highlight on the macro-fiscal outlook over the medium term and specifies the set strategic priorities and resource allocation framework together that will be undertaken by the County government.

I wish to express my sincere gratitude to the County Executive Committee led by H.E the Governor and Deputy Governor for their effective leadership in preparation process of CBROP 2022. I would like to acknowledge the County Executive Member for Finance and Economic Planning, under whose direction, support, and guidance the process was undertaken. I wish to express appreciation to all Accounting Officers and Chief Officers for their coordination and cooperation during the CBROP preparation process. Additionally, I acknowledge all County Departments and Entities for the timely provision of useful data and information on their budget execution necessary for the assessment of 2021/2022 fiscal year.

This document also benefitted from valuable inputs from various units within the County Treasury whose contributions is well noted. The harmonization and final compilation of the final CBROP was made possible by the Macro Working Group. Their commitment, dedication, sacrifice, and tenacity were essential to the success of this noble assignment. I wish to thank the lead Directors and technical staff in Budget and Economic Planning Directorates that coordinated the successful finalization of this document.

HUSSEIN MOHAMED
CHIEF OFFICER
ECONOMIC PLANNING

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
ADR	Alternative Dispute Resolution
AiA	Appropriation in Aid
ASDSP	Agricultural Sector Development Support Projects
CARA	County Revenue Allocation Act
CARPS	Capacity Assessment and Rationalization Programme
CBC	Competency Based Curriculum
CBET	Competency Based Education and Training
CBROP	County Budget Review and Outlook Paper
CDMS	County Debt Management strategy
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy paper
CG	County Government
CIDP	County Integrated Development Plan
CIFOM	County integrated financial Management Systems
CIMES	County Integrated Monitoring and Evaluation System
COB	Controller of Budget
COFOG	Classification of Functions of Government
COVID	Corona Virus Disease
CPSB	County Public Service Board
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
DAs	Department and Agencies
DORB	Division of Revenue Bill
DRR	Disaster Risk Reduction
FIF	Facility Improvement Fund
FY	Financial Year

ICT	Information Communication and Technology
IFMIS	Integrated Financial Management Information Systems
KDSP	Kenya Devolution Support programme
KISIP	Kenya Informal Settlement Improvement Project
KURA	Kenya Urban Roads Authority
KUSP	Kenya Urban Support Programme
KWS	Kenya Wildlife Service
MCA	Member of County Assembly
MDAs	Ministries Departments and Agencies
MTEF	Medium Term Expenditure Framework
MTRS	Medium Term Revenue Strategy
NARIGP	National Agriculture Rural Inclusive Growth Projects
OSR	Own Source Revenue
PBB	Program Based Budget
PFM	Public Finance Management
PSTD	Public Service Training and Devolution
RMFLF	Road Maintenance Fuel Levy Fund
SDGs	Sustainable Development Goals
SMEs	Small Micro Enterprises
SRC	Salaries and Remuneration Commission
SWG	Sector Working Groups
THS- UC	Transforming Health Systems for Universal Care
UACA	Urban and Cities Act
UDG	Urban Development Grant
WHO	World Health Organisation

Legal Basis for the Preparation and Publication of the County Budget Review and Outlook Paper

The County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

1. The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget
Appropriation for that year;
 - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal strategy paper
 - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal Strategy Paper; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and Outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicise the paper not later than fifteen days after laying the Paper before County Assembly.

County Government Fiscal Responsibility Principles

In line with chapter 12 of the Constitution of Kenya, Section 107 of the Public Financial Management (PFM) Act, 2012

- 1) The County Government's recurrent expenditure shall not exceed the county government's total revenue
- 2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- 3) The County Government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.
- 4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 6) Fiscal risks shall be managed prudently
- 7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

I. INTRODUCTION

BACKGROUND

The County Budget Review and Outlook Paper (CBROP 2022) marks finalisation of the 2018-2022 integrated period and the transition into 2023-2027 integrated period. The CBROP 2022 is prepared pursuant to the provisions of the PFM 2012 and PFM (County Government) Regulations 2015. It is first to be developed under the current County political administration. The CBROP provides an assessment of the County fiscal performance for the fiscal year 2021/2022, possible deviations in revenue and expenditure and their implication into the next MTEF period 2023/2024- 2025/2026.

Objectives of the County Budget Review and Outlook Paper (CBROP) 2022

1. The CBROP 2022 aims to provide an assessment of the County's financial performance for the FY 2021/2022, as well as an analysis of how such results affect the County's financial objectives as outlined in the County Fiscal Strategy Paper (CFSP 2022) and the County fiscal responsibility principles espoused in the PFM Act 2012. This information, along with the updated economic outlook, serves as the basis for revising the current approved budget, as well as other fiscal information necessary to guide subsequent budget and the medium-term spending plan. The CFSP 2023 will be more specific about the fiscal framework, budget performance, medium-term projections, priorities, and sector ceilings.
2. The CBROP 2022 provides sector budget ceilings for MTEF ceiling 2023/24-2025/2026. The sector ceilings have been prepared on the basis of the medium-term macro-fiscal forecasts and estimated resource envelop shown in Section IV of this document. Among other the sector budget ceilings in the next MTEF period will accommodate major development interventions for the 2023-2027 integrated plan period.
3. The CBROP 2022 further aims to entrench linkages between policy, planning and budgeting. The County will transition into the 3rd Generation CIDP 2023-2027 as well as the Annual Development Plan (ADP 2023-2024). The CBROP 2022 will provide the preliminary linkage between national development

planning policy, County medium integrated development planning through the annual budget process.

4. Observing the recent establishment of other County government agencies such as Gilgil Municipality, Molo Municipality and Nakuru County Revenue Authority, this CBROP 2022 is further prepared to align new and emerging County structures into next budget MTEF budget process.
5. The CBROP 2022 further takes into consideration observed recent economic developments and changes in the financial and economic environment with possible implications to the County fiscal outlook. The implication to the fiscal forecast as well as the national goals espoused in the Budget Policy Statement will be firmed up in CFSP 2023 in accordance with Section 117 of the PFM Act of 2012.
6. The CBROP 2022 has been categorised into four main sections:
 - i. Section II reviews the fiscal performance in FY 2021/2022 fiscal performance, and compliance with the of fiscal responsibility principles and discipline;
 - ii. Section III expounds on the recent economic developments and fiscal outlook;
 - iii. Section IV gives detailed resource allocation framework with projected sector budget ceilings;
 - iv. Section V provides the conclusion and next step.

II. REVIEW OF FISCAL PERFORMANCE IN FY2021/2022

FY 2021/22 FISCAL PERFORMANCE

Performance of the fiscal year 2021/22, (the final year in the previous administration) was affected to some extent by the effects of COVID-19 pandemic and the electioneering period. The effects impacted the business activities and operations, thereby affecting the revenues and expenditure performance.

During the year under review, the County Government was implementing a revised budget estimate worth Ksh 23.51 billion. Notable improvements were observed on the revenue performance (especially the FIF), while there was an increase in cumulative expenditure compared to the previous FY 2020/21. Own Source Revenues recorded a 15 percent improvement from to the previous fiscal year. The County received Ksh 13.026 billion against a projected 13.026 billion Equitable share thereby depicting a 100 percent achievement. Additionally, the county's OSR collections stood at Ksh. 3.25 billion against an annual target of Ksh. 3.38 billion which presents a variance of Ksh. 120.92 million.

The County's total spending stood at Ksh 16.88 billion during the year, against a revised target of Ksh 23.51 billion. This depicts an increase of 18 percent in expenditure, compared to Ksh 14.33 billion in the FY 2020/21.

During the fiscal year under review, Overall budget execution rate was 72 percent with recurrent expenditure absorption rate of 70 percent for the County executive and 95 percent for the County Assembly. The development expenditure absorption rate stood at 48 percent for the County executive and 86 percent for the County assembly.

Performance Of County Revenues

During the fiscal year 2021/22, total revenues amounted Ksh. 22.5 billion, against a target of Ksh. 23.51 billion. Total revenue received comprised of Ksh. 13.026 billion from Equitable share of nationally raised revenue; Ksh. 578.9 million from conditional grants; Ksh. 3.25 billion the County Own Source revenue and Ksh. 5.69 billion fiscal balances from previous fiscal year in the in the CRF. Table 1 illustrate disaggregated receipts for the year under review.

Total receipts for FY 2021/2022 increased by seven percent (Ksh. 1.564 billion) from collections reported in FY 2020/21. FIF recorded the highest improvements of 30 percent; while Equitable share had a significant decline compared to the previous financial year. There was a significant decline (53 percent) in conditional grants mainly on account of four conditional grants which were converted into unconditional grants i.e., road maintenance Fuel levy, rehabilitation of village polytechnics, grant for level IV and compensation to user fee forgone and delayed disbursement of others e.g., KISIP.

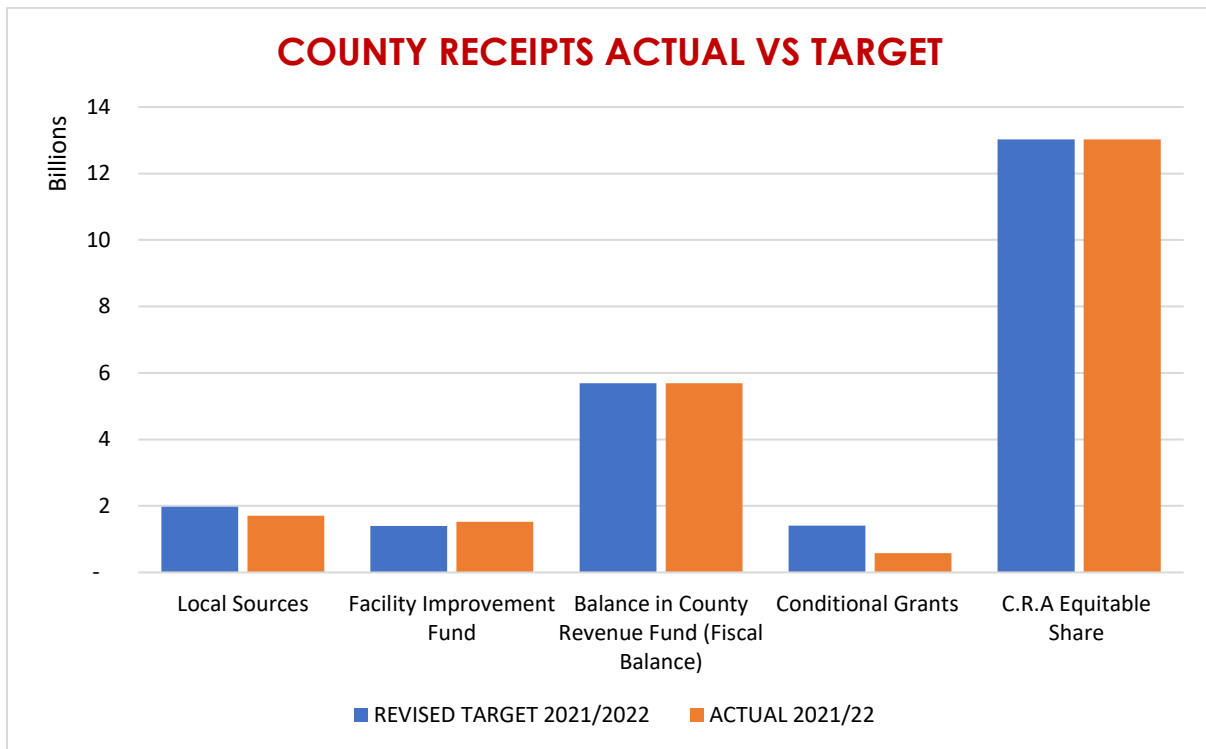


Figure 1: County Receipts Actual vs Target

Table 1: County Government Total Revenues FY 2021/22

No	REVENUE SOURCE	ACTUAL 2020/2021	REVISED TARGET 2021/2022	ACTUAL 2021/22	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH (%)	ACHIEVEMENT RATE (%)	PERCENT OF TOTAL REVENUE
1	Local Sources	1,628,821,537	1,980,000,000	1,707,447,685	(272,552,315)	78,626,148	5	86	8
2	Facility Improvement Fund	1,194,128,375	1,400,000,000	1,551,625,289	151,625,289	357,496,914	30	111	7
	Own Source Revenue Sub Total	2,822,949,912	3,380,000,000	3,259,072,974	(120,927,026)	436,123,062	15	96	14
3	Balance in County Revenue Fund (Fiscal Balance)	5,887,567,543	5,695,548,026	5,695,548,026	-	(192,019,517)	(3)	100	25
4	Conditional Grants	1,242,997,785	1,412,322,231	578,900,871	(833,421,360)	(664,096,914)	(53)	41	3
5	C.R.A Equitable Share	10,476,150,000	13,026,116,323	13,026,116,323	-	2,549,966,323	24	100	58
	Transfers & Grants Sub Total	17,606,715,328	20,133,986,580	19,300,565,220	(833,421,360)	1,693,849,892	10	96	86
6	Work injury claims benefits	14,877,704	-	-	-	(14,877,704)	(100)	-	-
	EXTRA BUDGETED								
7	KSDP Level II	120,374,189	-	-	-	(120,374,189)	(100)	-	-
8	KUSP	429,739,100	-	-	-	(429,739,100)	(100)	-	-
9	Allowances for Health Workers					-	-	-	-
	TOTAL	20,994,656,233	23,513,986,580	22,559,638,194	(954,348,386)	1,564,981,961	7	96	100

Source: County Treasury Provisional

County Revenue by Main Sources

Figures 2 illustrate the total County receipts by source. Receipt from Equitable share of nationally raised revenues accounted 58 percent. Fiscal balance from FY 2020/21 accounted for 27 percent while County OSR accounted for 15 percent.

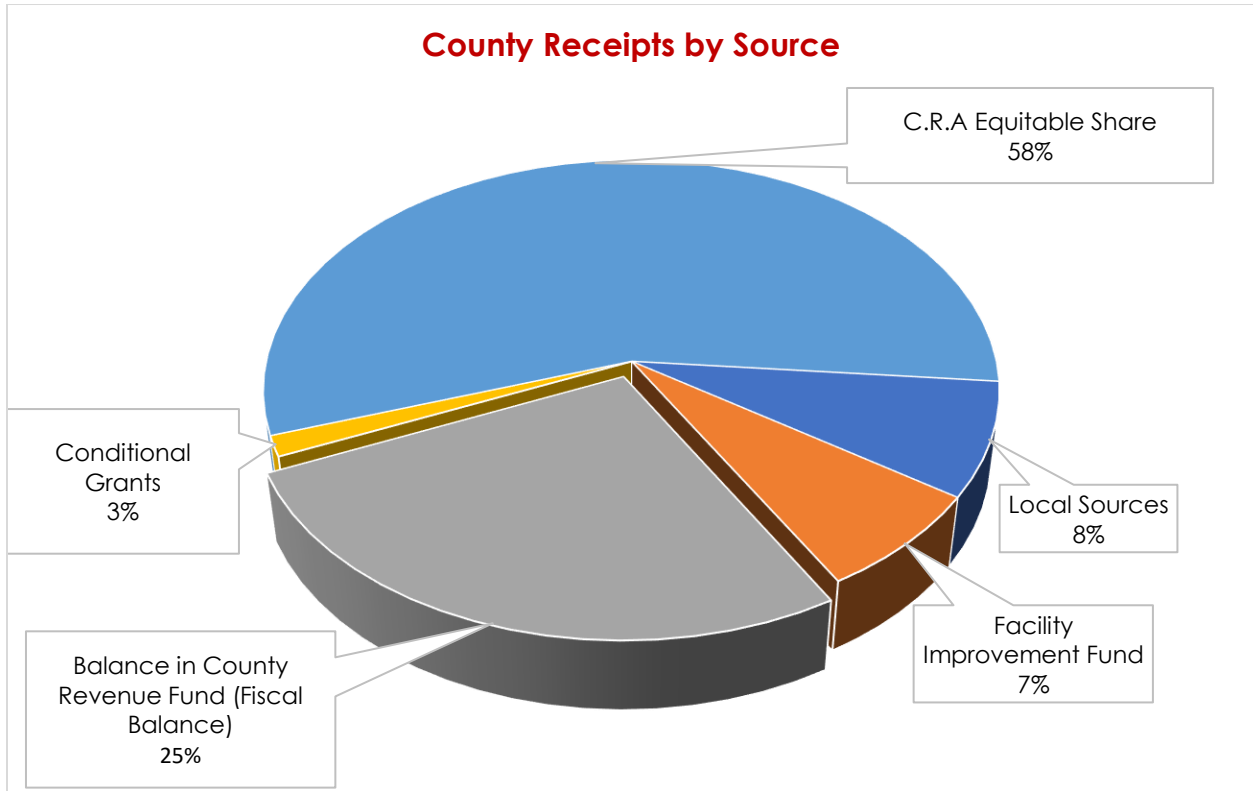


Figure 2: County Total Receipts by Source

EXCHEQUER RELEASES

The actual exchequer releases from the National Government amounted to Ksh. 13.6 billion against the projected amount of Ksh. 14.4 billion, these depicted a performance rate of 94 percent. This comprised of equitable share of Ksh. 13.026 billion and grants worth Ksh 578.9 million. Further details are presented in Table 2.

Table 2: Nakuru County Exchequer Releases FY 2021/2022

REVENUE SOURCE	ACTUAL 2020/2021	REVISED TARGET 2021/2022	ACTUAL 2021/2022	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH (%)	ACHIEVEMENT RATE (%)
C.R.A Equitable Share	10,476,150,000	13,026,116,323	13,026,116,323	-	2,549,966,323	24.3	100.0
Donor Grants (DANIDA)	29,790,000	23,211,375	11,533,279	(11,678,096)	(18,256,721)	(61.3)	49.7
Kenya Devolution Support Program (KDSP) Level I	45,000,000	-	-	-	(45,000,000)	(100.0)	-
Kenya Devolution Support Program (KDSP) Level II	120,374,189	120,374,189	120,374,189	-	-	-	100.0
World bank National Agricultural and Rural Inclusive Growth Projects (NARIGP)	201,067,363	269,563,385	187,784,783	(81,778,602)	(13,282,580)	(6.6)	69.7
Agricultural Sector Development Support Projects (ASDSP)	13,672,572	26,343,334	21,506,143	(4,837,191)	7,833,571	57.3	81.6
Conditional Allocation to compensate Forgone user fees	38,723,265	-	-	-	(38,723,265)	(100.0)	-
Conditional Fund -Kenya Urban Support Project (KUSP)	589,950,942	429,739,100	-	(429,739,100)	(589,950,942)	(100.0)	-
Conditional Fund - World Bank - Kenya Informal Settlement Improvement Project II (KISIP II)	-	300,000,000	-	(300,000,000)	-	-	-
Nutrition International Grant	-	10,000,000	4,999,400	(5,000,600)	4,999,400	-	50.0
Conditional Fund -Leasing of Medical Equipment	132,021,277	153,297,872	153,297,872	-	21,276,595	16.1	100.0
Road Maintenance Fuel Levy Fund (RMFLF)	145,272,291	-	-	-	(145,272,291)	(100.0)	-
Conditional Allocation For Level- 5 Hospital	373,872,832	-	-	-	(373,872,832)	(100.0)	-
World Bank THS-UC Conditional allocation	37,076,450	79,792,976	79,405,205.25	(387,771)	42,328,755	114.2	99.5
Conditional Allocation for Rehabilitation of Youth Polytechnics	66,289,894	-	-	-	(66,289,894)	(100.0)	-
GRAND TOTAL	12,269,261,075	14,438,438,554	13,605,017,194	(833,421,360)	1,335,756,119	10.9	94.2

Source: County Treasury Provisional

OWN SOURCE REVENUE PERFORMANCE

During the 2021/2022 fiscal year, Own Source Revenues amounting to Ksh 3.25 billion was collected against a target of Ksh 3.38 billion depicting 96 percent achievement. This comprised of Ksh 1.707 billion own source revenues transferable to CRF against a Ksh 1.98 billion target translating to an achievement of 86 percent. Collections from Hospital fee (Facility Improvement Fees) amounted to Kshs 1.55 billion against a Kshs 1.4 billion projection. This translated to an achievement rate of 111 percent.

OSR increased in absolute terms by Ksh. 436 million translating to 15 percent growth rate from the FY 2020/21. Own revenue sources to CRF registered a growth of five percent while Hospital fees (FIF) grew by 30 percent. The Facility Improvement Fund (FIF) had the highest single contribution at 47 percent of Own Source Revenue collected; Property tax at Ksh 358 million (11 percent), Trading licenses Ksh 346 million (10.6 percent) and vehicle parking at Ksh 242 million (7.5 percent) formed the major contributors of revenue from local sources while County Park fees Ksh 56,000 (0 percent) and slaughter house fees Ksh 10 million (0.3 percent) house rent 12.8 million (0.4 percent) formed the least contributors to own source revenue.

In regard to performance of individual OSR streams against the revised target, highest performance was registered in Advertisement (104 percent), and hospital fee (111 percent) which exceeded the targeted amount. On the contrary, County Park (7 percent), house rent (25 percent) and slaughter house fees (37 percent) were the least performing streams. An analysis of OSR by sources against the baseline performance (FY 2020/21) reveal that the Alcoholic license stream had the highest growth by Ksh 38 million, translating to 98 percent annual growth. Property tax on the other hand had a decline in growth by 11 percent an amount of Ksh 43 million compared collections made during the previous period.

During the period under review, the County fully adopted the use of the new revenue management system (County Integrated Financial Operations Management System- CIFOMS).

Despite of the improved performance in OSR, several challenges were experienced including;

- Inadequate legislations to support collection of flower cess; and delayed passage of the Tea act;

- Outdated valuation rolls and lack of requisite legislation to support collection of property tax
- Political interference on collection of houses rent from County estates, among others.
- Continued effects of COVID 19 pandemic coupled with effect of prolonged electioneering period

Table 3 shows the performance of the various revenue streams.

Table 3: Own Source Revenue Streams

Revenue Source	Actual 2020/2021	Target 2021/2022	Actual 2021/2022	Variance	Annual Growth	Annual Growth (%)	Achievem ent Rate	Percentage To Local Sources
Advertisements	108,618,320	130,000,000	135,641,699	5,641,699	27,023,379	24.9	104.3	7.9
Alcoholics Drinks/Liquor	39,783,231	80,000,000	78,088,705	(1,911,295)	38,305,474	96.3	97.6	4.6
Approval for Building Plans	62,731,124	80,000,000	62,899,592	(17,100,408)	168,468	0.3	78.6	3.7
Cess Revenue	22,284,895	40,000,000	19,906,004	(20,093,996)	(2,378,891)	(10.7)	49.8	1.2
County Park Fees	-	800,000	56,000	(744,000)	56,000	-	7.0	0.0
Health Fees	54,858,105	90,000,000	59,230,055	(30,769,945)	4,371,950	8.0	65.8	3.5
House rent	14,351,317	50,000,000	12,825,091	(37,174,909)	(1,526,226)	(10.6)	25.7	0.8
Markets	40,093,432	70,000,000	42,902,255	(27,097,745)	2,808,823	7.0	61.3	2.5
Property tax (Plot & Land rates)	401,518,169	390,000,000	358,025,333	(31,974,667)	(43,492,836)	(10.8)	91.8	21.0
Royalties	223,995,891	230,000,000	226,165,890	(3,834,110)	2,169,999	1.0	98.3	13.2
Slaughter House Fees	8,431,939	27,000,000	10,032,019	(16,967,981)	1,600,080	19.0	37.2	0.6
Trade Licenses	316,448,065	370,000,000	340,914,255	(29,085,745)	24,466,190	7.7	92.1	20.0
Vehicle Parking Fees	219,378,664	282,200,000	242,540,937	(39,659,063)	23,162,273	10.6	85.9	14.2
Miscellaneous Income	116,328,385	140,000,000	118,219,850	(21,780,150)	1,891,465	1.6	84.4	6.9
Sub Total Local Sources	1,628,821,537	1,980,000,000	1,707,447,685	(272,552,315)	78,626,148	4.8	86.2	100.0
Facility Improvement Fund	1,194,128,375	1,400,000,000	1,551,625,289	151,625,289	357,496,914	29.9	110.8	
Total (AIA & Local Sources)	2,822,949,912	3,380,000,000	3,259,072,974	(120,927,026)	436,123,062	15.4	96.4	

Source: County Receiver of Revenue

Table 4: Analysis of Local Revenue Performance from 2012/13-2021/22

FY	TARGET	ACTUAL	VARIANCE	PERCENTAGE OF ACHIEVEMENT
2012/2013	998,164,474	1,301,084,388	302,919,914	130%
2013/2014	2,554,738,273	1,372,049,460	-1,182,688,813	54%
2014/2015	2,059,164,349	1,600,420,288	-458,744,061	78%
2015/2016	2,361,149,689	1,780,654,967	-580,494,722	75%
2016/2017	2,597,264,258	1,555,180,152	-1,042,084,106	60%
2017/2018	2,500,000,000	1,682,970,850	-817,029,150	67%
2018/2019	2,000,000,000	1,853,568,733	-146,431,267	93%
2019/2020	2,100,000,000	1,354,763,813	-745,236,187	65%
2020/2021	1,800,000,000	1,628,821,537	-171,178,463	90%
2021/2022	1,980,000,000	1,707,447,685	-272,552,315	86%

Source: County Receiver of Revenue

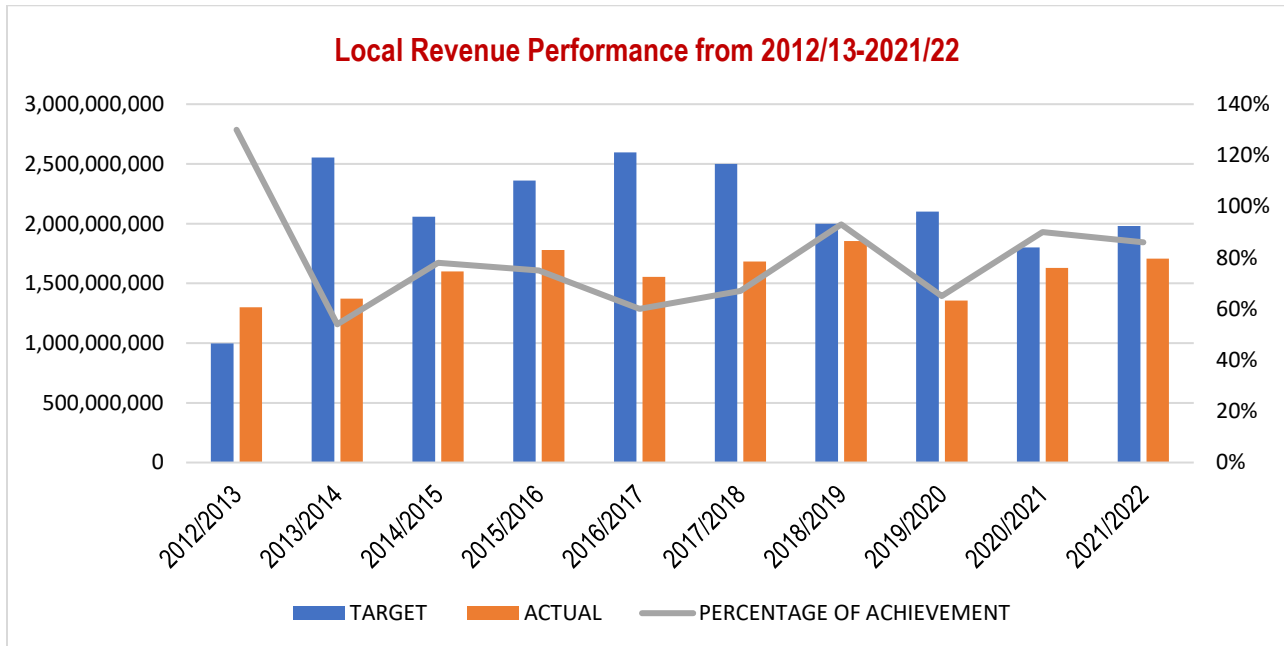


Figure 3: Local Revenue Performance from 2012/13-2021/22

Table 4 and Figure 3 illustrate the performance trends of revenue from local sources excluding FIF. As illustrated from figure 3, there was a five percent increase in actual collection from 2020/21. Despite this improvement, fluctuations have

been witnessed over the years, with seasonal declines around the electioneering period.

APPROPRIATION IN AID- (Facility Improvement Fund)

During the FY 2021/22 the County collected Ksh 1.523 billion against a target Ksh 1.4 billion indicating a Ksh 123 million increment depicting a 109 percent achievement. Improvement in revenue collection in FIF is attributed to continuous improvement in infrastructure development, expansion and automation of services.

Table 5: Appropriation in Aid (FIF)

Revenue Source	Actual 2020/2021	Target 2021/2022	Actual 2020/2021	Variance	Annual Growth	Achievement (%)	Annual Growth (%)
Facility Improvement Fund	1,194,128,375	1,400,000,000	1,523,660,278	123,660,278	329,531,903	109%	28%

Source: County Receiver of Revenue

Table 6: Analysis of Facility Improvement Fund Performance from 2013/14 - 2021/22

FY	TARGET (Ksh)	ACTUAL (Ksh)	VARIANCE (Ksh)	Percentage of achievement)
2013/2014	522,000,000	424,485,122	-97,514,878	81%
2014/2015	500,000,000	505,779,098	5,779,098	101%
2015/2016	550,000,000	514,680,179	-35,319,821	94%
2016/2017	605,000,000	405,703,607	-199,296,393	67%
2017/2018	611,050,000	597,551,764	-13,498,236	98%
2018/2019	685,000,000	957,002,225	272,002,225	140%
2019/2020	1,000,000,000	1,085,902,884	85,902,884	109%
2020/2021	1,400,000,000	1,194,128,375	-205,871,625	85%
2021/2022	1,400,000,000	1,551,625,289	151,625,289	110.8%

Source: County Receiver of Revenue

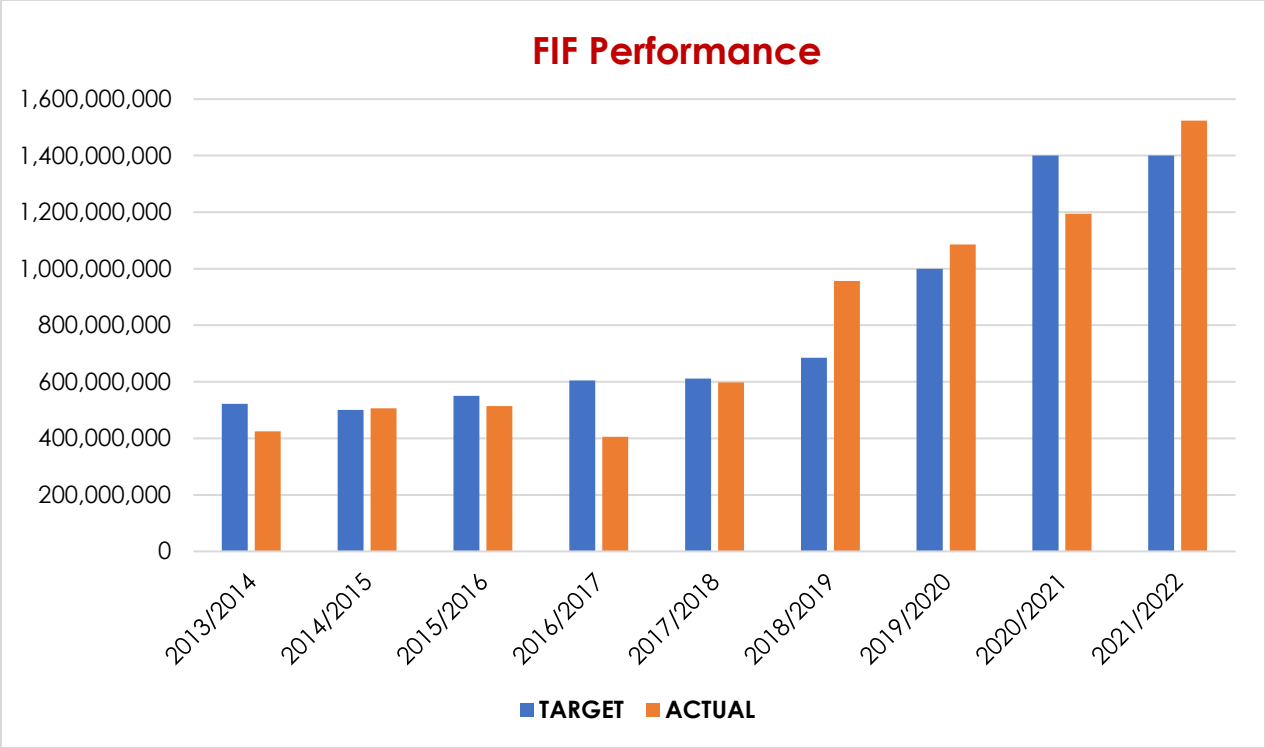


Figure 4: FIF Performance from 2013/14 – 2021/22

As illustrated in table 6, FIF has had a positive growth since 2017/18 with the FY 2021/22 recording the highest since.

COUNTY EXPENDITURE PERFORMANCE

During the financial year 2021/22 the county expenditure stood at Ksh 16.89 billion against a revised target of Ksh23.51 billion indicating an underspending of Ksh 6.62 billion which translates to 72 percent budget absorption rate. The expended amount comprised of Ksh 15.38 billion by the County Executive, and Ksh 1.51 billion by the County Assembly. The expenditure amount was 18 percent higher than expenditure for FY 2020/21 which stood at Ksh 14.33 billion.

The county recurrent expenditure amounted to Ksh 11.63 billion against a target of Ksh 12.85 billion depicting a 91 percent budget absorption rate and an underspending of Ksh 1.22 billion.

The development expenditure for the county stood at Ksh 5.26 billion against a target of Ksh 10.66 translating to 49 percent of the total development expenditure depicting an underspending of Ksh 5.4 billion. Table 7 shows the total County expenditure for FY 2021/22 by economic classification:

Table 7: Expenditure Performance by Economic Classification

Classification	Budget FY2021/22 (Kshs.)		Expenditure FY2021/22 (Kshs)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Recurrent Expenditure	11,648,835,290	1,202,212,204	10,451,373,738	1,181,194,448	90%	98%
Compensation to Employees	7,030,755,182	387,663,585	6,327,968,306	387,663,585	90%	100%
Operations and Maintenance Expenditure	4,618,080,108	814,548,619	4,123,405,432	793,530,863	89%	97%
Development Expenditure	10,278,543,883	384,395,202	4,925,835,889	331,015,749	48%	86%
Total Expenditure	21,927,379,173	1,586,607,406	15,377,209,627	1,512,210,197	70%	95%

Source: County Departments, County Assembly

County Expenditure Trends

The County expenditure has been increasing yearly since FY 2017/18, the amount spent on development against total expenditure has risen from 18 percent to 35 percent in the year under review. Similarly, recurrent expenditure has grown from Ksh 9.2 billion in FY 2017/18, to Ksh 10.06 billion in FY 2020/21. This is further depicted in Figure 5:

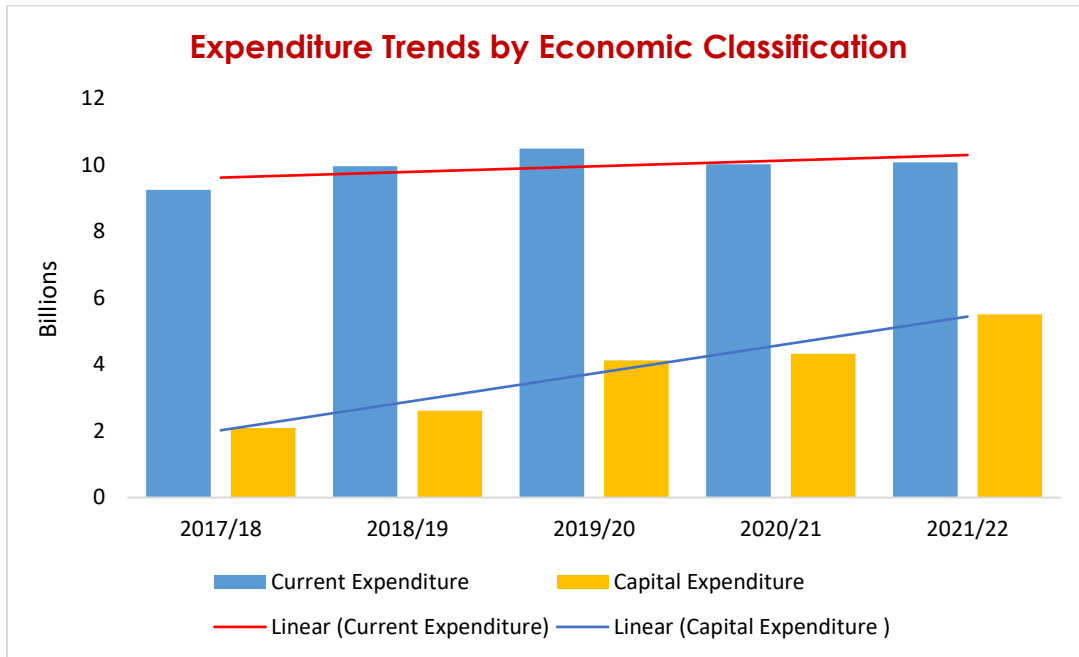


Figure 5: County Expenditure Trends FY 2017/18-2021/22

Recurrent Expenditure

During FY 2021/22 the County incurred Ksh 11.63 billion as recurrent expenditure which represents a 65 percent of the total expenditure. Composition of recurrent expenditure in 2021/21 is depicted in Figure 6:

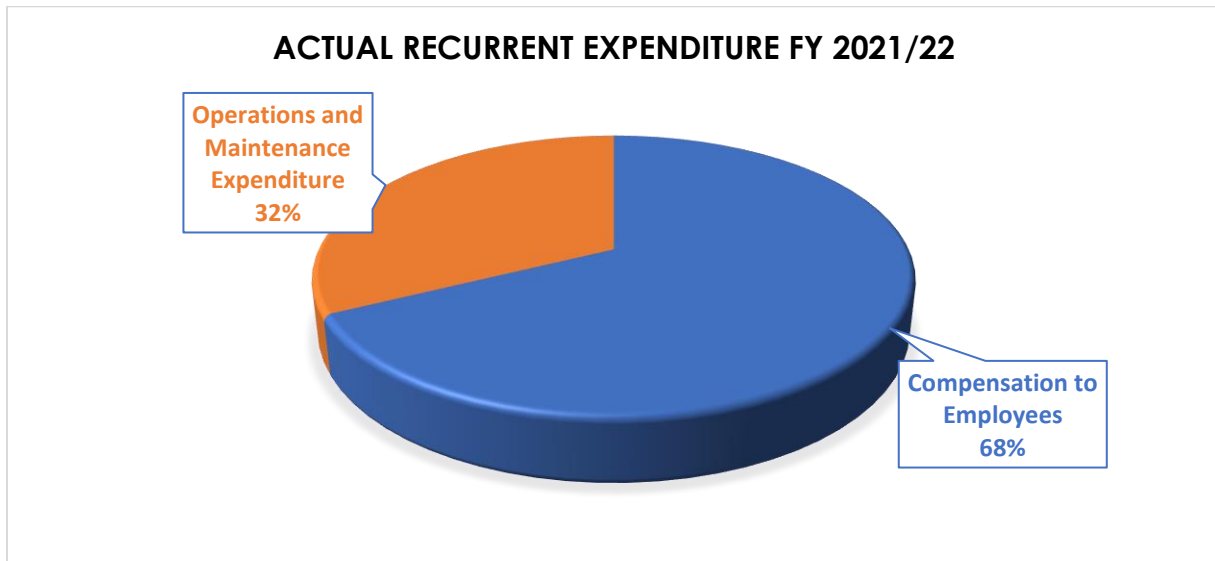


Figure 6: Composition of Recurrent Expenses

The recurrent expenditure is further classified into personnel cost and operations and maintenance which are discussed below:

1) Compensation to Employees

During the period under review the total expenditure incurred on compensation to employees amounted to Ksh 6.72 billion, against a revised target of Ksh. 7.42 billion. This amount comprised of Ksh 6.33 billion by the County executive arm, and Ksh 387.66 million by the County Assembly. This proportion contributes to 91 percent of total recurrent expenditure and 40 percent of total county expenditure depicting an under-absorption of Ksh 702 million. The amount expended on compensation grew by Ksh 241 million, compared to FY 2020/21. Despite the growth, there is still a growing demand across County Departments and Entities for additional staffing occasioned by natural attrition, ageing workforce, imbalanced staffing between the managerial, technical and

supportive cadres among others. This scenario calls for adoption of better staff planning and succession management practices.

2) Operations and Maintenance Expenditure

For the period under review, operation and maintenance expenses for the County amounted to Ksh 4.9 billion against a target of Ksh 5.4 billion. This comprised Ksh 4.12 billion expenditure by the Executive arm and Ksh 793.5 million by the County Assembly, and represents an absorption rate of 91 percent of the planned expenditure. Further, this expenditure contributed to 29 percent of total County expenditure during the period under review. There was an increment in expenditure by Ksh 1.3 billion compared to Ksh 3.53 in FY 2020/21.

Development Expenditure

The development expenditure by the County's stood at Ksh 5.26 billion against a target of Ksh 10.66 billion. This represents an absorption rate of 49 percent, and an underspending of Ksh 5.41 billion. The period under review registered a growth in absorption of capital expenditure by Ksh 940 million, from Ksh 4.32 billion in FY 2020/21. Further, development expenses contributed to 31 percent of the total actual County expenditure in the year under review which depict an increase of 22 percent. Out of the Ksh 5.26 billion, Ksh 4.93 was expended by the County Executive while 331 million by the County Assembly. The County assembly absorbed 86 percent of their development budget while the county executive absorbed 48 percent.

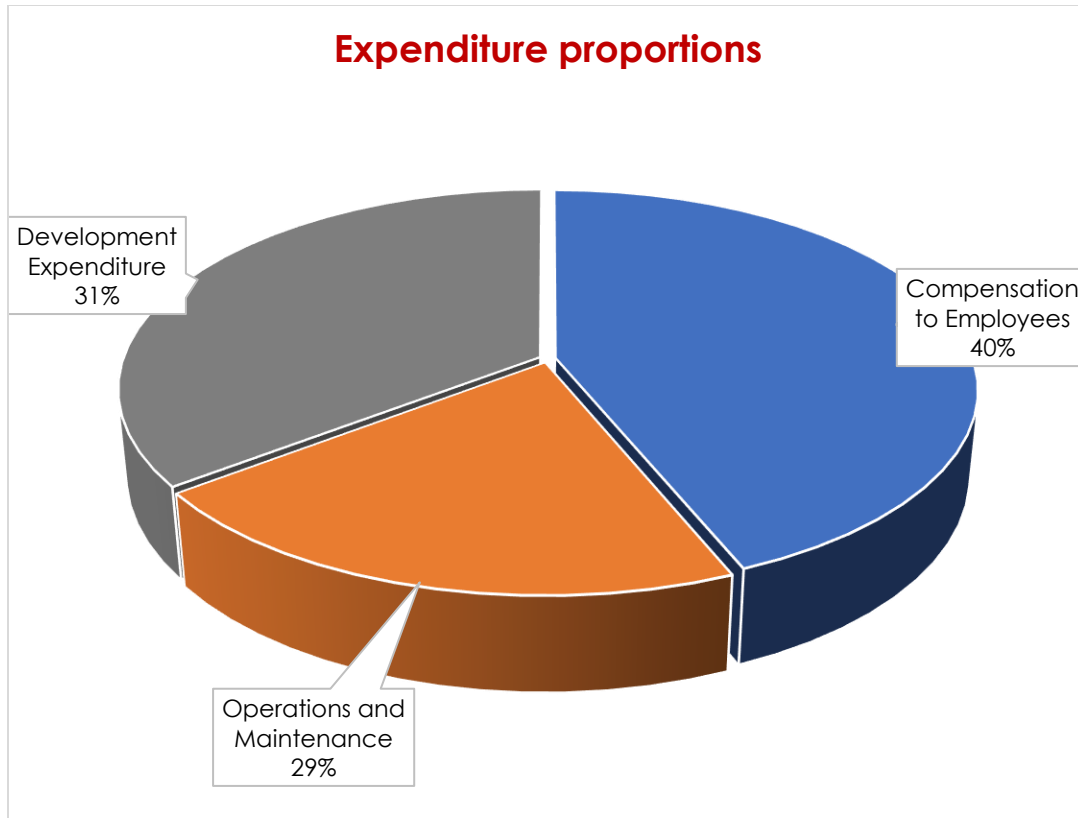


Figure 7: Expenditure Proportions

Departmental Expenditure Analysis

An analysis of total departmental recurrent expenditure revealed that absorption rate was highest in the County assembly (98 percent); health services (94 percent); County treasury (93 percent); Infrastructure (93 percent) and Public Service training and devolution.

The highest development expenditure was attained by the County Assembly (86 percent); the County Treasury (69 percent); Agriculture, Livestock and fisheries (69 percent); Office of the Governor (60 percent) and Infrastructure (58 percent).

The departmental expenditure analysis is outlined in Table 8:

Table 8: Departmental Expenditure Performance

VOTE NO.	VOTE TITLE	TOTAL RECURRENT EXPENDITURE FY2021/2022			DEVELOPMENT EXPENDITURE FY2021/2022			TOTAL EXPENDITURE FY2021/2022		
		TARGET	ACTUAL	BER	TARGET	ACTUAL	BER	TARGET	ACTUAL	BER
4561	Office of the Governor and Deputy Governor	342,017,118	229,240,232	67%	103,487,733	62,346,311	60%	445,504,851	291,586,543	65%
4562	County Treasury	1,196,364,936	1,115,758,824	93%	519,402,176	357,049,432	69%	1,715,767,113	1,472,808,256	86%
4563	County Public Service Board	98,294,117	82,687,622	84%	11,177,144	-	0%	109,471,261	82,687,622	76%
4565	Health Services	6,030,283,223	5,691,783,836	94%	1,586,806,914	795,712,557	50%	7,617,090,137	6,487,496,393	85%
4566	Trade, Industrialization, Cooperatives and Tourism	252,680,583	156,308,403	62%	307,554,558	146,259,753	48%	560,235,141	302,568,156	54%
4567	Infrastructure	393,605,385	367,396,844	93%	2,407,364,344	1,395,472,994	58%	2,800,969,729	1,762,869,838	63%
4569	Agriculture, Livestock and Fisheries	620,228,823	541,474,021	87%	806,538,029	559,171,813	69%	1,426,766,852	1,100,645,834	77%
4570	Land, Physical Planning and Housing	163,675,893	137,140,958	84%	1,095,250,057	327,936,861	30%	1,258,925,951	465,077,819	37%
4572	Water, Environment, Energy and Natural Resources	356,788,105	276,333,379	77%	1,133,333,215	476,774,484	42%	1,490,121,321	753,107,863	51%
4574	Public Service, Training and Devolution	839,365,404	755,768,326	90%	71,647,520	19,754,819	28%	911,012,924	775,523,145	85%
4575	Education, Vocational training, ICT and E-Government	822,670,401	671,671,680	82%	668,978,885	177,630,354	27%	1,491,649,286	849,302,034	57%
4576	Youth, Culture, Gender, Sports and Social Services.	439,928,337	373,960,913	85%	253,415,959	118,780,954	47%	693,344,296	492,741,867	71%
4577	Nakuru Municipality	54,467,079	26,990,033	50%	840,378,821	340,074,697	40%	894,845,900	367,064,730	41%
4578	Naivasha Municipality	38,465,886	24,858,668	65%	473,208,528	148,870,860	31%	511,674,414	173,729,528	34%
4573	County Assembly	1,202,212,204	1,181,194,448	98%	384,395,202	331,015,749	86%	1,586,607,406	1,512,210,197	95%
	TOTAL	12,851,047,495	11,632,568,187	91%	10,662,939,085	5,256,851,638	49%	23,513,986,580	16,889,419,825	72%

Source: County Departments, County Assembly.

(BER – Budget Execution Rate)

COUNTY DEBT MANAGEMENT

The Public Finance Management Act (2012) identifies debt servicing as a non-discretionary expenditure and shall therefore be a first-charge in expenditure management. The County has been implementing a balanced budget, with no internal or external borrowings. However, the County Government has been incurring pending bills since devolution, currently approximated at Ksh 2.64 billion. The bills include debts inherited from the defunct local Authorities.

The County has been allocating debt resolution funds over the years. However, these allocations have been on a declining trend. During the Financial year 2020/2021 the county had allocated Ksh 55 million towards debt resolution in its budget. Of this Ksh 37.67 million was used to pay eligible pending bills cleared by the pending bills committee.

The County has managed to pay a collective amount of over Ksh 1.3 billion from FY 2018/19-2021/22 both from debt resolution funds and departmental allocations.

Table 9: Analysis of Pending Bills

Categories	Balance for eligible pending bills as per audit Ksh
Financial statement updated as at 30th June 2022	772,881,486
Additional bills received after circularization by O.A. G	703,440,091.65
Nurgotory costs	28,932,239.40
Legal pending bills (law firms)	386,169,664.00
Pending bills received by the pending bills and resolution committee	31,629,846.14
Unremitted statutory deductions including penalties	718,779,579.41
Total	2,641,832,907

Source: County Treasury Provisional

CONTINUING IN FISCAL DISCIPLINE AND RESPONSIBILITY PRINCIPLES

During the review period, the County Government allocated 45 percent towards development expenditure in adherence to the minimum 30 percent requirement set out in the PFM Act Section 107. The county absorbed 49 percent of funds allocated towards development expenditure showing a gradual improvement in the execution of the development budget from 37 percent in FY 2019/20 and 43 percent in FY 2020/21 respectively.

The actual development expenditure against total county expenditure amounted to 31 percent. Analysis on the development expenditure trends reveals that the county is progressively decreasing the gap between the proportion allocated vis a vis expenditure on development. Further, the trend divulges that there has been an upward trend on absorption of development expenditure as a proportion of total County expenditure since the FY 2017/18 to date.

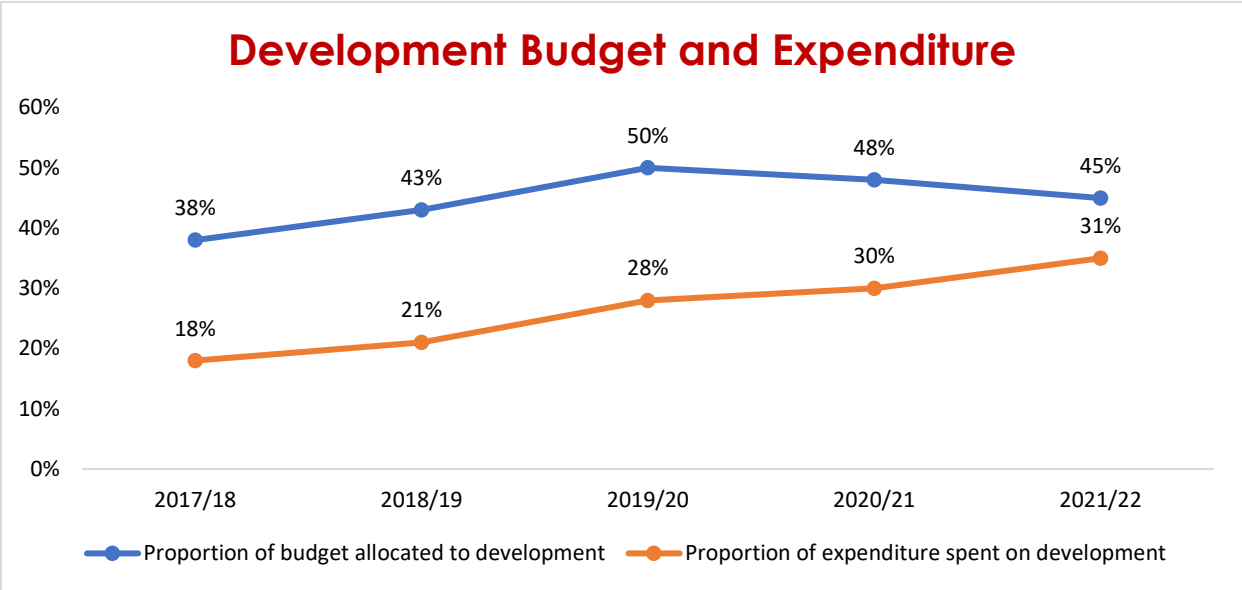


Figure 8: Development budget and expenditure trends

The actual expenditure on compensation was 40 percent during the year under review. This is still higher than the recommended ratio of 35 percent as set out in the PFM Regulations. Over the medium-term, expenditure on salaries and wages is likely to rise further on account of anticipated review of salaries and terms of employment from SRC and internal policy reviews.

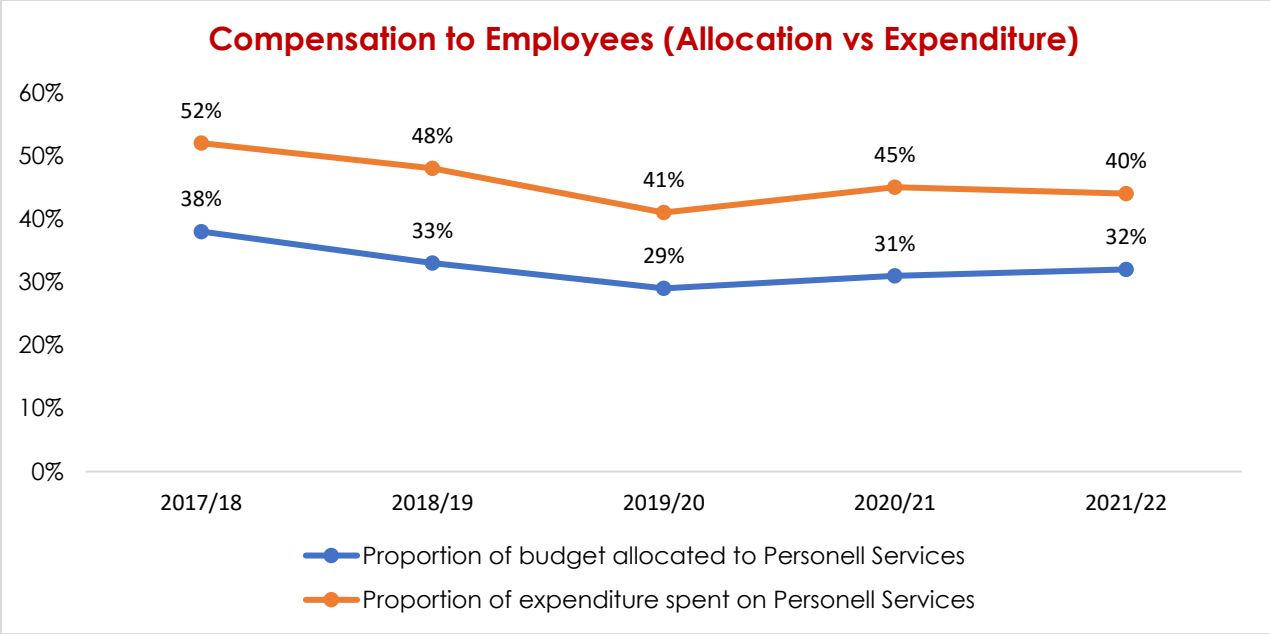


Figure 9: Budget and expenditure Trends on Compensation to Employees

The County Government has continued in its commitment to maintain debt at sustainable levels as per the County Medium Debt Strategy pursuant to Section 123 of the PFM Act. During the year under review the County Government serviced debt amounting to Ksh 37.673 million and will continue to monitor and encourage financial discipline across all Departments to avoid further accumulation of pending bills by spending units. The County outstanding pending bills stood at Ksh 2.6 billion by June 30th 2022. This is inclusive of analysed inherited debts from defunct local authorities by the County Asset management Committee.

The total revenues by the County government during the period under review achieved a 90 percent performance on comparison with targeted forecast chiefly due to the unreceived grants and equitable share from the exchequer during the period. The County Government will therefore continue setting realistic revenue projections particularly putting into consideration past revenue trends and evaluation of new potential revenue streams.

III. RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

A. RECENT ECONOMIC DEVELOPMENT

Global Economic Performance

The 2022 CBROP has been prepared against a backdrop of a global economic slowdown occasioned by among other the adverse impacts of the ongoing Russia-Ukraine war, the prolonged COVID-19 pandemic impacts and containment measures particularly in China, and the global inflationary shocks triggered by high fuel and food prices. The global economy is therefore expected to contract by 2.9 percent from 6.1 percent in 2021 to 3.2 percent in 2022 (WEO, July 2022).

However, economic prospects vary across regions with developed economies in Europe and America projected to contract more as compared to emerging and developing economies. In 2022, Advanced economies are projected to slow down to 2.5 percent from 5.2 percent in 2021 reflecting a weaker than expected growth. The economic slowdown in the United States, was occasioned by reduced private consumption while the slowdown in Europe was a consequence of the Russia-Ukraine war and tighter financial conditions assumed in the region. Similarly, emerging and developing economies are expected to slow down to 3.6 percent in 2022 compared to 6.8 percent in 2021 occasioned mainly by the slowdown of China's and India's economies due to renewed containment measures of COVID-19. Economic growth in the Sub-Saharan Region is expected contract by 3.8 percent in 2022 from a growth of 4.6 percent in 2021. This slowdown resulted from disruptions in supply chain arising from the Russia-Ukraine war and the consequential domestic price pressures that have reduced real incomes and created a surge in food and fuel prices in the region.

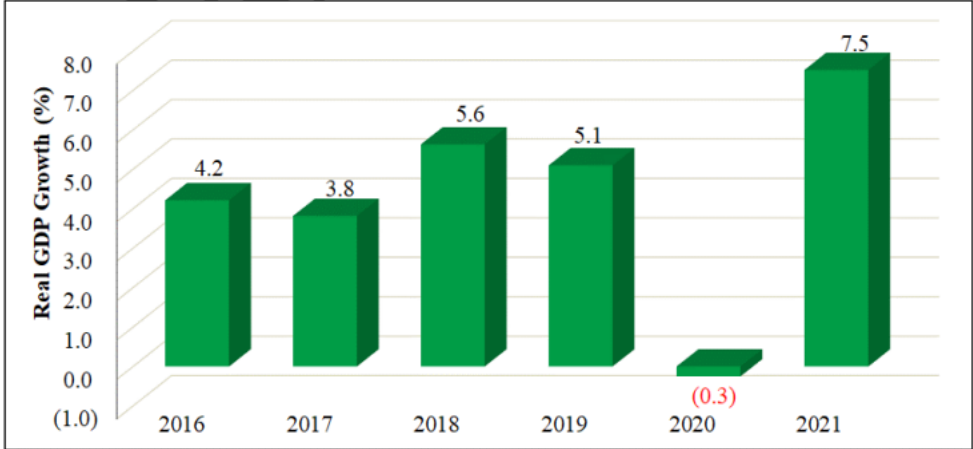
Domestic Economic Performance

GDP Growth

The Kenyan economy demonstrated remarkable resilience and continued recovery in the face of a hostile global environment and post Covid-19 effects. This is due to the diversified nature of the Kenyan economy and the proactive measures undertaken by the government to support businesses. As such the Kenyan economy expanded by 7.5 percent in 2021 from a contraction of 0.3

percent in 2020 as shown in **figure 10**. This strong recovery was occasioned by recovery of the service and industry sectors notwithstanding the subdued performance of the agricultural sector from consecutive failed rainy seasons.

Figure 10: Annual GDP growth Rates, Percent



Source: Draft Budget and Review Outlook Paper, 2022

In the first quarter of 2022, the economy grew by 6.8 percent compared to a 2.7 percent growth in the first quarter of 2021 as shown in **Table 10**. This growth was as a result of strong recovery in the country’s manufacturing sector, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and the financial and insurance service sectors.

Agriculture, forestry and fishing sector continued to struggle into the first quarter of 2022 contracting by 0.7 percent in the first quarter of 2022 compared to a 0.4 percent growth in the first quarter of 2021 as shown in **Table 10**. This contracted performance is as a result of failed short rains in October 2021 and delayed onset of long rain season in March 2022. This resulted in declined horticultural exports and tea production. However, improved production of milk, coffee and cane cushioned the sector from further slump. Overall, the contribution of Agriculture to the country’s real GDP growth was at -0.1 percentage points in the first quarter of 2022 compared to a contribution of 0.1 percentage points during a similar period in 2021. In turn this is likely to negatively affect the performance of the

Nakuru Gross County Product, observing that Agriculture is the largest contributor to Nakuru GCP.

Table 10: Sectoral GDP Performance

Sectors	2020					2021					2022
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1
Primary Industry	4.6	7.8	(3.9)	9.6	4.7	0.9	0.02	1.4	0.7	0.7	0.5
Agriculture, Forestry and Fishing	4.5	8.0	(4.3)	9.8	4.6	0.4	(0.5)	0.6	(1.2)	(0.2)	(0.7)
Mining and Quarrying	6.5	3.9	5.6	6.0	5.5	10.7	10.9	16.4	34.5	18.0	22.1
Secondary Sector (Industry)	3.8	(1.6)	2.5	7.8	3.2	3.9	9.1	8.3	5.0	6.5	4.4
Manufacturing	1.4	(5.4)	(2.2)	4.3	(0.4)	2.1	11.3	10.2	4.9	6.9	3.7
Electricity and Water supply	1.5	(4.5)	0.8	4.6	0.6	3.6	7.2	6.4	2.8	5.0	1.9
Construction	8.9	6.0	10.2	15.2	10.1	6.8	6.8	6.7	6.0	6.6	6.4
Tertiary sector (Services)	3.9	(6.6)	(4.2)	(0.04)	(1.8)	3.2	14.9	11.4	9.1	9.6	9.1
Wholesale and Retail trade	5.5	(3.8)	(5.1)	1.4	(0.5)	7.5	9.2	6.4	8.4	7.9	8.7
Accommodation and Restaurant	(14.1)	(57.2)	(62.0)	(57.7)	(47.7)	(33.0)	90.1	127.5	118.6	52.5	56.2
Transport and Storage	2.1	(16.8)	(10.2)	(6.2)	(7.8)	(7.9)	18.6	14.2	6.5	7.2	8.1
Information and Communication	7.8	4.9	4.9	7.5	6.3	10.1	17.1	4.1	5.3	8.8	6.1
Financial and Insurance	6.2	3.2	3.3	10.6	5.9	11.8	17.3	11.8	9.9	12.5	14.4
Public Administration	4.7	4.5	8.3	10.2	7.0	6.8	7.6	4.8	3.3	5.6	6.4
Others	3.5	(8.1)	(5.4)	(2.1)	(3.2)	3.5	14.8	12.6	9.8	10.3	7.4
of which Professional, Admin & Support Services	2.7	(25.5)	(18.4)	(12.5)	(13.7)	(13.0)	18.3	13.4	8.1	5.7	14.9
Real Estate	4.1	3.6	3.8	4.8	4.1	6.7	7.4	7.1	5.7	6.7	6.1
Education	4.8	(21.1)	(16.1)	(4.8)	(9.3)	11.5	31.6	28.3	18.0	21.4	6.2
Health	7.1	9.0	4.4	2.9	5.7	5.8	6.2	4.1	7.8	6.0	5.0
Taxes less subsidies	5.5	(20.5)	(8.5)	(7.4)	(8.1)	1.8	18.5	12.5	15.7	11.9	12.3
Real GDP	4.4	(4.1)	(3.5)	2.3	(0.3)	2.7	11.0	9.3	7.4	7.5	6.8
of which Non-Agriculture	4.2	(5.6)	(2.7)	1.9	(0.6)	3.4	14.0	11.0	8.5	9.1	8.3

Source: Draft BRDP, 2022

The industry sector grew by 4.4 percent in the first quarter of 2022 compared to a growth of 3.9 percent in the first quarter of 2021. This was as a result of improved manufacturing activities despite poor performance in the electricity and water supply, and construction subsectors. The overall contribution of the industry sector to real GDP growth was 0.7 percentage points in the first quarter of 2022 compared to 0.6 percentage points contribution in the first quarter of 2021. Both food and non-food components supported this growth with coffee processing and cement production accounting for the lion share of the growth in the food and non-food components respectively.

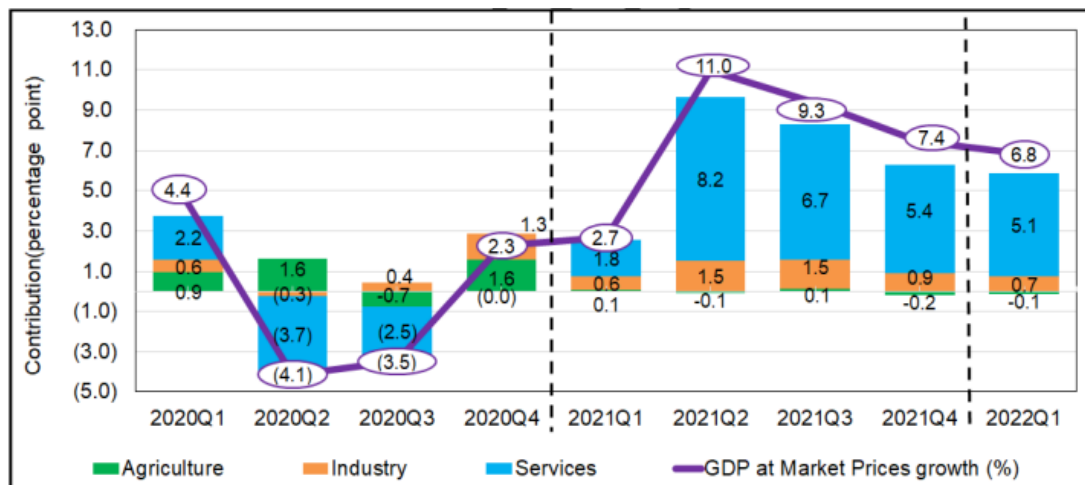
The electricity and water supply sector recorded a declined growth of 1.9 percent in the first quarter of 2022 compared to a 3.6 percent growth during a similar

period in 2021. This was occasioned by decline in the amount of hydroelectric power generated owing to insufficient rainfall in the first quarter of 2022. A decline was also recorded in geothermal energy. Although thermal electricity production increased during the quarter, the high cost of inputs in production had a detrimental effect in the gross value addition. High Cost of energy particularly electricity is likely to have a detrimental impact on implementation of certain county programmes, such as the streetlighting programme and consequently inefficiencies in public service delivery.

The construction subsector declined slightly by 0.4 percent in quarter one of 2022 recording a growth of 6.4 percent compared to a growth of 6.8 percent in the first quarter of 2021. This was partly due to increased consumption of various construction materials such as cement, bitumen, iron, and steel. Successful

The services sector saw a boom in activities recording a growth of 9.1 percent in the first quarter of 2022 compared to a growth of 3.2 percent during a similar period in 2021. The strong recovery in the services sector was characterized by growth in transportation and storage (8.1 percent), accommodation and restaurant services (56.2 percent), professional, administrative, and support services (14.4 percent), as well as, growth in the wholesale and retail trade (8.7 percent). The sector contributed 5.1 percentage points in real GDP growth during the first quarter of 2022 compared to 1.8 percentage points in the first quarter of 2021 as shown in **figure 11**. The service sector has been one of the most vibrant in the county in terms of supporting the economic growth of Nakuru County. The accommodation and restaurant industry for instance has grown rapidly observing the conferment of city status to Nakuru Municipality in December 2021.

Figure 11: Sectors Contribution to Real GDP Growth



Source: Draft BRDP, 2022

Domestic Employment Level

During the height of the pandemic, many people lost their livelihoods particularly in the private informal sector with scores being placed on unpaid leave. However, following easing of the COVID 19 containment measures such as lifting of travel restriction, lockdowns, and night curfew compounded by enhanced vaccination drives across the country in 2021, economic activities have increased remarkably resulting in rise in employment levels. Total new jobs created in the economy reached 926.1 thousand comprised of 172.3 thousand new jobs in the formal sector and 753.8 new jobs in the informal sector. The top three contributors of wage employment in the private sectors were Manufacturing sector, Retail & Wholesale Trade, and the Agriculture, Forestry and Fishing Sector. The accommodation and food service sector recorded a significant growth of 23.9 percent in 2021 compared to a decline of 38.7 percent in 2020. Nakuru County has benefited significantly from these gains particularly in the Agriculture and Fishing sector, accommodation and restaurant, as well as wholesale and retail trade sectors which employ a majority of the workforce.

Table 11: Total Jobs created (in thousands) by sector

Sectors	Private			Public			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
1. wage employees	46.2	(205.2)	126.2	22.4	19.4	38.5	68.6	(185.8)	164.7
Primary									
Agriculture, forestry and fishing	2.4	(16.1)	14.7	(0.4)	(0.2)	0.2	2.0	(16.3)	14.9
Mining and quarrying	0.6	(1.5)	0.3	0.1	0.0	0.0	0.7	(1.5)	0.3
Industries									
Manufacturing	7.7	(35.2)	19.7	(2.3)	(1.2)	0.2	5.4	(36.4)	19.9
Electricity Supply	0.1	(0.3)	0.1	0.5	(1.0)	(0.5)	0.6	(1.3)	(0.4)
Water supply	0.3	(0.4)	0.2	0.1	(0.4)	0.3	0.4	(0.8)	0.5
Construction	2.9	(0.3)	4.9	0.2	0.3	0.1	3.1	0.0	5.0
Services									
Wholesale and retail trade	8.8	(18.0)	6.6	0.0	0.2	0.0	8.8	(17.8)	6.6
Transportation and storage	2.9	(15.9)	6.2	(1.1)	0.3	0.8	1.8	(15.6)	7.0
Accommodation and food service	1.3	(31.4)	11.9	0.1	0.0	0.0	1.4	(31.4)	11.9
Information and communication	1.1	(13.2)	14.9	0.0	0.0	0.0	1.1	(13.2)	14.9
Financial and insurance activities	1.9	(0.9)	1.8	0.1	(0.9)	(0.1)	2.0	(1.8)	1.7
Real estate activities	0.1	(0.7)	0.4	0.0	0.0	0.0	0.1	(0.7)	0.4
Education	4.8	(47.6)	29.5	14.5	12.5	16.7	19.3	(35.1)	46.2
Health	6.6	(11.0)	3.1	2.6	2.4	2.2	9.2	(8.6)	5.3
2. Unpaid family workers				10.5	(6.6)	7.6	10.5	(6.6)	7.6
3. Formal (1+2)	46.2	(205.2)	126.2				79.1	(192.4)	172.3
4. Informal	767.9	(543.6)	753.8				767.9	(543.6)	753.8
5. Total jobs created (3+4)	814.1	(748.8)	880.0	32.9	12.8	46.1	847.0	(736.0)	926.1

Source: Draft BRDP, 2022

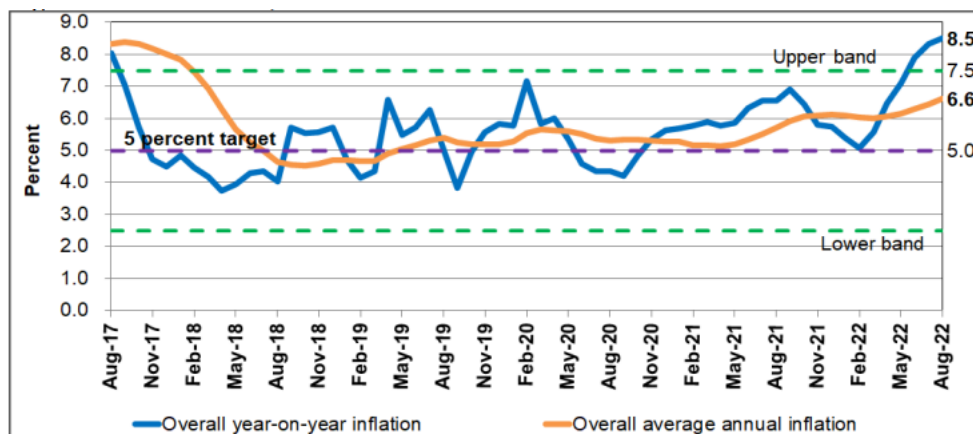
Public sector employment grew by 4.3 percent to reach 923.1 thousand people in 2021. This was mainly occasioned by increased civil service recruitment to essential service areas such as the public administration and defense which recorded the highest growth of 5.9 percent. Other sectors that realized growth in employment were education, health and social work as well as the transportation and storage sectors.

Inflation Rate

The year-on-year inflation rate increased to 8.5 percent in August 2022 -which is above the policy target range of 5 percent (+/- 2.5)- for the first time since 2017. This was a significant increase from the 6.6 percent registered in August of 2021. The government has instituted measures to cushion citizens against the adverse impacts of inflation including food and fuel subsidies, subsidies on fertilizer prices, lower electricity prices, and duty waivers on import of white maize. Additionally, the VAT on liquefied petroleum gas has been reduced to further moderate the cost of the commodities. Overall annual average inflation was however within the

recommended range holding steady at 6.6 percent an increase from 5.7 percent registered in 2021 as shown in **figure 12**.

Figure 12: Inflation Rate, Percentage



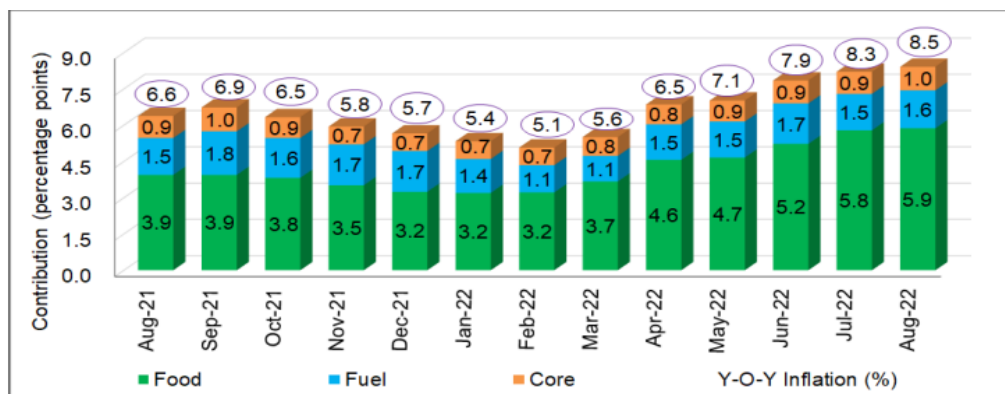
Source: Draft BRP, 2022

Food inflation was the main driver of overall year-on-year inflation in August 2022 contributing 5.9 percentage points, compared to 3.9 percentage points contribution in August 2021 as shown in **figure 13**. Food inflation was mainly triggered by poor rainfall and disruptions in the global supply chains which consequently led to increased process of loose maize grain and maize flour, sugar, Irish potato, white rice, and onions.

Fuel inflation, was generally stable contributing only 1.6 percentage points to average year-on-year inflation in August 2022 compared to a 1.5 percentage points contribution in August 2021. This stability was as a result of government effort to subsidize fuel prices and electricity tariffs. The price of petrol, kerosene and diesel nonetheless registered a notable increase in August 2022 compared to a similar period in August 2022.

Core inflation was low and stable contributing 1.0 percentage points to overall year on year inflation in August 2022 compared to a contribution of 0.9 percentage points in August of 2021. This was mainly due to muted demand pressures and prudent monetary policies adopted by the central bank.

Figure 13: Contributions to overall inflation, Percentage point



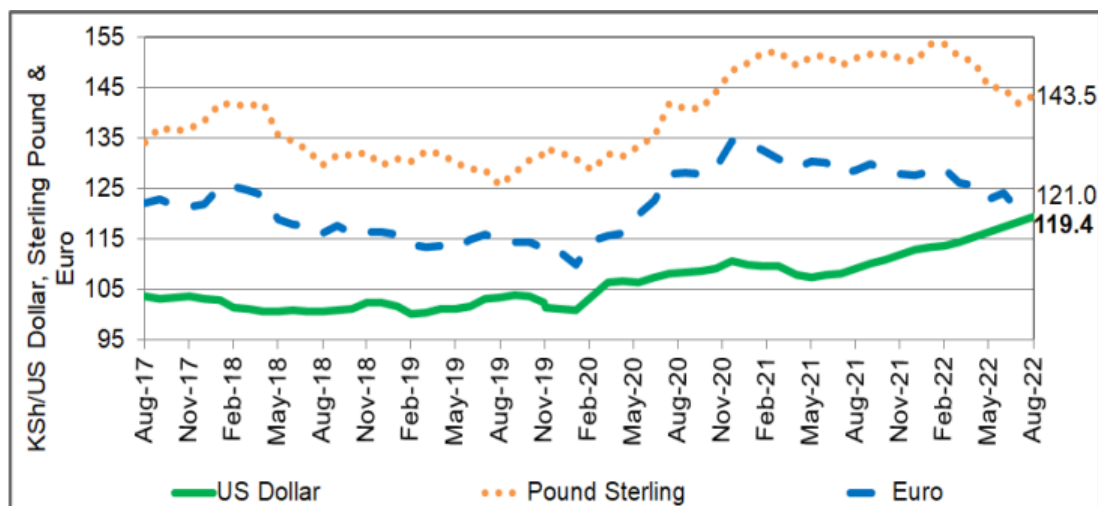
Source: Draft BROP, 2022

High inflation is a two-edged blade benefiting producers in the short run, at the detriment of the consumers particularly the poor. At the County level, high rates of inflation continue to affect the costs of service delivery, including the operations and maintenance costs and the cost of implementing capital projects. In the overall, inflation reduces the value of county government total revenues, leading to under-realisation of budgeted priorities, on the expenditure side.

Kenya Shilling Exchange rate

The foreign exchange market has remained generally stable despite the tight global financial conditions and the high demand for the US dollars in the international market. In August 2022 the Kenyan Shilling depreciated to Ksh119.4 compared to Ksh 109.2 in August 2021. In contrast, value of the Kenyan shilling strengthened when compared to other major currencies over the same period exchanging at Ksh 121.0 and 143.5 against the Euro and the sterling Pound respectively in August 2022 compared to an exchange rate of Ksh 128.6 and Ksh 150.9 in August 2021, as shown in **figure 14**.

Figure 14: Kenyan Shillings Exchange Rate



Source: Draft BRDP, 2022

Dollar-denominated debt becomes more expensive as the shilling weakens; thus, the government pays more money to meet its debt obligation. Further, a weakened Kenyan shilling affects export-oriented sectors which become cheaper in the export market compared to other competing products and imports become more expensive leading to an unfavorable/negative Balance of Trade. At the County, the weakening shilling continues to adversely affect export oriented horticultural produce (fruits, vegetables and cut flowers) reducing the aggregate income and micro and macro levels.

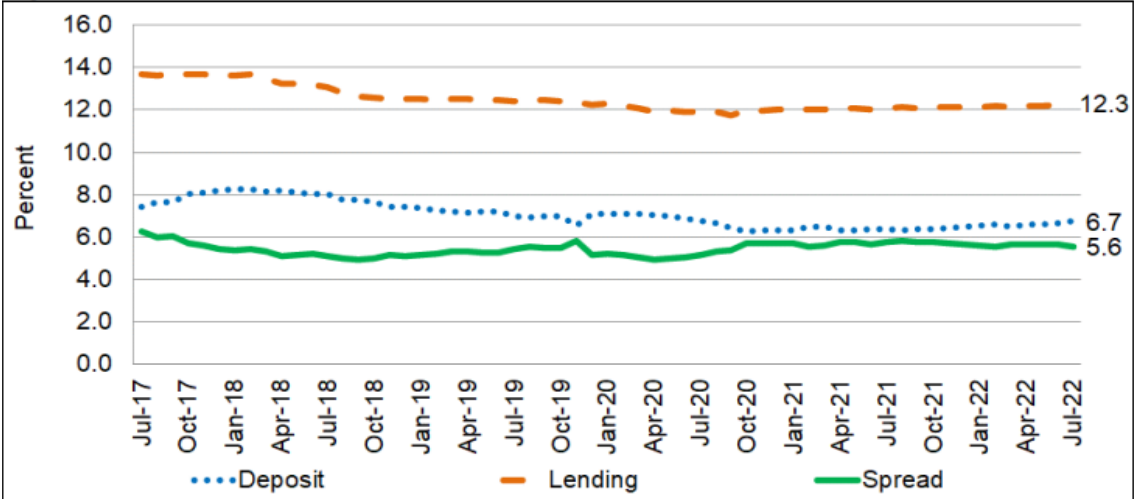
Interest Rates

The prevailing market interest rates affect general access to affordable capital by business entities in the county and country at large. The Central Bank lending rate was increased from 7.0 percent to 7.5 percent in May of 2022 to anchor the elevated risk of inflation occasioned by disruptions in the global supply chains and increase in commodity prices. Further the interbank lending rate increased to 5.4 percent in August 2022 from 3.1 percent in August 2021. Generally, the short-term interest rates for interbank bank lending remained stable as a result of ample liquidity in the money market.

Commercial bank lending rates remained stable in the period July 2021 and July 2022 occasioned by strong monetary policy and adequate liquidity in the market.

The average lending rate in July 2022 was at 12.3 percent, a slight increase from 12.1 percent in July 2021. Further, the average interest rate on deposits increased to 6.7 percent in July 2022 from 6.3 percent in July 2021. There was however a slight decline in the average interest rate spread from 5.8 percent in July 2021 to 5.6 percent in July 2022 as shown in **Figure 15**. Increase in commercial bank lending rates reduced the demand for borrowing and generally the access to credit for County Businesses.

Figure 15: Commercial Bank Rates, Percent



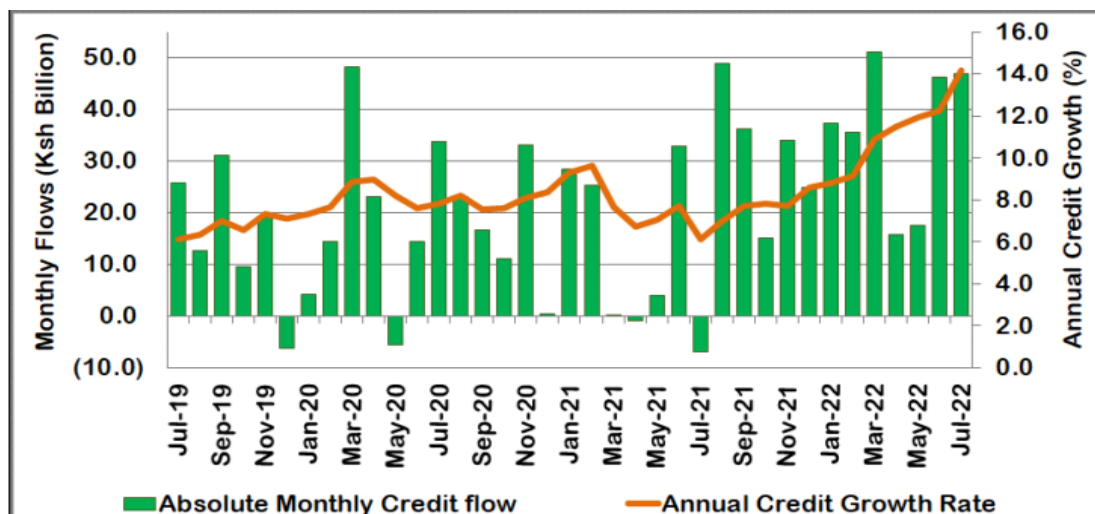
Source: Draft BRP, 2022

Private Sector Credit

Private sector credit registered a 14.2 percent growth in July 2022 from 6.1 percent in July 2021 as shown in **figure 16**. The uptake of credit by nearly all sectors proxies a spur in economic activities in the country. The transport and communication, business services, manufacturing, trade, building and construction and agriculture sectors are among the sectors that recorded the highest uptake of credit. Further, the Credit Guarantee Scheme for the vulnerable Micro, Small and Medium Enterprises (MSMEs), continues to de-risk lending by commercial banks hence remains critical to increasing credit flow to the private sector.

Nakuru County MSMEs stand to benefit from the existing Nakuru County Enterprise Fund, which is likely to get a big boost once the new administration manifesto priority on SMEs is implemented.

Figure 16: Private Sector Credit



Source: Draft BRDP, 2022

B. MEDIUM TERM ECONOMIC OUTLOOK

Global and Regional Outlook

The overall global economic outlook remains highly uncertain but growth is expected to moderate to 2.9 percent in 2023 a slight decline from 3.2 percent in 2022. Advanced economies are projected to slow down by 1.0 percent in 2023 from 2.3 percent in 2022 due to tightening of monetary policy and the spill over effects of the ongoing Russian-Ukraine war.

Emerging and developing economies are expected to gradually pick up to a growth of 3.9 percent in 2023 from a growth of 3.6 percent in 2022 although with varying prospects across countries. China's economy is expected to strongly pick up while the economies of India, Latin America, the Caribbean, the Middle East and Central Asian countries are expected to slow down.

In sub-Saharan Africa, economic growth is projected to grow to 4.0 percent in 2023 from 3.8 percent in 2022 occasioned by a sustained recovery from the recession, increasing prices of metals and other minerals abundant in the region as well as expected transition from fossil fuels in the long term.

National/Domestic Growth Outlook

Domestically, leading macroeconomic indicators show that the economy is expected to remain resilient and point to continued strong performance in the

succeeding quarters. The improved economic activities are expected in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. Despite the downside risks associated with the projected global outlook, the Kenyan Economy is expected to moderate at 5.5 percent in 2022.

The domestic economy is therefore expected to grow by 5.8 percent in FY 2022/23 and by 6.2 percent over the medium term. This growth will be supported by among other broad-based private sector growth, projected agricultural sector recovery, the ongoing implementation of the priorities of the third medium term plan (2018-2022) and the finalization of the Big 4 agenda. Further, economic growth will be reinforced by implementation of Economic recovery programs such as the third phase of the Economic Stimulus program whose strategic interventions target key areas in agriculture health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. Interventions by the new political administration, and implementation priorities of the Fourth medium term plan (2023-2027) are expected to improve the economic prospects and outlook for 2023 and beyond.

Monetary and Fiscal Outlook

Over the medium term, the central bank monetary policy will focus on maintaining price stability. Overall inflation is expected to moderate to 6.0 percent in FY 2022/23 as international prices of commodities such as oil, wheat and vegetable oils have begun moderating. Further, the waiver on import duties for white maize and the reduction of VAT in LPG is expected to further address inflation by moderating domestic prices. The foreign exchange market is also expected to remain stable in the same period supported by resilient export receipts, buoyant remittances, and a gradual pick up in receipts from services exports.

The government fiscal policy over the medium term will focus on enhancing revenue mobilization, expenditure rationalisation, minimizing the cost and risks of the country's public debt portfolio through strengthened debt management practices, and accessing external concessional funding to finance development projects. This will further reinforce economic recovery while supporting sustained, rapid and inclusive economic growth, and safeguarding livelihoods. Further, the

government will continue the fiscal consolidation programme to create fiscal space for the implementation of the “Big Four” Agenda. The continued coordination of monetary and fiscal policies is expected to sustain macroeconomic stability and support economic activity.

C. COUNTY FISCAL OUTLOOK (REVENUE AND EXPENDITURE)

The County fiscal outlook over the next medium term Expenditure Framework (MTEF 2023/2024–2025/2026) will largely be shaped by national and local forecast. The positive outlook of national macroeconomic indicators will impact positively to the county outlook. In addition, the implementation of ongoing national interventions such modern wholesale market and bus park, dualling of Rironi-Mau-Summit highway section, and completion of Nakuru Airport at Lanet; coupled with finalization of ongoing CIDP 2(2018-2022) flagship and transformative projects will accelerate growth in the transport, construction and services sectors and hence an improvement of the Gross County Product. This will be further enhanced by the expected recovery in the agriculture sector. However, a change of national government fiscal policy on management of national debt portfolio by the new administration and the subsequent expenditure rationalization, might affect the amount of shareable revenues to county governments.

Key focus in planning by the County Government will be the finalization and implementation of priorities earmarked in the third generation CIDP (2023-2027), the fourth medium term plan (MTP IV) and the political agenda of the new political administrations for both the county and national levels. The outcome of the End term review for the Second CIDP is expected to inform key focus areas for the plan period, recommend best practices for successful programme and project implementation, and prudence in public investments.

Further, Revenue mobilisation will be underpinned by ongoing reforms in revenue administration and management, including approval of the valuation roll, optimizing on existing revenue sources and mapping of new revenue streams to improve Own Source Revenues. This will be boosted by implementation of the County Medium-Term Revenue Strategy. The finalization of the Royalties revenue sharing framework by National Treasury could see the county benefit with additional shareable revenues from minerals and energy sources. The County government will further look to undertake the Credit Worthiness processes in

anticipation of future County borrowing through issuance of County Bonds among other aggressive revenue mobilization strategies. These measures will bolster the revenue prospects for the county and expand the already constrained fiscal space, over the medium term.

Total County Revenues including FIF is projected at Ksh. 17.1 billion for the Year 2023/24. The equitable share amounts to Ksh 13.026 billion, conditional grants expected amount to Ksh. 552 million and OSR including FIF is projected at Ksh 3.630 billion depicting a rise by 10.6 percent from FY 2022/23. Notably, Facility Improvement Fund (FIF), is projected at Ksh 1.650 billion in FY2023/2024 with local revenue projection holding at Ksh. 1.980 billion. The county government is however adopting a more cautious approach while forecasting of revenue observing the previous performance, spill over impacts of the political transition, Waivers and tax reliefs, continued inflationary shocks, and the threat of COVID-19 resurgence.

In line with PFM principle of implementing a balanced budget, the county expenditure For the FY 2023/24 is projected at 17.1 billion of which recurrent expenditure is KSh.12 billion and development expenditure is Ksh. 5.1 billion. Expenditure rationalization will form a key component of fiscal policy over the medium term. However, in cognizance that there are newly created county entities, this will remain a challenge. Settling of pending bills will be given priority to avert the associated institutional reputation and litigation risks.

D. RISKS TO FISCAL OUTLOOK

The county outlook is faced with both national and county level sources of risks. These include;

- a) **Policy changes:** The transition to new political administrations both at the County and National level may present changes. The drafting of the Nakuru CBROP 2022 has been finalized before complete re-organisation of the Government. New administrative and policy directives may impact on the existing fiscal space of the County.
- b) **Inflationary shocks:** The national inflation rate has hit record high since 2017 to stand at 8.5 percent in August 2022. The high inflation caused by disruptions in the global supply chain, high cost of fuel and reduction in food production is likely to affect production and consumption prices over the medium term. This

could raise the cost of implementing County Government projects and costs of delivering public services.

- c) **Budget Credibility:** The growing demand for improved budgetary allocations by County functions, has consistently led to over-estimation of Own source revenues. This has consequently led to under-performance of OSR over the years. There is need to contain the expectations of different Entities, so as to not over-stretch the existing fiscal stance. On the expenditure side, there has been perennial under absorption, especially for the development expenditure. These trends need to be reversed, in order for the County to achieve a worthy budget outturn and minimise the deviations between the planning and budget processes.
- d) **Wage bill:** Section 25(1) (b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. The compensation to employee in the FY 2022/23 is estimated at 42.9% occasioned by the compound effects of SRC salary harmonization, annual increments, recruitments and promotions, implementation of pension scheme after passing of the County Governments' Retirement Scheme Act (2019), and worker's collective bargaining agreements. The policy review on terms of health care workers and the County public service in general to effect all pending promotions and confirmation of contractual employees to permanent terms will further increase the wage bill. If left unchecked and without an increased match in county revenue sources, continued rise in wage will put a strain on the limited fiscal space and further affect the County Governments' ability to meet its financial obligations in other core expenditure areas.
- e) **Pending bills:** Currently the County's pending bills obligation stands at Ksh. 2.64 billion. Failure to meet these commitment exposes the county to reputational damage in cases where contractors and suppliers and aggrieved staff in some cases move to court to seek legal redress. Further, reluctance to pay contractors and suppliers affects their businesses that are at risk of closure. More detrimentally, contractors and suppliers may shy from doing business with the County Government thereby affecting the county's ability to deliver services and implement vital development projects. A lasting solution on

resolution of county pending bills need to be sought, due to the volatile nature of these bills.

- f) **Establishment of New Entities:** The establishment of Molo and Gilgil Municipalities and the Nakuru Revenue Authority in the lapsing plan period is likely to further put a strain on the already depressed fiscal space during operationalization of these new Entities.
- g) **Growing County litigations:** The County Government continues to face a growing number of litigations. Most of these cases have been ruled in the favour of the plaintiffs with the outcome requiring the County to incur additional costs to settle with the plaintiffs as ordered by the Court. This poses a challenge as funds meant for other programmes will be diverted to settle the bills. There is need to strengthen the County Legal Unit to respond to the growing and diverse cases. The Supreme Court ruling of 2018 against County Government of Mombasa on revenue collection without commensurate service delivery has resulted in a number of injunctions by County rate payers hence affecting revenue collection e.g. royalties, house rent, hotel charges and cess.

IV. RESOURCE ALLOCATION FRAMEWORK

Implementation of Financial Year 2022/2023.

The Financial Year 2021/22 was an electioneering period that saw reduced slowed business reduced activities. The slowed activities affected revenue performance in the major sectors namely; Hospitality and Tourism. The Financial Year 2022/23 has started on a slow pace occasioned by the electioneering period and transitioning to the new administration. With a close analysis of the first two months of the first quarter of the financial year 2022/23, the Own Source revenue receipts stands at Ksh. 286,403,221 million against a target of 3,280,000,000 billion for the financial year, which translates to 9.5% performance. In comparison with the same period in the last financial year (2021/22), the Own source revenue stood at Ksh. 608,425,214.35 for the month of (July & August) compared to Ksh. 286,403,221 in the FY 2022/2023 depicting a decline by 52.97 percent. The decline in revenue in the month of July and August 2022 is attributed mainly to prolonged electioneering period and lack of enforcement occasioned by political interference.

Going forward, the Revenue Mobilisation Directorate will endeavour to actualise other revenue mobilisation mechanisms through revenue mapping, preparation of Medium-Term Revenue Strategy (MTRS) that will provide a road map on revenue raising measures, finalization of the Valuation roll, and the County to ensure proper laws to facilitate revenue collection. These strategies will ensure efficiency in revenue collection so as to attain the Financial Year 2022/23 target. The escalating fuel prices continues to pose rising inflation threat as this is deemed to render County Governments' Sectors economically constrained due to increased operations and maintenance costs, other recurrent costs as well as costs on development expenditure. This will necessitate the preparation of Supplementary budget where focus will be made to more critical County Departments.

Graphical Analysis of Revenue Streams for the First Two Months of Financial Year 2021/22 and FY 2022/23.

The Own Source Revenue analysis depicts a huge revenue shortfall in the first two months of the FY 2022/23 in relation to the similar period FY 2021/22. During the first

two months of the FY2022/23, total Own source Revenue collected amounted to Ksh. 286,403,221 million as compared to Ksh 608,935,962.4 million that was collected in the similar period FY 2021/22. This presents a revenue drop of Ksh 322,532,741.4 translating to 52.97%. In regards to the revenue streams, all the stream collections dropped. The least performed streams comprised of Liquor licensing -72.1%, trade license -67.3% and house rent -62.3% that saw the local sources drop from Ksh 225,374.132 in the FY 2021/22 to Ksh.119,774,637 translating to 46.86% drop. The Facility Improvement Fund (FIF) similarly dropped from Ksh.383,561,830 in the FY 2021/22 to Ksh. 166,628,584 in the FY 2022/23 translating to 56.56% drop. Going forward and in the view of this analysis, effective austerity measures and fiscal interventions including downward revision of revenues in the supplementary Budget is needed so as to ensure the linkage between planning, budgeting, implementation and reporting.

Figure 17: July-August FY 2021.22 vs FY 2022.23 Analysis of Own Source Revenue and Facility Improvement fund (FIF)

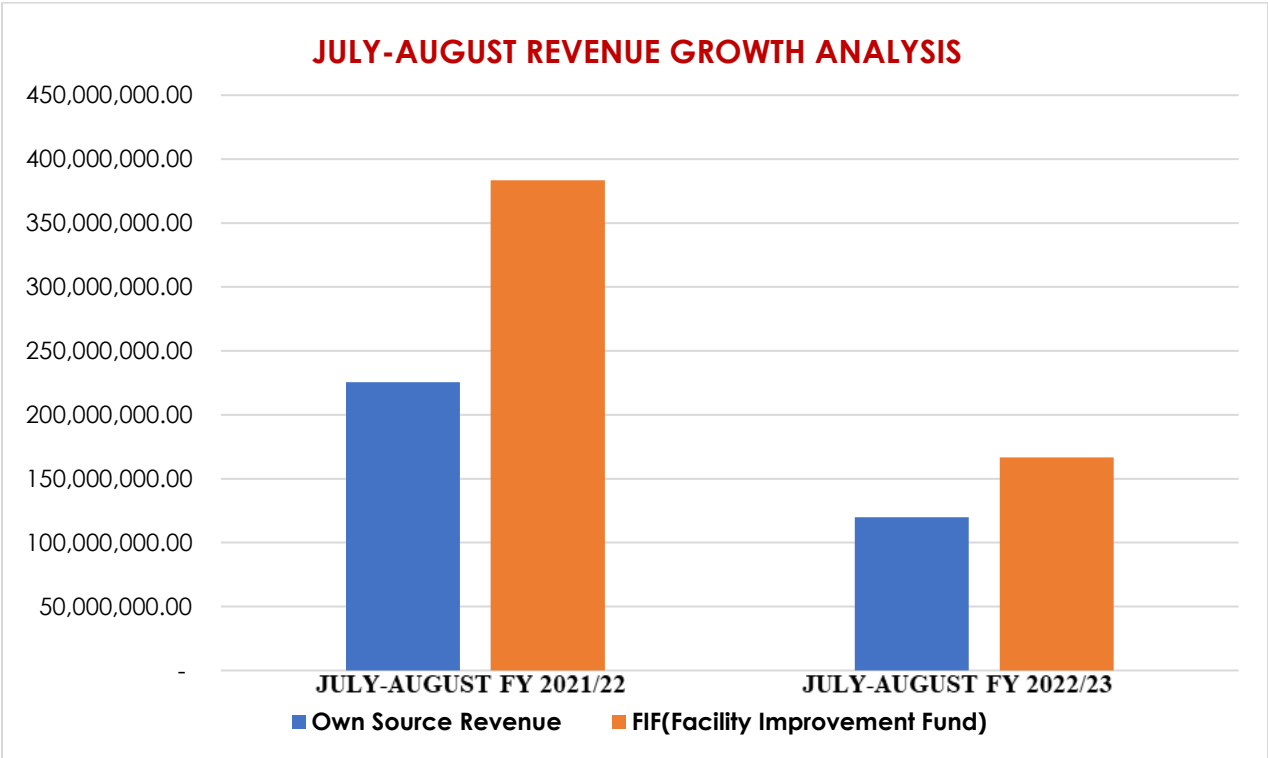
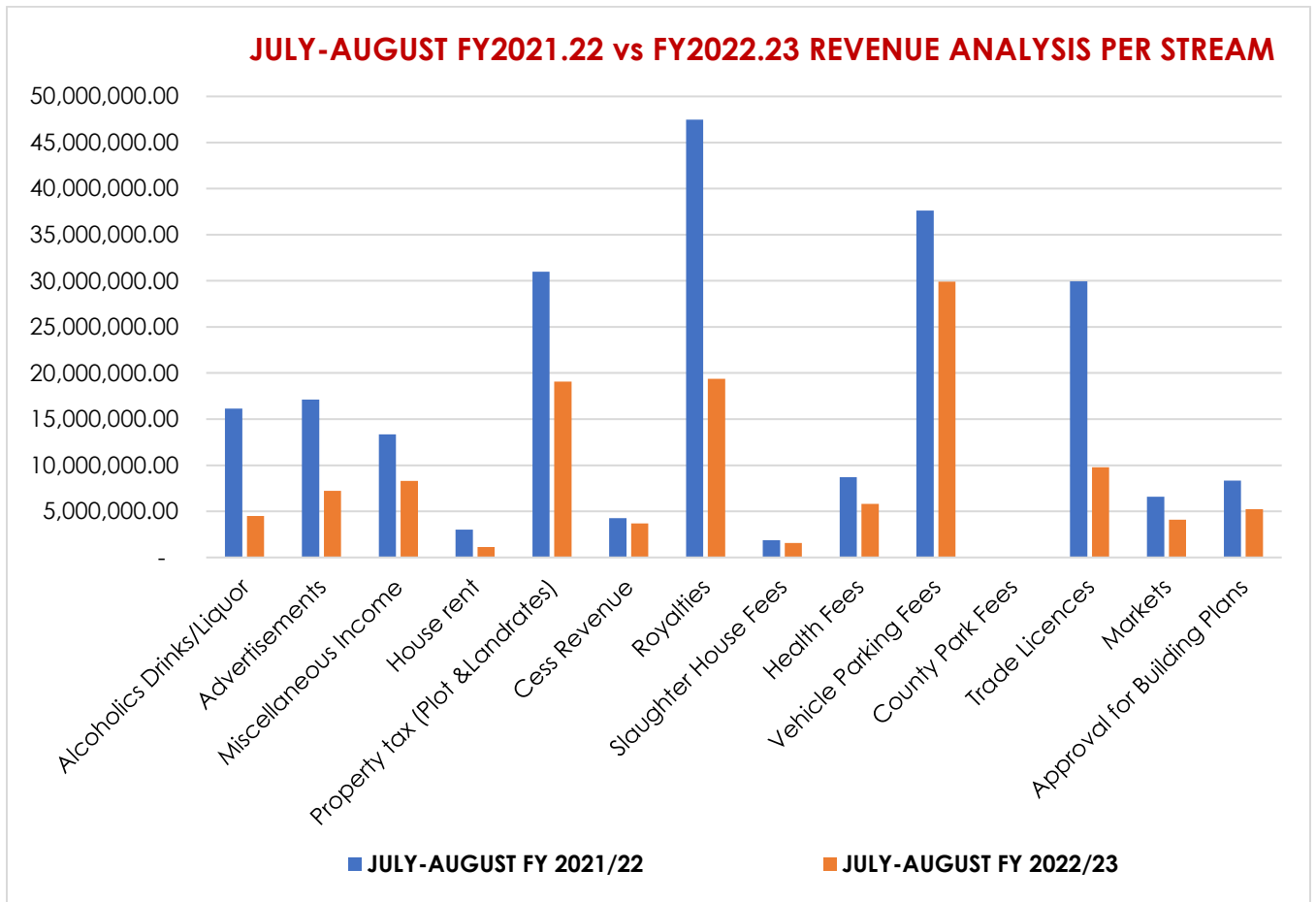


Figure 18: July-August FY 2021.22 vs FY 2022.23 Revenue Analysis Per Stream



MEDIUM TERM EXPENDITURE FRAMEWORK

The Medium-Term Expenditure period 2023/24-2025/26 builds up on the Government's efforts to stimulate and sustain economic activity, continue mitigation of the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through the implementation of the CIDP (2023-2027) that has the following identified strategies: is carrying forward ongoing projects/programmes, post COVID -19 social economic recovery strategy & provision of safety nets; leveraging on growth in productive sectors of the economy including agriculture, trade, manufacturing and services; mainstreaming/ integration of cross cutting issues in development planning including climate change adaptation, Disaster risk Reduction (DRR), SDGS and special interest groups; promotion of access integrated, quality and affordable healthcare services; enhancing governance, transparency, & accountability as well as efficiency and effectiveness in delivery of public good; creating enabling environment for promoting private sector growth and faster growth of SMEs; and expansion and operationalization of County Physical and social infrastructure.

The CIDP 2023-2027 will be finalized in the current FY 2022/23. The CIDP 2023-2027 will be aligned to the MTP IV and the Vision 2030. These priorities are expected to propel the County to achieve the transformative development agenda. The County Government will continue to allocate resources towards its development needs with adherence to the fiscal responsibility principle and further ensuring budget credibility. The following criteria will serve as a guide for allocating resources;

1. The programmes should be cost effective and sustainable in the long run.
2. The programmes development agenda should be aligned to the county's development agenda
3. The programmes should be aligned to the objectives of the County integrated development plan 2023-2027, Annual development Plan as well as Integrated Development plans Urban Areas
4. The programmes should address the core mandates of the respective county entities
5. Linkage of Programmes that support Economic Recovery;

6. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030

The table below provides the tentative projected baseline expenditure ceilings for the 2023/24-2025/26 MTEF, classified by Sectors for actualization of the strategies aforementioned.

Table 12: Medium Term Sector Ceilings FY 2023/2024 - 2025/2026

	SECTOR		APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS	PROJECTIONS		% of Total Expenditure (CBROP)		
				2023/2024	2024/2025	2025/2026	2023/2024	2024/2025	2025/2026
1	Agriculture Rural and Urban Development	Sub Total	1,694,961,891	1,271,913,665	1,399,105,031	1,539,015,534	7.4%	7.4%	7.4%
		Recurrent Gross	696,620,126	688,633,734	757,497,107	833,246,818	5.8%	5.8%	5.8%
		Development Gross	998,341,765	583,279,931	641,607,924	705,768,716	11.0%	11.0%	11.0%
2	Education	Sub Total	1,143,968,417	926,281,133	1,018,909,246	1,120,800,171	5.4%	5.4%	5.4%
		Recurrent Gross	731,722,081	769,425,326	846,367,858	931,004,644	4.5%	4.5%	4.5%
		Development Gross	412,246,336	156,855,807	172,541,388	189,795,526	0.9%	0.9%	0.9%
3	Social Protection, Culture and Receptions	Sub Total	391,590,815	364,783,419	401,261,761	441,387,937	2.1%	2.1%	2.1%
		Recurrent Gross	236,235,569	257,960,312	283,756,343	312,131,978	1.5%	1.5%	1.5%
		Development Gross	155,355,246	106,823,107	117,505,418	129,255,959	0.6%	0.6%	0.6%
4	Energy, Infrastructure and ICT	Sub Total	1,170,545,241	913,682,510	1,005,050,762	1,105,555,838	5.3%	5.3%	5.3%
		Recurrent Gross	361,870,085	406,453,592	447,098,952	491,808,847	2.4%	2.4%	2.4%
		Development Gross	808,675,156	507,228,918	557,951,810	613,746,991	3.0%	3.0%	3.0%
5	Environment Protection, Water and Natural Resources	Sub Total	1,080,242,383	504,488,280	554,937,108	610,430,819	2.9%	2.9%	2.9%
		Recurrent Gross	281,892,002	318,964,573	350,861,031	385,947,134	1.9%	1.9%	1.9%
		Development Gross	798,350,381	185,523,707	204,076,078	224,483,685	1.1%	1.1%	1.1%
6	General Economics and Commercial Affairs	Sub Total	313,340,814	311,603,561	342,763,917	377,040,309	1.8%	1.8%	1.8%
		Recurrent Gross	169,801,890	201,364,637	221,501,101	243,651,211	1.2%	1.2%	1.2%
		Development Gross	143,538,924	110,238,924	121,262,817	133,389,098	0.6%	0.6%	0.6%
7	Health	Sub Total	6,832,726,324	6,631,616,177	7,294,777,795	8,024,255,574	38.8%	38.8%	38.8%
		Recurrent Gross	5,768,326,251	5,707,006,136	6,277,706,750	6,905,477,425	33.4%	33.4%	33.4%
		Development Gross	1,064,400,073	924,610,041	1,017,071,045	1,118,778,149	5.4%	5.4%	5.4%

	SECTOR		APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS	PROJECTIONS		% of Total Expenditure (CBROP)		
				2023/2024	2024/2025	2025/2026	2023/2024	2024/2025	2025/2026
8	Public Administration and National/ Inter County Relations	Sub Total	4,515,538,605	6,185,463,575	6,804,009,933	7,484,410,926	36.2%	36.2%	36.2%
		Recurrent Gross	3,759,159,681	3,455,975,991	3,801,573,590	4,181,730,949	20.2%	20.2%	20.2%
		Development Gross	756,378,924	2,729,487,585	3,002,436,343	3,302,679,977	16.0%	16.0%	16.0%
	TOTAL	Total Recurrent Gross	12,005,627,685	11,805,784,301	12,986,362,732	14,284,999,005	69.0%	69.0%	69.0%
		Total Development Gross	5,137,286,805	5,304,048,020	5,834,452,821	6,417,898,104	31.0%	31.0%	31.0%
		GRAND TOTAL	17,142,914,490	17,109,832,321	18,820,815,553	20,702,897,108	100%	100%	100%

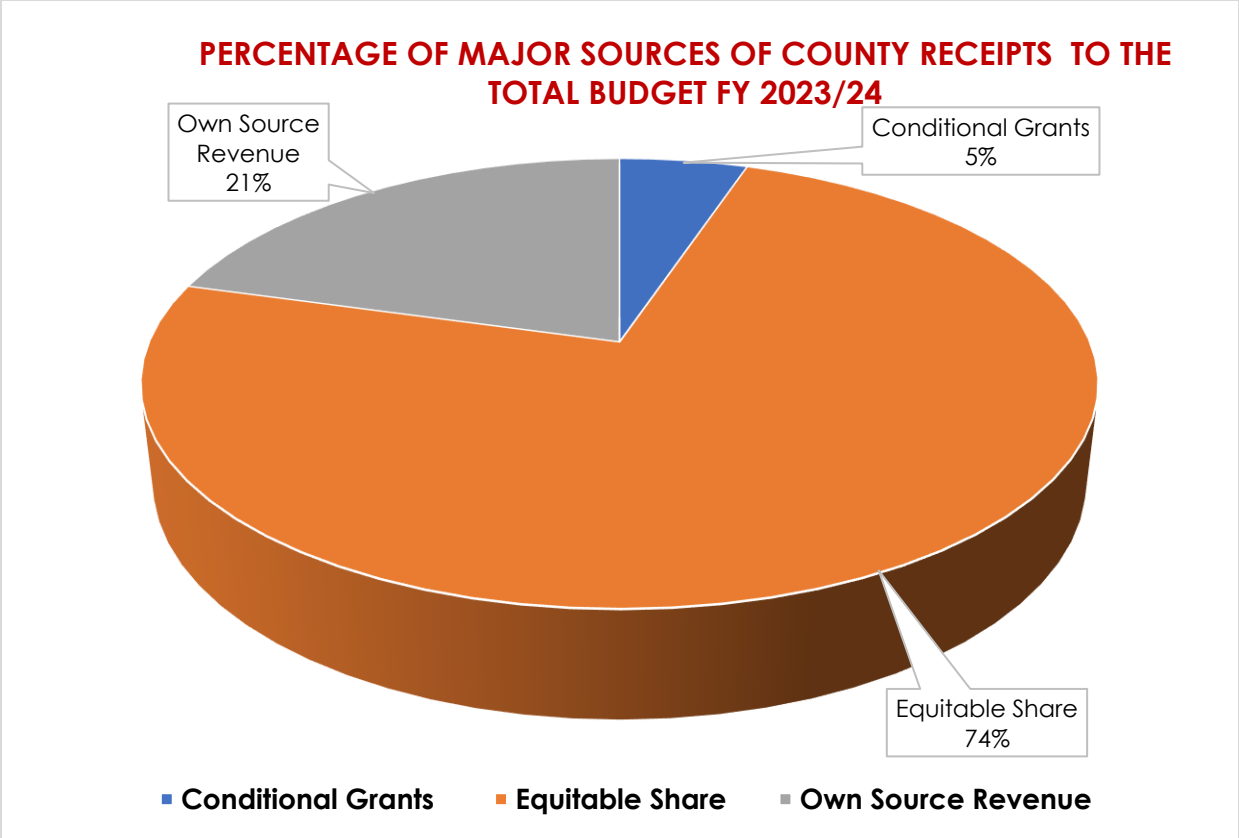
FY 2023/2024 BUDGET FRAMEWORK

The 2022/23 MTEF builds up on the national government's efforts to stimulate and sustain economic activities and economic recovery after the adverse impacts of COVID 19 pandemic on the economy. This will be achieved through implementation of the ADP 2023/24, priorities outlined in the CIDP 2023-2027 and the priorities in the MTP IV of the Vision 2030.

Revenue Projections

In the FY 2023/24 revenue forecast including Appropriation In Aid (AiA) is projected at Ksh 17.1 billion depicting a slight growth 1.7 percent from the approved CFSP 2021 of Ksh.16.8 billion. The equitable share amounts to Ksh .13.026 billion, conditional grants expected amount to Ksh. 552 million and OSR including FIF is projected at Ksh 3.630 billion depicting a rise by 10.6 percent. The equitable share is expected to remain the same as the current financial as detailed in the draft National Treasury BROP 2022. Summaries for both own source revenue and national transfers forecast over the medium-term period have been presented in **Annex I** of this document.

Equitable share of revenue constitutes the largest share of total County receipts at 76.13 percent. Conditional grants are projected at Ksh. 453 million down from 552.2 million depicting a decline by 17 percent. County own source revenues for FY2023/24 are projected to rise by 1.7 percent to Ksh 3.630 from Ksh. 3.280 billion. Facility Improvement Fund (FIF), a form of Appropriation in Aid, is projected at Ksh 1.650 billion in FY2023/2024 with local revenue projection retained at Ksh. 1.980 billion.



Expenditure Projections

The County will continue to achieve a balanced budget. Thus, the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2023/2024. In this regard the County Government total expenditure will stand at Ksh 17.1 billion in the FY 2023/24. Compensation to employees will account for 42.3 percent of the total County budget approximately Ksh 7.238 billion. However, this proportion of the County wage bill is still way above the envisaged level of 35 percent of total revenues as recommended in Section 25 of the PFM (County Government Regulations) 2015. The County through the Medium-Term Revenue Strategy will institute measures to increase revenue mobilization of OSR. The actual personnel allocations will be firmed up after finalisation of the County personnel budget.

Allocation for other recurrent expenditures will account for 26.7 percent of the total budget. An emergency allocation of Ksh 70 million has been provided for under Office of the Governor to cater for County unforeseen expenditure pursuant to Section 110 of the PFM Act 2012. An amount of Ksh. 66m has also been

provided for in the Department of Education and Vocational Training for Vocation Training Centres capitation. An allocation of Ksh. 50 million has also been provided for as Enterprise Fund to advance loans to SMEs and Cooperatives.

The County allocation for development expenditure will account for 31 percent in FY 2023/2024 excluding balances carried forward. Total County development expenditure is projected at Kshs. 5.304 billion. Conditional grants will amount to Ksh. 453.7million which include Ksh. 300 million for Kenya Informal Settlement Improvement Programme (KISIP), Leasing of medical equipment amounting to Ksh. 110 million. Development allocation for Nakuru City and Naivasha Municipality have been retained at Kshs 65 million and 50 million respectively from exchequer releases for programmes and projects within the two Entities. This is to ensure programmes already in place are sustained even after the lapse of the Urban Development Grant. The Nakuru County Revenue Allocation Act 2018 provides that an allocation of not less than 45 percent of development excluding conditional grants be allocated towards ward-based projects. The proposed allocation to the 55 Wards in FY 2023/2024 has been set at Ksh. 1.6 billion which translates to 46 percent of the equitable share of development expenditure.

The expenditure allocations are available in **Annexes III to V**.

Medium Term Revenue Strategy

The National Treasury has issued a circular and guidelines on the preparation of the Medium-Term Revenue Strategy for the period 2023/24 - 2025/26. MTRS have been used by other countries in the World to guide tax reforms towards boosting tax revenues and improving efficiency. In this regard the County Treasury is in the process of preparing the County MTRS 2023/24 - 2025/26. The MTRS will have 4 components namely; Reforms, Revenue Mobilization, Coordinated Capacity Building and Sustained Political Commitment.

The MTRS will provide a roadmap on revenue mobilization strategies that will include legal reforms to unlock revenue collection in Flower & Tea Cess, house rent and property tax. In the FY 2023/24 the County will prioritize revenue mapping and embrace full automation to ensure efficiency.

V. CONCLUSION AND NEXT STEP

Medium-Term Budget framework 2023/2024-2025/2026 has been prepared against a background of economic slowdown occasioned by the ongoing Russia-Ukraine conflict, effects of the COVID-19 containment measures, higher-than expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial condition. The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to its diversified nature and the proactive measures by the Government to cushion the vulnerable, support businesses and accelerate economic recovery.

To ensure business stimulation, the County Government in the FY 2023/24 budget and the medium term will focus on resource mobilization and reduction of non-core expenditures with a view of prioritizing on programs that reduce the adverse effects of Covid-19 Pandemic and strategic intervention that strengthen economic recovery.

The County budgetary resources are limited, hence there is an obligation to ensure budget credibility and value for money realization through effective and efficient utilization of available resource. The sector ceilings annexed herewith will guide the preparation of the FY 2023/24 budget estimates and the medium term. It is prudent that the SWGs and departments realign their programs and sub-programs to match the provided ceilings and in line with the County Government priorities as per the CIDP 2022-2027, ADP 2023/24.

To ensure timely and smooth finalization of the MTEF budget 2023/2024-2025/2026 all Departments and SWGs are expected to strictly adhere and execute all the key budget activities within specified timelines as per the County Budget calendar Annex VII.

ANNEXES

ANNEX I: County Government of Nakuru Operations FY 2023/2024 - 2025/2026

IFMIS CODE	REVENUE SOURCE	APPROVED ESTIMATES	CBROP PROJECTION	PROJECTIONS		ANNUAL GROWTH	% GROWTH		
		2022/2023	2023/2024	2024/2025	2025/2026		2023/24	2024/25	2025/26
1520101	Property tax (Plot rent and Land rates)	390,000,000	390,000,000	409,500,000	429,975,000	-	0.0%	5.0%	5.0%
1520201	Trade License	370,000,000	370,000,000	388,500,000	407,925,000	-	0.0%	5.0%	5.0%
1550101	Market Fees	70,000,000	60,000,000	63,000,000	66,150,000	(10,000,000)	-14.3%	5.0%	5.0%
1590112	Building Approval	80,000,000	80,000,000	84,000,000	88,200,000	-	0.0%	5.0%	5.0%
1520325	Cess	40,000,000	30,000,000	31,500,000	33,075,000	(10,000,000)	-25.0%	5.0%	5.0%
1530301	Royalties	230,000,000	260,000,000	273,000,000	286,650,000	30,000,000	13.0%	5.0%	5.0%
1580401	Stock/ Slaughter fees	27,000,000	15,000,000	15,750,000	16,537,500	(12,000,000)	-44.4%	5.0%	5.0%
1560101	House Rent	50,000,000	20,000,000	21,000,000	22,050,000	(30,000,000)	-60.0%	5.0%	5.0%
1590132	Advertising	130,000,000	160,000,000	168,000,000	176,400,000	30,000,000	23.1%	5.0%	5.0%
1550221	Parking fees	282,200,000	282,200,000	296,310,000	311,125,500	-	0.0%	5.0%	5.0%
1420223	Liquor Licensing	80,000,000	100,000,000	105,000,000	110,250,000	20,000,000	25.0%	5.0%	5.0%
1530331	County Park Fees	800,000	70,000	73,500	77,175	(730,000)	-91.3%	5.0%	5.0%
1580211	Health fees and charges	90,000,000	70,000,000	73,500,000	77,175,000	(20,000,000)	-22.2%	5.0%	5.0%
1540105	Other Fees and Charges	140,000,000	142,730,000	149,866,500	157,359,825	2,730,000	2.0%	5.0%	5.0%
	Sub Total Local Sources	1,980,000,000	1,980,000,000	2,079,000,000	2,182,950,000	-			
1580211	Facility Improvement Fund	1,300,000,000	1,650,000,000	1,699,500,000	1,750,485,000	350,000,000	26.9%	3.0%	3.0%
	SUB TOTAL (AIA & Local Sources)	3,280,000,000	3,630,000,000	3,778,500,000	3,933,435,000	350,000,000	10.7%	4.1%	4.1%
9910201	Balance in County Revenue Fund								
1310101	Donor Grants (DANIDA)	22,077,700	22,077,700			-			
1310102	Loans and Grants CRA			-	-	-			
1330203	Kenya Devolution Support Program (KDSP) Level I			-	-	-		0.0%	0.0%
1330203	Kenya Devolution Support Program (KDSP) Level II								
1310102	World bank National Agricultural and Rural inclusive growth Projects (NARIGP)	269,563,385		-	-	(269,563,385)	-100.0%	0.0%	0.0%
1310102	Agricultural Sector Development Support Projects (ASDSP II)	9,518,784		-	-	(9,518,784)	0.0%	0.0%	0.0%
1330104	Grant to Compensate Forgone User Fees			-	-	-		0.0%	0.0%
1310102	Conditional Fund -Kenya Urban Support Project (KUSP) - Urban Development Grant			-	-	-		0.0%	0.0%
1310102	Conditional Fund -Kenya Urban Support Project (KUSP) - Urban Institutional Grant			-	-	-		0.0%	0.0%

IFMIS CODE	REVENUE SOURCE	APPROVED ESTIMATES	CBROP PROJECTION	PROJECTIONS		ANNUAL GROWTH	% GROWTH		
		2022/2023	2023/2024	2024/2025	2025/2026		2023/24	2024/25	2025/26
1310102	Conditional Allocation from a World Bank credit to Finance Locally-Led Climate Action Program, (FLLoCA) for County Climate Institution Support (CCIS) Level I		11,000,000	12,100,000	13,310,000	11,000,000		0.0%	0.0%
1310102	Conditional Allocation from a World Bank credit to Finance Locally-Led Climate Action Program, (FLLoCA)	125,000,000		-	-	(125,000,000)		0.0%	0.0%
1310102	Conditional Fund - World Bank - Kenya Informal Settlement Improvement Project II (KISIP II)	300,000,000	300,000,000	330,000,000	363,000,000	-		0.0%	0.0%
1310102	Nutrition International Grant		10,000,000	11,000,000	12,100,000	10,000,000		0.0%	0.0%
1330104	Conditional Fund -Leasing of Medical Equipment	110,638,298	110,638,298	121,702,128	133,872,341	-		0.0%	0.0%
1330102	Grant to Road Maintenance Fuel Levy Fund (RMFLF)			-	-	-		0.0%	0.0%
1330104	Grant For Level 5 Hospital			-	-	-		0.0%	0.0%
1310102	World Bank THS-UC Conditional allocation			-	-	-		0.0%	0.0%
9910201	Grant for Rehabilitation of Youth Polytechnics			-	-	-		0.0%	0.0%
9999999	C.R.A Equitable Share	13,026,116,323	13,026,116,323	14,328,727,955	15,761,600,751	-			
	SUB TOTAL	13,862,914,490	13,479,832,321	14,803,530,083	16,283,883,091	(383,082,169)	-2.8%	0.0%	0.0%
	GRAND TOTAL	17,142,914,490	17,109,832,321	18,582,030,083	20,217,318,091	(33,082,169)	-0.2%	4.1%	4.1%
	Allocation For Ward Projects								
	Total Development Budget	5,137,286,805	5,304,048,020	5,834,452,821	6,417,898,104	166,761,214	3.2%	10.0%	10.0%
	<i>Less Development Conditional Grant</i>	1,145,794,492	1,406,712,323	1,547,383,555	1,702,121,910	260,917,831	22.8%	10.0%	10.0%
	<i>Debt Resolution</i>	75,000,000	300,000,000	330,000,000	363,000,000	225,000,000	300.0%	10.0%	10.0%
	<i>Ongoing Projects</i>			-	-	-		0.0%	0.0%
	<i>Nakuru City & Naivasha Municipality</i>	110,000,000	115,000,000	126,500,000	139,150,000	5,000,000	100.0%	10.0%	10.0%
	Equitable Allocation	3,806,492,313	3,482,335,697	3,830,569,267	4,213,626,193	(324,156,616)	-8.5%	10.0%	10.0%
	<i>County Assembly HQ Development</i>	150,000,000	150,000,000	165,000,000	181,500,000	-	0.0%	0.0%	0.0%
	<i>Flagship HQ development</i>	2,206,492,313	1,882,335,697	1,905,569,267	2,096,126,193	(324,156,616)	0.0%	0.0%	-
	45% of Equitable Allocation for Ward Projects	1,600,000,000	1,600,000,000	1,760,000,000	1,936,000,000	-	0.0%	10.0%	10.0%

IFMIS CODE	REVENUE SOURCE	APPROVED ESTIMATES	CBROP PROJECTION	PROJECTIONS		ANNUAL GROWTH	% GROWTH		
		2022/2023	2023/2024	2024/2025	2025/2026		2023/24	2024/25	2025/26
	Expenditure:								
	Current Expenditure:								
	Compensation to Employees	7,466,934,194	7,238,885,735	7,890,385,451	8,600,520,142	(228,048,459)	-3.1%	0.0%	0.0%
	Operations and Maintenance	3,328,259,243	3,100,464,319	3,379,506,108	3,683,661,658	(227,794,924)	-6.8%	0.0%	0.0%
	Current Grants And Other Transfers	1,210,434,247	1,466,434,247	1,583,748,987	1,710,448,906	256,000,000		0.0%	0.0%
	Sub Total:	12,005,627,685	11,805,784,301	12,853,640,546	13,994,630,705	(199,843,383)	-1.7%	0.0%	0.0%
	Capital Expenditure:								
	Acquisition Of Non-Financial Assets	3,991,492,313	1,997,335,697	2,374,258,518	2,865,975,191	(1,994,156,616)	-50.0%	0.0%	0.0%
	Capital Grants To Governmental Agencies	1,145,794,492	1,706,712,323	1,877,383,555	2,065,121,910	560,917,831	49.0%	0.0%	0.0%
	Other Development		1,600,000,000	1,760,000,000	1,936,000,000	1,600,000,000	0.0%	0.0%	0.0%
	Sub Total:	5,137,286,805	5,304,048,020	6,011,642,073	6,867,097,102	166,761,214	3.2%	0.0%	0.0%
	Grand Total:	17,142,914,490	17,109,832,321	18,865,282,619	20,861,727,807	(33,082,169)	-0.2%	0.0%	0.0%
	DEFICIT/ SURPLUS		-						
	PERCENT OF TOTAL BUDGET								
	Current Expenditure:	70%	69.0%	68%	67%				
	Capital Expenditure:	30%	31.0%	32%	33%				

ANNEX II: Trend in Growth of Equitable Share of Revenue

EXCHEQUER RECEIPTS TRENDS	ALLOCATION	GROWTH	% GROWTH
2013/2014 (Base Year)	5,936,875,619	5,936,875,619	100%
2014/2015	7,082,152,961	1,145,277,342	19%
2015/2016	8,116,330,943	1,034,177,982	15%
2016/2017	8,757,624,645	641,293,702	8%
2017/2018	9,271,400,000	513,775,355	6%
2018/2019	9,451,400,000	180,000,000	2%
2019/2020	10,476,150,000	1,024,750,000	11%
2020/2021	10,476,150,000	-	0%
2021/2022	13,026,116,323	2,549,966,323	24%
2022/2023	13,026,116,323	-	0%
2023/2024 (CBROP Projected)	13,026,116,323	-	0%

ANNEX III: Total Expenditure Sector Ceilings for the Period 2023/2024 - 2025/2026

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
					2024/2025	2025/2026
1	Agriculture Rural and Urban Development					
1.1		Agriculture, Livestock and Fisheries				
		Compensation to Employees	397,097,565	401,596,504	441,756,154	485,931,770
		Operations & Maintenance	165,784,649	140,741,334	154,815,468	170,297,015
		Development Gross	574,675,907	171,450,000	188,595,000	207,454,500
		Sub Total	1,137,558,121	713,787,838	785,166,622	863,683,284
1.2		Land, Housing and Physical Planning				
		Compensation to Employees	86,790,108	91,048,957	100,153,853	110,169,238
		Operations & Maintenance	46,947,804	55,246,938	60,771,632	66,848,795
		Development Gross	423,665,858	411,829,931	453,012,924	498,314,216
		Sub Total	557,403,770	558,125,826	613,938,409	675,332,250
		SUB TOTAL (SECTOR)	1,694,961,891	1,271,913,665	1,399,105,031	1,539,015,534
2		Education				
2.1			Education			
	Compensation to Employees		459,953,569	470,795,607	517,875,168	569,662,685
	Operations & Maintenance		179,833,469	185,440,130	203,984,143	224,382,557
	Development Gross		263,626,108	50,458,838	55,504,722	61,055,194
	Sub Total		903,413,146	706,694,575	777,364,033	855,100,436
2.2	Vocational Training					
	Compensation to Employees				-	-
	Operations & Maintenance		91,935,043	113,189,589	124,508,547	136,959,402
	Development Gross		148,620,228	106,396,969	117,036,666	128,740,332
	Sub Total		240,555,272	219,586,558	241,545,213	265,699,735
	SUB TOTAL (SECTOR)		1,143,968,417	926,281,133	1,018,909,246	1,120,800,171
3	Social Protection, Culture and Recreation					
3.1			Youth, Culture, Gender, Sports and Social Services			
		Compensation to Employees	106,907,137	112,628,058	123,890,864	136,279,950
		Operations & Maintenance	129,328,432	145,332,254	159,865,480	175,852,028

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
					2024/2025	2025/2026
		Development Gross	155,355,246	106,823,107	117,505,418	129,255,959
		Sub Total	391,590,815	364,783,419	401,261,761	441,387,937
	SUB TOTAL (SECTOR)		391,590,815	364,783,419	401,261,761	441,387,937
4	Energy, Infrastructure and ICT					
4.1		Infrastructure				
		Compensation to Employees	132,806,420	146,939,802	161,633,782	177,797,161
		Operations & Maintenance	195,940,973	226,041,117	248,645,229	273,509,751
		Development Gross	776,707,342	477,044,581	524,749,039	577,223,943
		Sub Total	1,105,454,735	850,025,500	935,028,050	1,028,530,855
4.2		ICT and E-Government				
		Compensation to Employees	-	-	-	-
		Operations & Maintenance	33,122,692	33,472,673	36,819,941	40,501,935
		Development Gross	31,967,813	30,184,337	33,202,771	36,523,048
		Sub Total	65,090,506	63,657,010	70,022,712	77,024,983
	SUB TOTAL (SECTOR)		1,170,545,241	913,682,510	1,005,050,762	1,105,555,838
5	Environment Protection, Water and Natural Resources					
5.1		Water, Environment, Energy and Natural Resources				
		Compensation to Employees	217,313,857	222,470,462	244,717,508	269,189,259
		Operations & Maintenance	64,578,145	96,494,112	106,143,523	116,757,875
		Development Gross	798,350,381	185,523,707	204,076,078	224,483,685
		Sub Total	1,080,242,383	504,488,280	554,937,108	610,430,819
	SUB TOTAL (SECTOR)		1,080,242,383	504,488,280	554,937,108	610,430,819
6	General Economics and Commercial Affairs					
6.1		Trade, Industrialization, Cooperatives and Tourism				
		Compensation to Employees	60,454,321	65,942,736	72,537,009	79,790,710
		Operations & Maintenance	109,347,570	135,421,901	148,964,091	163,860,501
		Development Gross	143,538,924	110,238,924	121,262,817	133,389,098
		Sub Total	313,340,814	311,603,561	342,763,917	377,040,309
	SUB TOTAL (SECTOR)		313,340,814	311,603,561	342,763,917	377,040,309

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
					2024/2025	2025/2026
7	Health					
7.1		Health Services				
		Compensation to Employees	4,203,444,625	3,951,343,459	4,346,477,804	4,781,125,585
		Operations & Maintenance	1,564,881,626	1,755,662,678	1,931,228,945	2,124,351,840
		Development Gross	1,064,400,073	924,610,041	1,017,071,045	1,118,778,149
		Sub Total	6,832,726,324	6,631,616,177	7,294,777,795	8,024,255,574
	SUB TOTAL (SECTOR)	6,832,726,324	6,631,616,177	7,294,777,795	8,024,255,574	
8	Public Administration and National/Inter County Relations					
8.1		Office of the Governor and Deputy Governor				
		Compensation to Employees	100,523,424	112,200,860	123,420,946	135,763,040
		Operations & Maintenance	230,139,554	276,705,497	304,376,047	334,813,651
		Development Gross	62,858,516	100,467,176	110,513,894	121,565,283
		Sub Total	393,521,494	489,373,533	538,310,886	592,141,975
8.2		County Treasury				
		Compensation to Employees	555,366,462	556,747,554	612,422,309	673,664,540
		Operations & Maintenance	428,135,771	455,149,152	500,664,068	550,730,475
		Development Gross	371,140,000	2,280,140,000	2,508,154,000	2,758,969,400
		Sub Total	1,354,642,233	3,292,036,706	3,621,240,377	3,983,364,415
8.3		Public Service, Training and Devolution				
		Compensation to Employees	654,880,126	608,472,502	669,319,752	736,251,727
		Operations & Maintenance	199,530,543	238,523,053	262,375,358	288,612,894
		Development Gross	49,880,408	69,380,408	76,318,449	83,950,294
		Sub Total	904,291,078	916,375,963	1,008,013,560	1,108,814,915
8.4		County Public Service Board				
		Compensation to Employees	30,836,606	36,494,642	40,144,107	44,158,517
		Operations & Maintenance	41,012,918	45,050,000	49,555,000	54,510,500
		Development Gross	7,500,000	7,500,000	8,250,000	9,075,000
	Sub Total	79,349,524	89,044,642	97,949,107	107,744,017	

	SECTOR	SUB SECTOR	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
					2024/2025	2025/2026
8.5		Nakuru City				
		Compensation to Employees	13,143,586	13,743,586	15,117,945	16,629,739
		Operations & Maintenance	36,686,330	40,520,000	44,572,000	49,029,200
		Development Gross	60,000,000	65,000,000	71,500,000	78,650,000
		Sub Total	109,829,916	119,263,586	131,189,945	144,308,939
8.6		Naivasha Municipality				
		Compensation to Employees	9,092,422	10,037,040	11,040,744	12,144,819
		Operations & Maintenance	29,699,734	35,520,000	39,072,000	42,979,200
		Development Gross	50,000,000	50,000,000	55,000,000	60,500,000
		Sub Total	88,792,156	95,557,040	105,112,744	115,624,019
8.7		Office of the County Attorney				
		Compensation to Employees	400,000	500,000	550,000	605,000
		Operations & Maintenance	19,500,000	20,000,000	22,000,000	24,200,000
		Development Gross	5,000,000	7,000,000	7,700,000	8,470,000
		Sub Total	24,900,000	27,500,000	30,250,000	33,275,000
8.8		Nakuru County Revenue Authority				
		Compensation to Employees	-	-	-	-
		Operations & Maintenance	-	-	-	-
		Development Gross	-	-	-	-
		Sub Total	-	-	-	-
8.9		County Assembly				
		Compensation to Employees	437,923,966	437,923,966	481,716,363	529,887,999
		Operations & Maintenance	972,288,238	568,388,138	625,226,952	687,749,647
		Development Gross	150,000,000	150,000,000	165,000,000	181,500,000
		Sub Total	1,560,212,204	1,156,312,104	1,271,943,314	1,399,137,646
SUB TOTAL (SECTOR)			4,426,746,449	6,185,463,575	6,804,009,933	7,484,410,926
	TOTAL	Total Compensation to Employees	7,466,934,194	7,238,885,735	7,962,774,308	8,759,051,739
		Total Operations & Maintenance	4,538,693,491	4,566,898,567	5,023,588,423	5,525,947,266
		Total Development Gross	5,137,286,805	5,304,048,020	5,834,452,821	6,417,898,104
		GRAND TOTAL	17,142,914,490	17,109,832,321	18,820,815,553	20,702,897,108

ANNEX IV: Total Recurrent Expenditure Ceilings for the Period 2023/2024 - 2025/2026

VOTE	Source of Funding	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
				2024/2025	2025/2026
Office of the Governor and Deputy Governor	Gross Allocation	330,662,978	388,906,357	427,796,992	470,576,692
	Local Revenue	31,279,557	38,268,763	42,095,639	46,305,203
	Emergency Fund	70,000,000	70,000,000	77,000,000	84,700,000
	CRA Equitable Share	229,383,421	280,637,594	308,701,353	339,571,489
County Treasury	Gross Allocation	983,502,233	1,011,896,706	1,113,086,377	1,224,395,015
	Local Revenue	118,020,268	121,427,605	133,570,365	146,927,402
	CRA Equitable Share	865,481,965	890,469,102	979,516,012	1,077,467,613
County Public Service Board	Gross Allocation	71,849,524	81,544,642	89,699,107	98,669,017
	Local Revenue	8,621,943	9,785,357	10,763,893	11,840,282
	CRA Equitable Share	63,227,581	71,759,285	78,935,214	86,828,735
Health	Gross Allocation	5,768,326,251	5,707,006,136	6,277,706,750	6,905,477,425
	Local Revenue	546,947,040	510,188,627	561,207,489	617,328,238
	AIA	910,000,000	1,155,000,000	1,270,500,000	1,397,550,000
	User Foregone Fees	38,723,265	38,723,265	42,595,592	46,855,151
	Level 5 Grant	261,710,982	261,710,982	287,882,081	316,670,289
	CRA Equitable Share	4,010,944,963	3,741,383,262	4,115,521,588	4,527,073,747
Trade, Industrialization, Cooperatives and Tourism	Gross Allocation	169,801,890	201,364,637	221,501,101	243,651,211
	Local Revenue	17,376,227	18,163,756	19,980,132	21,978,145
	Enterprise Fund	25,000,000	50,000,000	55,000,000	60,500,000
	CRA Equitable Share	127,425,663	133,200,881	146,520,969	161,173,065
Infrastructure	Gross Allocation	328,747,393	372,980,919	410,279,011	451,306,912
	Local Revenue	39,449,687	44,757,710	49,233,481	54,156,829
	CRA Equitable Share	289,297,706	328,223,209	361,045,530	397,150,083
Agriculture, Livestock and Fisheries	Gross Allocation	562,882,214	542,337,838	596,571,622	656,228,784
	Local Revenue	67,545,866	65,080,541	71,588,595	78,747,454
	CRA Equitable Share	495,336,348	477,257,298	524,983,027	577,481,330
Land, Housing and Physical Planning	Gross Allocation	133,737,912	146,295,895	160,925,485	177,018,034
	Local Revenue	16,048,549	17,555,507	19,311,058	21,242,164
	CRA Equitable Share	117,689,362	128,740,388	141,614,427	155,775,870

VOTE	Source of Funding	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
				2024/2025	2025/2026
Water, Environment, Energy and Natural Resources	Gross Allocation	281,892,002	318,964,573	350,861,031	385,947,134
	Local Revenue	33,827,040	36,955,749	40,651,324	44,716,456
	Conditional Grant	-	11,000,000	12,100,000	13,310,000
	CRA Equitable Share	248,064,962	271,008,824	298,109,707	327,920,678
Public Service, Training and Devolution	Gross Allocation	854,410,669	846,995,555	931,695,110	1,024,864,621
	Local Revenue	90,769,280	87,719,467	96,491,413	106,140,555
	NHIF Medical Scheme	98,000,000	116,000,000	127,600,000	140,360,000
	CRA Equitable Share	665,641,389	643,276,088	707,603,697	778,364,067
Education, Vocational Training, ICT and E-Government	Gross Allocation	764,844,773	802,897,999	883,187,799	971,506,579
	Local Revenue	70,146,585	73,992,973	81,392,270	89,531,497
	Bursary & Counterpart Funding	180,289,894	186,289,894	204,918,883	225,410,772
	CRA Equitable Share	514,408,294	542,615,133	596,876,646	656,564,310
Youth, Culture, Gender, Sports and Social Services	Gross Allocation	236,235,569	257,960,312	283,756,343	312,131,978
	Local Revenue	25,048,268	24,355,237	26,790,761	29,469,837
	Sports & Disability Allocation	27,500,000	55,000,000	60,500,000	66,550,000
	CRA Equitable Share	183,687,301	178,605,075	196,465,582	216,112,140
Naivasha Municipality	Gross Allocation	38,792,156	45,557,040	50,112,744	55,124,019
	Local Revenue	4,655,059	5,466,845	6,013,529	6,614,882
	CRA Equitable Share	34,137,098	40,090,196	44,099,215	48,509,137
Office of the County Attorney	Gross Allocation	19,900,000	20,500,000	22,550,000	24,805,000
	Local Revenue	2,388,000	2,460,000	2,706,000	2,976,600
	CRA Equitable Share	17,512,000	18,040,000	19,844,000	21,828,400
Nakuru City	Gross Allocation	49,829,916	54,263,586	59,689,945	65,658,939
	Local Revenue	5,979,590	6,511,630	7,162,793	7,879,073
	CRA Equitable Share	43,850,326	47,751,956	52,527,151	57,779,866
Nakuru County Revenue Authority	Gross Allocation	-	-	-	-
	Local Revenue	-	-	-	-
	CRA Equitable Share	-	-	-	-
County Assembly	Gross Allocation	1,410,212,204	1,006,312,104	1,106,943,314	1,217,637,646
	Local Revenue	169,225,464	120,757,452	132,833,198	146,116,518
	CRA Equitable Share	1,240,986,740	885,554,652	974,110,117	1,071,521,128
TOTAL		12,005,627,685	11,805,784,301	12,986,362,732	14,284,999,005

ANNEX V: Total Development Expenditure Ceilings for the Period 2023/2024 - 2025/2026

VOTE	Source of Funding	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
				2024/2025	2025/2026
Office of the Governor and Deputy Governor	Gross Allocation	62,858,516	100,467,176	110,513,894	121,565,283
	Local Revenue	7,543,022	12,056,061	13,261,667	14,587,834
	CRA Equitable Share	55,315,494	88,411,115	97,252,227	106,977,449
County Treasury	Gross Allocation	371,140,000	2,280,140,000	2,508,154,000	2,758,969,400
	Local Revenue	35,536,800	45,616,800	50,178,480	55,196,328
	Debt Resolution	75,000,000	300,000,000	330,000,000	363,000,000
	Ward Allocation		1,600,000,000	1,760,000,000	1,936,000,000
	CRA Equitable Share	260,603,200	334,523,200	367,975,520	404,773,072
County Public Service Board	Gross Allocation	7,500,000	7,500,000	8,250,000	9,075,000
	Local Revenue	900,000	900,000	990,000	1,089,000
	CRA Equitable Share	6,600,000	6,600,000	7,260,000	7,986,000
Health	Gross Allocation	1,064,400,073	924,610,041	1,017,071,045	1,118,778,149
	Local Revenue	80,928,009	20,967,863	23,064,649	25,371,114
	AIA	390,000,000	495,000,000	544,500,000	598,950,000
	Other Conditional Grants	132,715,998	142,715,998	156,987,598	172,686,358
	Level 5 Grant		112,161,850	123,378,035	135,715,838
	CRA Equitable Share	593,472,064	153,764,330	169,140,763	186,054,839
Trade, Industrialization, Cooperatives and Tourism	Gross Allocation	143,538,924	110,238,924	121,262,817	133,389,098
	Local Revenue	17,224,671	13,228,671	14,551,538	16,006,692
	CRA Equitable Share	126,314,253	97,010,253	106,711,279	117,382,406
Infrastructure	Gross Allocation	776,707,342	477,044,581	524,749,039	577,223,943
	Local Revenue	72,139,531	22,380,000	24,618,000	27,079,800
	RMFLF Grant	175,544,581	290,544,581	319,599,039	351,558,943
	CRA Equitable Share	529,023,230	164,120,000	180,532,000	198,585,200
Agriculture, Livestock and Fisheries	Gross Allocation	574,675,907	171,450,000	188,595,000	207,454,500
	Local Revenue	35,471,249	20,574,000	22,631,400	24,894,540
	Conditional Grants	279,082,169	-	-	-
	CRA Equitable Share	260,122,490	150,876,000	165,963,600	182,559,960

VOTE	Source of Funding	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
				2024/2025	2025/2026
Land, Housing and Physical Planning	Gross Allocation	423,665,858	411,829,931	453,012,924	498,314,216
	Local Revenue	14,839,903	49,419,592	54,361,551	59,797,706
	Conditional Grant	300,000,000	300,000,000	330,000,000	363,000,000
	CRA Equitable Share	108,825,955	362,410,339	398,651,373	438,516,510
Water, Environment, Energy and Natural Resources	Gross Allocation	798,350,381	185,523,707	204,076,078	224,483,685
	Local Revenue	91,804,495	18,084,042	19,892,446	21,881,691
	Climate Change Mitigation Prog	33,312,923	34,823,357	38,305,693	42,136,262
	CRA Equitable Share	673,232,963	132,616,308	145,877,939	160,465,733
Public Service, Training and Devolution	Gross Allocation	49,880,408	69,380,408	76,318,449	83,950,294
	Local Revenue	5,985,649	8,325,649	9,158,214	10,074,035
	CRA Equitable Share	43,894,759	61,054,759	67,160,235	73,876,259
Education, Vocational Training, ICT and E-Government	Gross Allocation	444,214,150	187,040,144	205,744,158	226,318,574
	Local Revenue	45,350,911	14,490,030	15,939,033	17,532,936
	Conditional Grant	66,289,894	66,289,894	72,918,883	80,210,772
	CRA Equitable Share	332,573,345	106,260,220	116,886,242	128,574,866
Youth, Culture, Gender, Sports and Social Services	Gross Allocation	155,355,246	106,823,107	117,505,418	129,255,959
	Local Revenue	18,642,630	12,818,773	14,100,650	15,510,715
	CRA Equitable Share	136,712,616	94,004,334	103,404,768	113,745,244
Naivasha Municipality	Gross Allocation	50,000,000	50,000,000	55,000,000	60,500,000
	Local Revenue	6,000,000	6,000,000	6,600,000	7,260,000
	Conditional Grant	-	-	-	-
	CRA Equitable Share	44,000,000	44,000,000	48,400,000	53,240,000
Office of the County Attorney	Gross Allocation	5,000,000	7,000,000	7,700,000	8,470,000
	Local Revenue	950,000	910,000	1,001,000	1,101,100
	CRA Equitable Share	4,050,000	6,090,000	6,699,000	7,368,900
Nakuru City	Gross Allocation	60,000,000	65,000,000	71,500,000	78,650,000
	Local Revenue	7,200,000	7,800,000	8,580,000	9,438,000
	Conditional Grant	-	-	-	-
	CRA Equitable Share	52,800,000	57,200,000	62,920,000	69,212,000

VOTE	Source of Funding	APPROVED ESTIMATES FY 2022/2023	CBROP CEILINGS 2023/2024	PROJECTIONS	
				2024/2025	2025/2026
Nakuru County Revenue Authority	Gross Allocation	-	-	-	-
	Local Revenue	-	-	-	-
	CRA Equitable Share	-	-	-	-
County Assembly	Gross Allocation	150,000,000	150,000,000	165,000,000	181,500,000
	Local Revenue	28,500,000	19,500,000	21,450,000	23,595,000
	CRA Equitable Share	121,500,000	130,500,000	143,550,000	157,905,000
TOTAL		5,137,286,805	5,304,048,020	5,834,452,821	6,417,898,104

**ANNEX VI: Sector Composition and Sector Working Groups for MTEF Budget
2023/2024 - 2025/2026**

CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)	SECTOR	SECTOR COMPOSITION (S)
General Public Services	Public Administration and National /Inter County Relations	Office of the Governor and Deputy Governor
		County Public Service Board
		Finance and Economic Planning
		Public Service, Training & Devolution
		Nakuru City
		Naivasha Municipality
		Office of the County Attorney
		Nakuru County Revenue Authority
	County Assembly	
Social Protection, Recreation and Culture	Social Protection, Culture and Recreation	Youth & Sports Gender, Culture, Social Services
Education	Education	Education Vocational Training
Economic Affairs	Agriculture Rural and Urban Development	Agriculture, Livestock and Fisheries
		Land Physical Planning and Housing
	General Economics and Commercial Affairs	Trade, Industrialization, Cooperatives and Tourism
	Energy Infrastructure and ICT	Roads, Public Works and Transport ICT and E-Government
Environment Protection	Environment Protection Water and Natural Resources	Water, Environment, Energy and Natural resources
Health	Health	Health Services
Macro Working Group	Macro Working Group	Department of Finance and Economic Planning

ANNEX VII: Nakuru County Budget Calendar for the FY2023/2024

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	Performance Review and Strategic Planning	County Treasury	July-Aug 2022
	1.1 Develop Strategic Plans	Departments	"
	1.2 Prepare Annual Development Plans	"	"
	1.3 Expenditure review	"	"
	1.4 Preparation of Annual Work plans	"	"
2	Develop and Issue County Budget Guidelines	County Treasury	30 th Aug 2022
3	Annual Development Plan submitted to County Assembly	County Treasury	1 st Sept. 2022
4	Launch of Sector Working Groups	County Treasury	September 2022
5	The 2022/2023 Supplementary Budget		
	5.1 Develop and issue guidelines on the 2022/23 Supplementary Budget	County Treasury	September 2022
6	Determination of Fiscal Framework	Macro Working Group	15 th Sept. 2022
	6.1 Estimation of Resource Envelop	County Treasury	"
	6.2 Determination of policy priorities	"	"
	6.3 Preliminary Resource allocation to Sectors, Assembly & Sub Counties	"	"
	6.4 Draft County Budget Review and Outlook Paper (CBROP)	"	21 st Sept. 2022
	6.5 Submission and approval by County Executive Committee	"	30 th Sept. 2022
	6.6 Tabling of CBROP to County Assembly	"	7 th Oct. 2022
	6.7 Capacity building on MTEF Programme Based Budget and Sector Reports	"	10 th – 14 th Oct. 2022
7	Preparation of County Budget Proposals	Line Ministries	
	7.1 Draft Sector Report	Sector Working Group	21 st Oct. 2022
	7.2 Submission of Draft Sector Report to County Treasury	Sector Working Group	28 th Oct. 2022
	7.3 Review of draft Sector Report Proposals	Macro Working Group	7 th -11 th Nov. 2022
8	Stakeholders/Public Participation	Treasury/Departments	November 2022
9	Draft Budget Estimates / County Fiscal Strategy Paper (CFSP)	Macro Working Group / Departments	
	9.1 Preparation and consolidation of County Personnel Budget	PSTD/County Treasury	9 th - 13 th Jan. 2023
	9.2 Sector Public Hearing and Public Participation on finalization of CFSP 2023	Macro Working Group	16 th – 20 th Jan. 2023
	9.3 Submission of Draft Budget Estimates and Final Sector Reports	Departments	31 st Jan.2023
	9.4 Submission of Draft CFSP & Debt Paper to County Executive Committee for approval	County Treasury	20 th Feb. 2023

	ACTIVITY	RESPONSIBILITY	DEADLINE
	9.5 Submission of CFSP 2023 to County Assembly for approval	County Treasury	28 th Feb. 2023
	9.6 Submission of Debt Management Strategy Paper to County Assembly for approval	County Treasury	28 th Feb. 2023
	9.7 Consideration and approval of the CFSP 2023 by the County Assembly within 14 days after submission	County Assembly	14 th March. 2023
10	Preparation and approval of Final Departments' Programme Budgets		
	10.1 Issue final guidelines on preparation of 2023/24 County Budget	County Treasury	15 th March 2023
	10.2 Public Participation on the MTEF Budget proposal and identification of Ward based projects	County Treasury	20 th – 24 th March 2023
	10.3 Submission of Departmental Budget proposals to County Treasury	Line Departments	31 st March 2023
	10.4 Consolidation of the Departmental Budget Estimates and uploading to IFMIS Hyperion System	County Treasury	11 th – 20 th April 2023
	10.5 Submission of Original Budget Estimates for County Government to County Executive	County Treasury	20 th April, 2023
	10.6 Submission of Original Budget Estimates for County Government to County Assembly	County Treasury	28 th April 2023
	10.7 Review of Original Budget Estimates by Departmental Committees	County Assembly	May 2023
	10.8 Report on Original Budget by Budget and Appropriations Committee (County Assembly)	County Assembly	19 th May 2023
11	11.1 Preparation of Annual Cashflow	County Treasury	5 th – 8 th June 2023
	11.2 Submission of Annual Cashflow to Controller of Budget	County Treasury	15 th June 2023
	11.3 Submission of Appropriation Bill to County Assembly	County Treasury	15 th June 2023
	11.4 Resolution of County Assembly on Estimates and Approval	County Treasury	22 nd June 2023
	11.5 Budget Statement	County Treasury	22 nd June 2023
	11.6 Appropriation Bill Passed	County Assembly	29 th June 2023