COUNTY GOVERNMENT OF THARAKA NITHI

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

2023 COUNTY FISCAL STRATEGY PAPER

February 2023

© County Fiscal Strategy Paper (CFSP) 2023

To obtain copies of the document, please contact:

County Treasury - Budget Office
County Head Quarters
Tharaka Nithi County
P.O Box 10 - 60406
KATHWANA, KENYA
Tel: 1513
Website: www.tharakanithi.go.ke
Email: budget@tharakanithi.go.ke

CFSP 2023 will be published on the website at: www.tharakanithi.go.ke within 7 days of adoption by the County Executive

Vision

A prosperous, industrialized, and cohesive County

Mission

Enhance sustainable socio-economic growth and optimal utilization of resources.

Core Values

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

(ICT)^2

Integrity

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

Inclusiveness

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

Citizen-focused

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

Creativity & Innovativeness

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

Transparency and Accountability

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

Teamwork

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

Table of Contents

List of tables

List of Figures

Foreword

The 2023 CFSP is the first to be prepared under the third generation CIDP (2023-2027) and sets out the governments priority programs, policies and reforms that will be implemented in the Medium-Term Expenditure Framework (MTEF). The document is framed against a backdrop of global economic slowdown occasioned by the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the COVID-19 pandemic, and persistent supply chain disruptions. This paper provides a review of the fiscal performance of FY 2021/22, the fiscal performance of first half of the FY 2022/23; highlights of the recent economic developments and economic outlook; broad strategic priorities and policies for FY 2023/24 as outlined in the Medium-Term Expenditure Framework and in the just completed County Integrated Development Plan (CIDP) 2023-2027.

Aside from these shocks, the Kenyan economy as well as our County's economy continues to be confronted by various bottlenecks including recurrent drought affecting agricultural productivity; declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; weak governance; and fiscal risks including pension's liabilities, stalled public projects, pending bills; and high debt service that has hindered the economy from achieving its full potential. The need to address these challenges, bolster resilience while building on successes realized overtime forms the basis of the Tharaka Nithi County government's Economic Recovery Agenda anchored on the clarion call '***leaving no one behind'*** that is geared towards economic turnaround and inclusive economic growth.

The administration is set to implement key programmes that will see the government address the development challenges facing the people of Tharaka Nithi. This will be bundled under nine broad priorities that the County Government intends to achieve over the next five years. These priorities are:

a) Increase agricultural production and diversification for improved production and productivity.
b) Ensure access to quality and affordable health care services.
c) Ensure sustained investment in infrastructure for accelerated social economic growth.
d) Promote quality, inclusive, diverse, and accessible education for growth and development.
e) Promote universal access to adequate, safe, and sustainably managed water resources and sanitation.
f) Harness the power of trade to spur economic growth.
g) Promote better planning and urban development.
h) Ensure provision of efficient and effective public service delivery

i) Strengthen the democratic arena and fostering good governance.

In the FY 2023/24 the total revenues are expected to increase to KSh 5,712.14 million up from KSh 5,489.98 million budgeted for in FY 2022/23. The fiscal projections indicate that the Equitable Share will increase to KSh 4,373.72 million in FY 2023/24 million and KSh 4,592.4 million in the FY 2024/25. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the revenue department to Ksh 400.0 million in the FY 2023/24 and Ksh 420.0 million over the medium term. This will be achieved by ensuring improved revenue administration and expanding the tax base. The revenue streams where the county has room to collect more revenue include property rates (KSh 35 million), plan approval rates (KSh 27 million), advertisement rates (KSh 35 million), agricultural transportation rates (KSh 59 million), hospital fees rates (KSh 294 million), technical services rates (KSh 28 million) and administrative fees rates (KSh 33 million).

Considering the above fiscal consolidation plan, the expenditure ceilings in this County Fiscal Strategy Paper have been revised to reflect emerging realities. In this regard, all proposed departmental budgets for FY 2023/24 have been scrutinized carefully to ensure quality and alignment to the Government Economic Recovery Agenda and clarion call ***'leaving no one behind'as*** outlined in this CFSP and the Third CIDP and other government strategic interventions. I therefore, call upon all Sector Working Groups and departments to adhere to the hard sector ceilings provided in this document and the strict deadlines to facilitate the finalization of the FY 2023/24 and the medium-term budget proposals.

MR. LAWRENCE IRERI RWERIA

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE AND ECONOMIC PLANNING

THARAKA NITHI COUNTY

Acknowledgements

The CFSP 2023 has been prepared in accordance with the provisions of the Public Finance Management Act, 2012, Section 117. It outlines the current economic situation, provides macro-fiscal outlook over the medium term, and specifies the set strategic priorities and policy goals together with a summary of the County Government spending plans, as a basis of the FY 2023/24 budget and medium-term framework. This document is expected to give members of the public a clear understanding of Tharaka Nithi County's fiscal position and the policy gaols in the medium term.

The preparation of the CFSP 2023 was prepared through consultative and cooperation between all county departments. The 2023 CFSP preparation process was a collaborative effort among departments. We are grateful for their inputs. We thank the technical teams for timely provision of information. Public participation was done at the constituency level with each constituency hosting five wards. We are very grateful for the comments received from the public which provided invaluable inputs to the 2023 CFSP.

I would like to acknowledge the unlimited support and guidance by the CECM, Finance and Economic Planning. We are grateful to the core team from the Budget and Economic Department that coordinated the finalization of this document. The core team who worked tirelessly to put together this strategy paper and ensured it was produced in time and is of high-quality standard.

We express our gratitude to the leadership of His Excellency the Governor and the entire County Executive Committee Members for their support and inputs.

Finally, I take this opportunity to thank the entire staff of Tharaka Nithi County Government for their exemplary dedication and commitment to public service.

MR. KINYUA KABINGA

CHIEF OFFICER

FINANCE AND ECONOMIC PLANNING.

THARAKA NITHI COUNTY

Abbreviations and Acronyms

ABDP	Aquaculture Business Development Programme
ADP	Annual Development Plan
ASDSP	Agriculture Sector Development Support Programme
ATI	Agricultural Training Institute
BOP	Balance of Payments
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CBOs	Community Based Organisations
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CCIS	County Climate Institutional Support
CCO	County Chief Officer
CCRIs	County Climate Resilience Investments
CECM	County Executive Committee Member
CEREB	Central Region Economic Bloc
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development plan
COG	Council of Governors
CORe	County Own Revenue
COVID	Corona Virus Disease
CPI	Consumer price Index
CRA	Commission of Revenue Allocation
DANIDA	Danish International Development Agency
DRM	Disaster Risk Management
EAC	East Africa Community
ECDE	Early Childhood Development & Education
ELRP	Emergency Locust Response Project
FLLoCA	Financing Locally Led Climate Action
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GIS	Geographic Information System
HIV	Human Immunodeficiency Virus
HPT	Health Products and Technologies
HQ	Headquarters
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KCSAP	Kenya Climate Smart Agriculture Project
KNBS	Kenya National Bureau of Statistics
KSh	Kenya Shillings
LAN	Local Area Network
M_3	Money Supply
MDA	Ministries, Departments and Agencies

MTDS	Medium-term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NSE	Nairobi Securities Exchange
O&M	Operations and Maintenance
OSR	Own Source Revenue
PE	Personnel Emoluments
PEM	Public Expenditure management
PFM	Public Finance Management
PIM	Public Investments Management
PPI	Programmes, Projects, and Initiatives
PWDs	People With Disabilities
REA	Rural Electrification Authority
RMNCAH	Reproductive, Maternal, New-born, Child, and Adolescent Health
SACCOs	Savings and Credit Cooperatives
SRC	Salaries and Remuneration Commission
TVETs	Technical and Vocational Education Training
UHC	Universal Health Coverage
USA	United States of America
VTCs	Vocational Training Centres
WEO	World Economic Outlook
YP	Youth Polytechnic

CHAPTER ONE: COUNTY STRATEGIC BLUEPRINT

1.1 Introduction

The County Fiscal Strategy Paper (CFSP) is a primary financial policy statement which sets out the broad strategic priorities and policy goals that will guide the County Government in preparing its budget over the medium term. It includes an assessment of the current state of the economy and the financial outlook. The helps the government to achieve its priorities given the limited resources within the proposed medium-term expenditure framework.

The 2023 CFSP is first prepared under the third generation CIDP (2023-2027) and sets out the priority programs, policies and reforms of the administration that will be implemented in the Medium-Term Expenditure Framework (MTEF). The document is framed against a backdrop of global economic slowdown occasioned by the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the COVID-19 pandemic, and persistent supply chain disruptions. This paper provides a review of the fiscal performance of FY 2021/22, the fiscal performance of first half of the FY 2022/23; highlights of the recent economic developments and economic outlook; broad strategic priorities and policies for FY 2023/24 as outlined in the Medium-Term Expenditure Framework and in the just completed County Integrated Development Plan (CIDP) 2023-2027.

1.2 Overview and General Context

The Kenyan economy continued to expand in 2022, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP is expected to record an increase in growth by 5.5 percent in 2022 supported by the services sector despite subdued performance in agriculture and weaker global growth. The economy is projected to rebound to 6.1 percent in 2023, reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth.

Amid the challenging time over the last few years, Kenya's economy has remained resilient with an impressive economic performance of 7.5 percent in 2021 largely on account of bold economic policies and structural reforms as well as sound economic management implemented overtime. However, the momentum has been disrupted again by the Russia-Ukraine conflict that has seen disruption in global trade with increased fuel, fertiliser, and food prices. For the first time in five years the inflation rate in Kenya is above the Government target range mainly driven by supply side constraints occasioned by external shocks. Aside from these shocks, the Kenyan economy is confronted by various bottlenecks including recurrent drought affecting agricultural productivity;

declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; weak governance; and fiscal risks including pension's liabilities, stalled public projects, pending bills; and high debt service that has hindered the economy from achieving its full potential.

The need to address these challenges, bolster resilience while building on successes realized overtime forms the basis of the Government's Economic Recovery Agenda anchored on the clarion call '***leaving no one behind'***. The agenda is geared towards economic turnaround and inclusive growth. Special focus will be placed on increasing agricultural productivity, job creation, social security while also expanding the tax revenue base, and increased foreign exchange earnings. Through the various priority economic policies, structural reforms, fiscal consolidation plan and sectoral expenditure programs outlined in this CFSP 2023, the Government is taking determined steps to address these challenges, bolster resilience to shock as part of the strategy for socio-economic transformation and inclusive growth. Over the medium term, the Government through the Third County Integrated Development Plan (2023-2027) will prioritize implementation of economic recovery strategies to re-position the economy on a steady and sustainable growth trajectory.

Additionally, through this CFSP 2023, the government will strive to implement policies. programmes and initiatives set out in the CIDP 2023-2027 based on the various County and National policies. The administration is set to implement structural reforms and promote investment in core thematic areas that are expected to enable the county to achieve inclusive economic development and have the highest impact at the bottom of the income earnings. These thematic areas are agricultural productivity, healthcare, sustainable infrastructure, socio-economic empowerment, water resources management and Skills development. This County Fiscal Strategy Paper articulates priority economic policies and key initiatives as well as sector-specific expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2023/24, FY 2024/25, and FY 2025/26 in order to achieve the County Government's development goal to ensuring a secure, resilient and globally competitive County in service delivery.

1.3 Programmes for achieving the County Strategic Blueprint's Objective

Key programmes will be implemented to address the development challenges facing the people of Tharaka Nithi. This will be bundled under the following nine broad priorities that the County Government intends to achieve over the next five years.

a) Increase agricultural production and diversification for improved production and productivity.
b) Ensure access to quality and affordable health care services.
c) Ensure sustained investment in infrastructure for accelerated social economic growth.
d) Promote quality, inclusive, diverse, and accessible education for growth and development.
e) Promote universal access to adequate, safe, and sustainably managed water resources and sanitation.
f) Harness the power of trade to spur economic growth.
g) Promote better planning and urban development.
h) Ensure provision of efficient and effective public service delivery
i) Strengthen the democratic arena and fostering good governance.

Every strategic objective is achieved by various priority strategies as outlined below.

1.3.1 Increased agricultural production and diversification for improved production and productivity.

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

a) Provision of quality farm inputs
b) Pest and disease control
c) Agricultural diversification (poultry, animal husbandry and fisheries)
d) Agribusiness development
e) Agriculture risks and resilience management
f) Expansion of irrigated agricultural land
g) Integrated fish farming
h) Agro-processing plants/hubs
i) Promotion of agro forestry
j) Climate smart agriculture
k) Establish post-harvest structures (Grain stores, milk coolers)
l) Farmers capacity building
m) Mechanization of agriculture
n) Linkages to financial service providers
o) Operationalization of agriculture training Centre and veterinary laboratory
p) Education, research, and training
q) Improved livestock breeds and breeding.
r) Revitalization of industrial crops
s) Promotion of high value traditional crops
t) Undertaking agricultural extension services

1.3.2 Ensure access to quality and affordable health services.

Health sector is among the key priority sectors in Tharaka Nithi County Government, and it envisions a County free from preventable diseases and ill health. To achieve this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Provide health products and technologies (HPT)
b) Enhance laboratory services.
c) Establish blood bank services.
d) Production and reticulation of oxygen in facilities
e) Enhance referral and emergency services.
f) Infrastructure development for health
g) Establishment of specialized units
h) Enhancing primary healthcare
i) Purchase of medical equipment
j) Enhancing county environmental and community health services
k) Establishment of a school health policy, emergency referral, RMNCAH sustainability
l) Enhance RMNCAH (Reproductive, maternal, new-born, child adolescent health) services.
m) Enforce public health regulations in public amenities.
n) Communicable and non-communicable diseases prevention and management programmes
o) Enhance maternal and child health services.
p) Establishment of a mental health unit
q) Promote nutrition and dietetic services.

1.3.3 Ensure sustained investment in infrastructure for accelerated social economic growth.

Infrastructure is key to achieving investment, increased production, access to essential services and overall economic growth. Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Upgrading of key roads to bitumen standards
b) Construction and maintenance of bridges, footbridges, and culverts.
c) Quality assurance and inspection services
d) Establishment of ICT Hubs
e) Acquisition of modern ICT equipment and software
f) Automation of all government services
g) Internet connectivity
h) Connect electricity to households and public facilities.
i) Promote use of alternative energy resources
j) Promote use of efficient energy technologies
k) Develop and operationalize a county energy plan.

1.3.4 Promote quality, inclusive, diverse, and accessible education for growth and development.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Construction, refurbishment, and rehabilitation of infrastructure in learning institutions

b) Provision of sanitation facilities
c) Employment of teachers, caregivers, instructors, and quality assurance officers
d) Roll out digital learning in all ECDE centres and other learning institutions.
e) Introduction of play group learning for children below 4 years
f) Procure and distribute teaching, learning and recreational materials.
g) Award of bursaries to needy and vulnerable children
h) Provision of school feeding programme
i) Provision of clean and safe drinking water to learning institutions
j) Development of scheme of service for ECDE teachers
k) Provision of technology embedded courses in the VCTs.
l) Provision for disability friendly facilities
m) Establishment of home craft centres
n) Construction and rehabilitation of stadia
o) Training and holding competitions for sportsmen and sportswomen.
p) Establishment of county talent academy for sports
q) Procurement of sports equipment and tools
r) Conduct annual marathon and sports extravaganza.
s) Promotion of sports tourism

1.3.5 Promote universal access to adequate, safe, and sustainably managed water resources and sanitation.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Development and rehabilitation of water infrastructure
b) Ground water exploration
c) Surface and rainwater harvesting
d) Water trucking
e) Strict Regulation of water service providers
f) Mapping of water and mineral resources
g) Protection of catchment areas
h) Enforcement of laws and regulations on water use
i) Strengthening of water resource user associations
j) Water pollution control and quality analysis
k) Water resource referencing
l) Development of climate proof infrastructure
m) Climate information and early warning systems

1.3.6 Harness the power of trade to spur economic growth.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Strengthening and reviving of cooperatives

b) Capacity building and supporting cooperative societies to strengthen governance.
c) Formation of incubation centres
d) Strengthen SACCOs and CBOs
e) Training and sensitization to SACCOS
f) Introduction of tax incentives to vulnerable groups
g) Contract farming
h) Value chain development
i) Agro processing industries
j) Undertaking trade fairs and exhibitions
k) Development and diversification of tourism products
l) Tourism branding and advertising.
m) Development of niche products
n) Holding annual cultural festivals
o) Introduction of business conferences
p) Establishment of adventure and ecotourism ventures

1.3.7 Promote better planning and urban development.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Proper waste management
b) Improve sanitation amenities.
c) Improvement of markets roads
d) Improving street lighting and floodlights
e) Land use and management
f) Demarcation and issuance of title deeds
g) Land adjudication
h) Policy formulation and enforcement of development plans
i) Regulate commercial and residential construction.
j) Development and implementation of the county spatial plans
k) Expansion of county GIS lab
l) Community sensitization on land issues

1.3.8 Ensure provision of efficient and effective public service delivery.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Enhance performance management.
b) Establishment and strengthening of the county service delivery unit.
c) Training and capacity development of county staff.
d) Promotion of best labour practices in management of human resources
e) Promoting values and principles of governance
f) Establish /promote employee committee relations.
g) Embrace alternative dispute resolution mechanisms.
h) Develop Career Progression Guidelines

i) Develop Personnel Competencies profile.
j) Review/ Customize policies.
k) To enhance proper industrial relations in the county
l) Strengthen the county legal office.
m) Ensuring proper communication and events management
n) Embrace external partnership.
o) Revision and implementation of the county public participation and civic education policy
p) Development of County DRM Common Programming Framework

1.3.9 Strengthen the democratic arena and fostering good governance.

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

a) Oversight of County activities especially with respect to public expenditure
b) Map out all the laws needed by the County.
c) Approving overall policy within set deadlines
d) Development of County legislations
e) Vetting and approval of appointments of state officers
f) Capacity development for County Assembly members and staff.
g) Strengthen research and information service.

1.4 Outline of County Fiscal Strategy Paper

The CFSP is presented in five chapters with chapter one giving the County's strategic blueprint which defines the pace and direction of the whole document. It captures the County Government's overall vision and mission as to how to transform the County. Chapter two outlines the recent economic developments and macroeconomic policy outlook in which the 2023/24 MTEF budget is to be prepared. It reviews the latest information on the macroeconomic variables and their latest trends at the national level, gives an update on fiscal performance and any emerging challenges. The chapter also relates the growth outlook for Kenya as contained in the Budget Policy Statement to the County's owns economic policy settings.

Chapter three presents the fiscal framework that will supports the County development agenda over the medium term in view of the need to mobilise adequate resources to facilitate the transformational agenda in ***leaving no one behind***. This is undertaken in the context of the wider national economic environment and after assessing the County's current economic situation. Chapter four gives a clear picture of the County's resource base and the spending priorities in terms of sectors and outlining the sector-based expenditure ceilings. Chapter five provides a summary of the main changes and decisions to be put to effect and the way forward.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

2.1 Overview

According to the 2023 Budget Policy Statement, the Kenyan economy continued to expand in 2022, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP is expected to grow by 5.5 percent in 2022 supported by the services sector despite subdued performance in agriculture and weaker global growth. The economy is projected to rebound to 6.1percent in 2023, reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth.

The coordination between monetary and fiscal policies continued to support macroeconomic stability with interest rates remaining relatively stable. The external sector has remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened but strengthened againstother major international currencies. The current account deficit was generally stable at 5.2 percent of GDP in the 12 months to November 2022 compared to 5.4percent of GDP in November 2021 on account of improved receipts from service exports and resilient remittances. The official foreign exchange reserves at 4.2 months of import cover in November 2022 continues to provide adequate buffer against short term shocks in the foreign exchange market.

The fiscal policy continues to pursue growth-friendly fiscal consolidation to preserve debt sustainability. This will be achieved through enhancing revenue collection and curtailing non-core expenditures while prioritizing high-impact social and investment expenditure. As such, fiscal deficit is projected to decline from 5.8 percent of GDP in FY 2022/23 to 4.3 percent of GDP in FY 2023/24.

2.2 Gross Domestic Product Growth and Main Drivers by Sector

The Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shocks due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 % in 2021, a much stronger level from a contraction of 0.3 percent in 2020 as shown in the figure below. The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth.The economy grew by 6.7 percent in the first quarter and 5.2 percent in the secondquarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021. In the third quarter of 2022, the economy grew by 4.7 percent compared to agrowth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic.

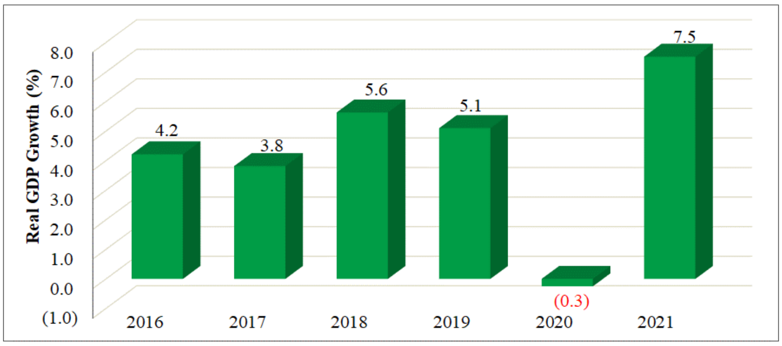


Figure 1: Annual Real GDP Growth rates
Source of Data: Kenya National Bureau of Statistics, The National Treasury

The growth in the third quarter of 2022 was mainly supported by the service sectors particularly Accommodation and Food Service activities, Wholesale and retail trade, Professional, Administrative and Support services, Education and Financial and Insurance activities. The growth was however slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors.

The agriculture sector recorded a contraction of 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavourable weather conditions that prevailed in first three quarters of 2022. The decline was reflected in the reduced vegetable exports and milk intake by processors. The sector's performance was cushioned from a steeper contraction byimproved production in fruits, coffee and cane.

The performance of the industry sector slowed down to a growth of 3.4 percent in the third quarter of 2022 compared to a growth of 8.3 percent in the sameperiod in 2021. This was mainly on account of normalization of activities in the manufacturing sub-sector after the strong recovery in 2021. Manufacturing sub-sector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth in the industry sector was supported by positive growths in Electricity and Water Supply sub-sector and construction sub-sector which grew by 4.7 percent and 4.3 percent, respectively. The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

2.3 Recent economic Developments

2.3.1 Global and Regional Economic Developments

Global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic, and persistent supply chain disruptions. Global growth isexpected to slow down to 3.2 percent in 2022 and is projected to slow down to 2.7% in 2023 from the earlier forecast of 2.9 percent. The USA economy is projected to slow down to 1.0% in 2023 from 1.6 percent in 2022, Euro Area economies will slow down to 0.5 percent from 3.1 percent in 2022 while China economy is projected to improve to 4.4 percent from 3.2 percent in 2022 as indicated in the table below. In the sub-Saharan Africa region, growth is projected at 3.7 percent in 2023from a growth of 3.6 percent in 2022. This outlook is weaker than the growth of 4.7 percent in 2021 reflecting lower trading partner growth, tighter financial and monetary conditions, and a negative shift in the commodity terms of trade.

Table 1: Global Economic Growth, Percent

Economy	2020	2021	2022*	2023*
	Actual		Oct. WEO	Oct. WEO
World	(3.1)	6.0	3.2	2.7
Advanced Economies	(4.5)	5.2	2.4	1.1
Of which: USA	(3.4)	5.7	1.6	1.0
Euro Area	(6.1)	5.2	3.1	0.5
Emerging and Developing Economies	(2.0)	6.6	3.7	3.7
Of which: China	2.2	8.1	3.2	4.4
India	(6.6)	8.7	6.8	6.1
Sub-Saharan Africa	(1.6)	4.7	3.6	3.7
Of which: South Africa	(6.3)	4.9	2.1	1.1
Nigeria	(1.8)	3.6	3.2	3.0
EAC-5	0.9	6.6	4.7	5.4
Of which: Kenya***	(0.3)	7.5	5.5	6.1
** Estimate *** budget estimate*				
EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda				

Source of Data: October 2022 WEO

2.3.2 Local Economic Trends

2.3.2.1 The Broad Money Supply Trend

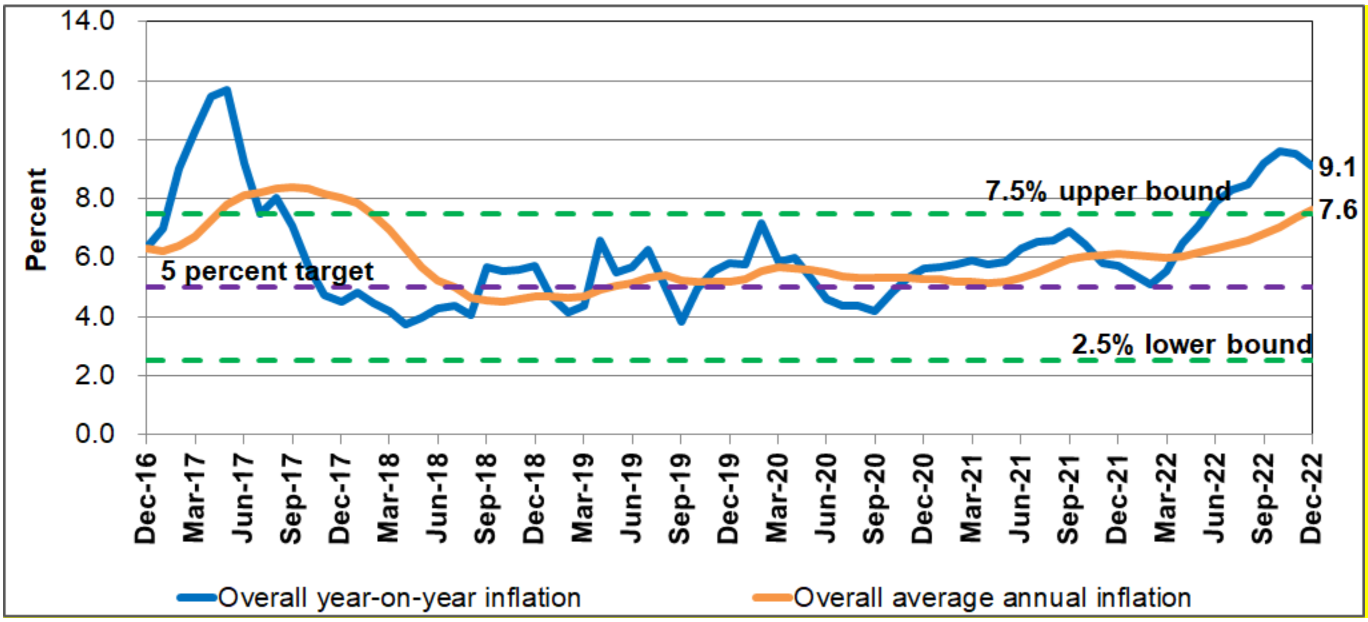
Broad money supply (M3) grew by 7.2 % in the year to December 2022, compared to a growth of 6.1 percent in the year to December 2021. The growth in December 2022 was mainly due to an increase in domestic credit particularly net lending to the private sector. This growth was however curtailed by a decline in the Net Foreign Assets (NFA). Which the year to December 2022 contracted by 51.9 percent, compared to a contraction of 21.0 percent in the year to December 2021. The decline in NFA partly reflected a reduction in reserves at the Central Bank due to scheduled debt service, and the increase in commercialbank's borrowing from foreign sources.

Net Domestic Assets (NDA) registered a growth of 16.7 percent in the year to December 2022, an improvement compared to a growth of 12.4 percent over a similar period in 2021. The growth in NDA was mainly supported by resilient growth in credit to the private sector as business activities improved. Growth of domestic credit extended by the banking system to the Government moderated to 11.6 percent in the year to December 2022 compared to a growth of 28.3 percent in the year to December 2021. Lending to other public sectors also declined during the period, mainly due to repayments by county governments and parastatals.

2.3.2.2 The Inflation Rate Trend

The year-on-year inflation rate eased for the second consecutive month in December 2022 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices because of favourable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.7 percent recorded in December 2021. Overall annual average inflation increased to 7.6 percent in December 2022 compared to the 6.1 percent recorded in December 2021.

Figure 2: Inflation Rates



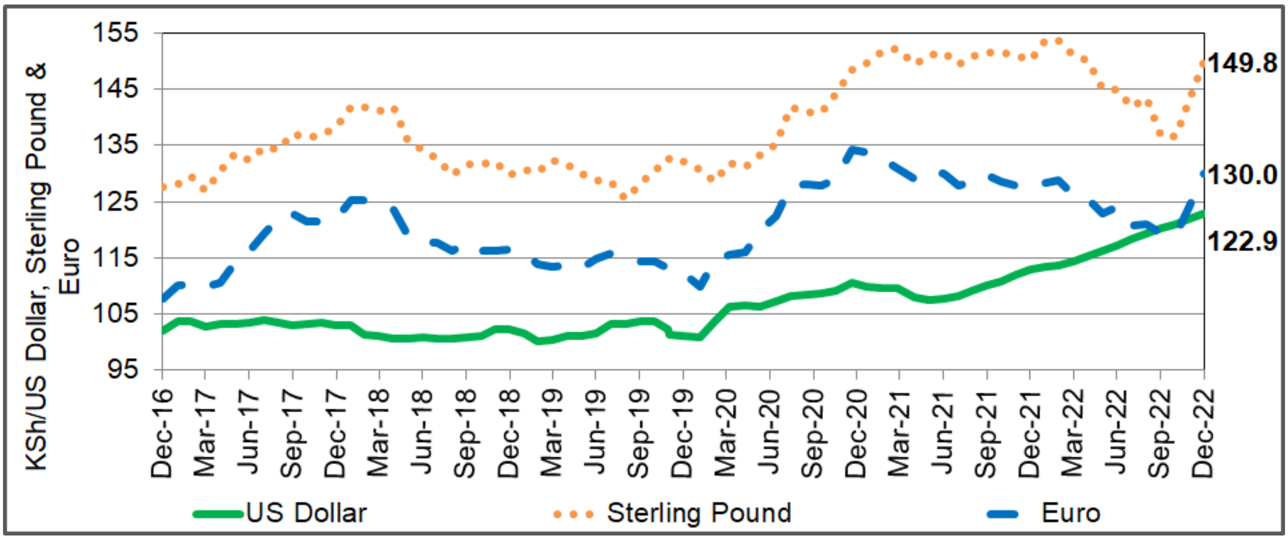
Source of Data: Kenya National Bureau of Statistics

2.3.2.3 The Interest Rate Trend

Monetary policy stance remains tight to anchor inflation expectations due tothe sustained inflationary pressures, the elevated global risks, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raisedfrom 8.25 percent to 8.75 percent in November 2022. The interbank rate remained stable at 5.4 percent in December 2022 comparedto 5.0 percent in December 2021 while the Treasury Bills rates increased in December 2022 due to tight liquidity conditions. The 91-day Treasury Bills rate was at 9.4 percent in December 2022 compared to 7.3 percent in December 2021.

Commercial banks' lending rates remained relatively stable in October 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.4 percent in October 2022 from 12.1 percent in October 2021while the average deposit rate increased to 7.0 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.4 percentin October 2022 from 5.7 percent in October 2021.

Figure 3: Short Term Interest Rates



Source of Data: Central Bank of Kenya

2.3.2.4 The Balance of Payments Trend

The overall balance of payments position improved to a surplus of USD 2,245.4 million (2.0 percent of GDP) in November 2022 from a deficit of USD 976.8 million (0.9 percent of GDP) in November 2021. This was mainly due to an improvement in the capital account despite a decline in the merchandise account reflecting increased imports of petroleum products owing tohigh international crude oil prices. The current account deficit was generally stable at USD 5,771.0 million (5.2percent of GDP) in November 2022 compared to USD 5,811.6 million (5.4 percentof GDP) in November 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance andmerchandise account.

2.3.2.5 The Exchange Rate Trend

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like all world currencies has weakened to exchange at KSHS122.9 in December 2022 compared to KSHS112.9 in December 2021. Against the Euro, the Kenya shilling also weakened to KSHS130.0 from KSHS127.6 over the same period. The Kenyan Shilling strengthened against the Sterling Pound to KSHS149.8 in December 2022 from KSHS150.2 in December 2021.

2.3.2.6 The Stock Market Trend

Activity in the capital markets slowed down in December 2022 compared to December 2021 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,676 points in December 2022 compared to 1,903 points in December 2021, while market capitalization also declined to KSHS 1,986 billion from KSHS 2,593 billion over the same period.

2.4 Update on Fiscal Performance and Emerging Trends for FY 2022/23

The County's approved budget for FY 2022/23 is KShs.5.49 billion. The development allocation is KShs.1.82 billion (33.1 per cent) whereas the recurrent expenditure allocation is KShs. 3.67 billion (66.9 per cent) respectively. This budget will be financed by equitable share of KShs. 4.2 billion, conditional grants amounting to KSHs. 925.78 and own-source revenue of KShs 350 million. The cash balance of KShs of 183.9 million from FY 2021/22 will be provisioned in the supplementary budget.

2.4.1 Revenue

During the first half of the FY 2022/23, the county realized total revenues of KShs 1.99 billion.

This amount comprised KShs 1.73 billion from the equitable share, KSh 81.16 million from local sources and KSh 183.98 million from balances carried forward in FY 2021/22. The total revenue received represented 36 per cent of the annual revenue projections of KSh 5.49 billion including balances carried forward. The equitable share realised represented a 41 percent of the target, while the local revenue collected also represents a 23 % of the target. During the first six months, the county only received disbursements equivalent to those of four months and zero disbursements of conditional grants.

2.4.2 Expenditure

The total expenditure for the first half of the FY 2022/23 is KSh 1873.7 million which comprised of KSh 1,476.46 million for recurrent expenditure, KSh 209.76 million for development and KSh 187.57 million under County Assembly. The recurrent expenditure represents 46 per cent of the annual recurrent budget estimates while the development expenditure represents 12 per cent of the annual development budget estimates. The implementation of the budget has been affected by the 2022 General Election and the subsequent transition processes at county level leading to low absorption rates.

2.4.4 Comparison of Actual Performance against Budget

The following table presents a summary of the fiscal performance for the first six months.

Table 2: Comparison of Actual Performance against Budget

PARTICULARS	2021/22 FY Actual	2022/23 FY Approved Budget Estimates	2022/23 Actual (First Half)	Percent
TOTAL REVENUE & GANTS	**4,736,939,549**	**5,489,983,323**	**1,992,987,533**	36%
Unspent Bal from Previous FY	345,640,185	-	183,981,674	100%
Revenue (Total)	**4,391,299,364**	**5,489,983,323**	**1,809,005,859**	33%
Equitable Share Allocation	3,877,062,704	4,214,198,393	1,727,821,242	41%
Local Revenue	239,381,562	350,000,000	81,184,617	23%
Grants (Total)	274,855,098	925,784,930	-	0%
Total Expenditure	**4,736,939,549**	**5,489,983,323**	**1,873,793,860**	34%
Recurrent	3,135,910,418	3,187,581,364	1,476,457,367	46%
Development	1,017,014,705	1,787,401,959	209,763,094	12%
County Assembly	400,032,732	515,000,000	187,573,399	36%
Unspent Bal Current FY	183,981,694	-	119,193,673	-

2.5 Economic Policy and Outlook

According to the 2023 Budget Policy Statement (BPS), the global economic outlook remains highly uncertain with growth projected to slowdown from 3.2 percent in 2022 to 2.7 percent in 2023. This projected growth in 2023 was revised downwards from the initial projection of 2.9 percent largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies.

Domestically, the economy continued to expand, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP grew by 5.5 percent in the first three quarters of 2022 (6.7 percent in quarter one, 5.2 percent in quarter two and 4.7 percent in quarter three) supported by the ongoing recovery in the services sector, driven by accommodation and food services, wholesale and retail trade, finance and insurance, education and transport and storage.

The economy is expected to grow by 5.5 percent in 2022 and recover in 2023 to 6.1 percent and maintain that momentum over the medium-term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24). This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labour market recovery, improved consumer confidence, and resilient remittances.

The growth outlook will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least six sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include Agriculture; Healthcare; Trade; sustainable infrastructure; water resources management and skills development.

To address the adverse impact of the ongoing drought, the Government in partnership with the Development Partners and the private sector under the auspices of the National Steering Committee on Drought Response has provided response to affected persons, regions, and communities. The Committee will work with both the National and County Governments in strengthening the national capacity for resilient recovery to protect development gains from recurrent drought.

Table 3: Macroeconomic Indicators Underlying the Medium-Term Fiscal Framework

	2021/22	2022/23	2023/24	2024/25	2025/26
National Account and Prices	**Annual Percentage change**				
Real GDP	6.8	5.8	6.1	6.2	6.1
GDP Deflator	6.2	6.9	5.8	4.8	5.9
CPI Index (eop)	6.0	6.4	5.4	5.0	5.0
CPI Index (Avg.)	5.4	7.0	5.8	5.0	5.0
Terms of Trade (-deterioration)	1.1	1.1	-0.6	-1.8	-0.7
	PERCENTAGE OF GDP				
Investments and savings					
Investments	18.8	17.9	18.9	18.9	18.6

Gross National Savings	12.9	13.1	13.6	13.5	13.3
Central Government Budget					
Total Revenue	17.1	17.3	17.8	17.8	18.0
Total expenditure and Net lending	25.6	23.3	22.4	21.8	21.7
Overall balance Commitment basis (excluding. Grants)	-6.5	-6.0	-4.6	-4.1	-3.7
Overall balance Commitment basis (including. Grants)	-6.2	-5.8	-4.3	-3.8	-3.5
Primary budget balance	-3.3	-1.1	0.3	0.7	0.8
External Sector					
Current external balance, including official transfers	-5.9	-4.8	-5.2	-5.4	-5.3
Gross international reserve coverage in months of imports	5.8	5.8	5.8	5.9	5.9

2.6 Risks to the Outlook: Expectations and Opportunities

There are downside risks to this macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks emanate from climate change resulting in unfavourable weather conditions. This could affect county agricultural production and result to domestic inflationary pressures.

On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia - Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; lingering effects of COVID-19 (coronavirus) pandemics; and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

Tharaka Nithi County Government continues to face potential litigation on the pending bills and/or due to lack of compliance on the various statutory requirements including the myriad of requirements imposed by Kenya Revenue Authority. Litigation will always pose a threat to the county government, due to its potential to derail resources that would better serve the residents by utilization to provide better services and public goods.

2.6.1 Risks Experienced in Tharaka Nithi County government.

Low absorption capacity: Absorption capacity for development budget across sectors remained low over the plan period. This is largely attributed to poor conceptualization of programs, delay of disbursement of equitable share by the national government, long and complex procurement process, declining own source revenue and inefficient costing of projects.

Mitigation measure: The County departments will uphold principles of proper project conceptualization in good time to avoid speculative projects not budgeted for. In this regard, only projects that have gone through the preliminary processes will be accommodated in the budget. Secondly, there is need to identify and increase more revenue streams to increase own source revenue. The costing organization for development programs requires capacity building to ensure realistic cost estimates and ultimately render value for money.

Shortfall in Own Source Revenue: The main fiscal risk that is likely to be faced by the county government is the shortfall in local revenue flows. Revenue generation from internal sources has continued to face challenges that must be progressively mitigated to achieve county development goals. For instance, rates revenues have continued to be below expectation due to high default rates.
Mitigation measure: In the medium term, the County will undertake measures aimed at expanding the revenue base increasing tax compliance through integration of technology in revenue collection. Issuance of waivers on penalties will also be considered. Identification of more revenue streams is also required, to expand the local revenue sources in the county. In addition to the single business permit, it is advisable to separate each revenue charge to lessen the burden on the clients to reduce default. Identified legal gaps will be addressed through proposed legislation particularly for the key revenue streams. The finance bill 2023/24 will be used as an avenue to reinforce changes to some of the former charges. Finally, the County will publicize and streamline the use of electronic payment system to ensure effectiveness in revenue collection. Also spending money at source should be discouraged.

Pending debts/bills: The issue of Pending debts/bills continues to be a major economic policy challenge facing the Tharaka Nithi County government having inherited a huge debt from the defunct County Council. This has subjected the County to the risk of higher interest rate and other unpredictable cost elements. The debt trend has been increasing from one year to another.
Mitigation measure: Prioritization of the pending bills in the budgets, creation of new channels of revenues to ease on the loan amounts required to finance development projects.

Wage bill: Salaries and wages have been surpassing the stipulated 35% of the total budget which has led to budget cuts on development programs.
Mitigation measure: Adoption of technology, the County will embrace technology like using tools and machinery to carry out environmental duties like slashing and maintaining lawn in the county. This will save the county a lot of money which could have been using for employing more casual workers. The payroll manager should ensure that all the employees who are deceased and dismissed are struck out of the payroll to avoid unnecessary expenses.

CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK

3.1 Overview

This chapter presents the fiscal policy framework envisioned by the County over the MTEF 2023/24-2025/26. It discusses the fiscal responsibility principles, revenue, and expenditure over the MTEF period.

3.2 Fiscal Policy Status

The fiscal policy stance over the medium term aims at supporting the economic recovery agenda of the Government through a growth friendly fiscal consolidation plan designed to slowing the annual growth in public debt and implementing an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that Kenya's development agenda honours the principle of inter-generational equity. The fiscal policy will target to grow tax revenues above 17.8 percent of GDP in the FY 2023/24 and above 18.0 percent of GDP over the medium term.

The County's Economic and Budgetary policy together with the County Fiscal Strategy Paper (CFSP) 2023, lays down the outline for the preparation of the County's Budget estimates. It highlights the Policies, Programmes, and Initiatives (PPIs) for the County Government for implementation in the Financial Year 2023/24 and over the Medium Term. The priorities are in line with the Government's 'Leaving no one behind' Transformative Agenda and other policy guidelines, aimed at creating sound enablers towards the County 's development and prosperity in the long run.

3.3 Fiscal Strategy Paper's Obligation to Observe Principles

Tharaka Nithi County Government is committed to the fiscal discipline as set out in PFM Act, 2012 as well as adoption of best practices. To echo our commitments to prudent fiscal policy, the County Government recognizes that the fiscal principles currently followed will have implications in the long term.

3.3.1 Fiscal Responsibility

In order to ensure prudence and transparency in management of resources, the County Treasury shall be guided by the fiscal responsibility principles as spelt out the PFM Act 2012, section 107 hence in this regard, the County Government will.

a) Ensure there is sound fiscal policies and uniform practices for managing County resources.

b) Ensure that the county government's expenditure shall not exceed its total revenue.

c) Allocate a minimum of 30 percent of their budget over medium-term to development expenditure as provided for under Section 107 (2) (b) of the PFMA, 2012.
d) Expenditure on wages and benefits for its public officers to be based on the guidelines under Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.
e) 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. Short term borrowing shall be for purposes of cash management.
f) Short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue.
g) The county debt and obligations shall be maintained at a sustainable level as approved by the County Assembly.
h) Fiscal risks shall be managed prudently.
i) The approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County assembly, whichever is lower.

Further, a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future. The County Government will endeavour to implement the fiscal responsibility principles stipulated in Section 107 of the PFM Act 2012 by making appropriate modification to the financial objectives to be contained in the CFSP to reflect the real circumstances.

3.3.2 Fiscal Structural Reforms

To enact and implement fiscal structures to enable the county to be fully compliant with the PFM Act 2012 and PFM Regulations 2014, the FY 2023/2024 Budget framework will consider other vital reforms including:

a) Strategic policy direction: While developing the vision and mission, setting objectives as well as measuring the performance the county government will take proper prioritization taking into consideration of the Governor's agenda, the Kenya Kwanza government agenda, social equity, and environmental conservation.
b) Strict prioritization of projects: The county government in FY 2023/2024 budget will prioritize ongoing capital projects and particularly infrastructural projects with high impact on poverty

reduction, equity, and job creation in strict compliance with Public Investments Management guidelines (PIM) to increase efficiency and effectiveness of public spending.

c) Prioritise to completion of all ongoing projects by the departments and its agencies.

d) Manage growth of recurrent budgets especially use of goods and services.

e) Allocation based on realistic outcomes and achievable results.

Further the government will ensure that we fully roll out the operations of the Integrated Financial Management Information System (IFMIS) and the overall use of the operation manuals in place as well as ensure enough staff capacity buildings and trainings sessions especially on IFMIS.

3.3.3 Debt Financing Policy

The county government's debt management objective is to ensure that the County Government's financing needs and payment obligations are met at the lowest possible cost with a prudent degree of risk. Tharaka Nithi County has a robust framework for enhancing its ability to make decisions on the appropriate composition of external and domestic borrowing to finance the budget in the financial year 2023/2024 as well as exhibiting a commitment to long-term financial planning that will ensure fiscal prudence and financial stability. In deciding whether to incur new debt, emphasis will be placed on monitoring the level of total public debt and to assess the potential cost and risk of new debt measured against the available fiscal space and the vitality of the economy to ensure that future borrowing will maintain outstanding debt within sustainable levels.

The county medium term debt strategy complements the proposed National Medium Term Debt Sustainability Framework which is concerned with long-term sustainability of national debt. Whereas the contemplated debt level is sustainable, long-term debt sustainability depends on several factors such as growth in total revenue, sound macro-economic policy mix, policies and guidelines issued by the National Treasury on prudent debt management. Our focus as a County is to settle the short-term debts as soon as possible. In every budget cycle, we ensure that part of the allocations is towards settlement of outstanding debts and ensuring timely payments.

3.4 Budget Framework Proposed for FY 2023/24-2025/26 MTEF.

The fiscal framework for the FY2023/24 and the medium-term budget is based on the Government’s policy priorities and macroeconomic policy framework set out in Chapter I and Chapter II. To support the economic recovery agenda, the Government will continue with the fiscal consolidation plan by containing expenditures and enhancing mobilization of revenues to increase investments in social services. This is expected to boost the growth position and ensure development agenda is inclusive and equitable. Tharaka Nithi County Government continues to give priority to programmes aimed at ensuring social economic transformation of the County. The need to balance between short term and long-term development objectives due to resource constraints is a key consideration. Therefore, it is important that prioritization is done to realize value for money and spur socio economic growth for better livelihood.

The county's priority areas are agricultural productivity, healthcare, sustainable infrastructure, socio-economic empowerment, water resources management and skills development. The FY 2023/2024 budget framework will continue to support fiscal discipline and expenditure rationalization. Resource mobilization of local and external sources will be enhanced. Further, the government will ensure departments' requests for resources are realistic and consider the resource constraints, in light of the fiscal consolidation policy.

3.4.1 Revenue Projections

The County Revenues for the FY 2023/24 are estimated to be about KSh 5,712.1 million made up of the Equitable Share, local revenue and Loans and Conditional Grants. Based on the draft 2023 Budget Policy Statement, the County is expected to receive KSh 4373.7 million as Equitable Share and KSh 938.42 million from the Loans and Conditional Grants allocation. The County Own Revenue Sources are estimated to be KSh 400 million which will be achieved through improved administration and supervision and expanding the tax base. In the medium term, 76.57 per cent of the county revenues will be financed by the equitable share, 16.43 per cent from loans and conditional grants and 7.0 per cent from County Own Revenue Sources.

Table 4: County Government Revenue Trend

Financial Year	2021/22 Actual	2022/23 Approved Estimates	2023/24 Proposed Estimates	2024/25 Projected Estimates	2025/26 Projected Estimates	2026/27 Projected Estimates	% of 2023/24 Total
Equitable Share	3,877,062,704	4,214,198,393	4,373,718,225	4,592,404,136	4,822,024,343	5,063,125,560	76.57%
Loans and grants	274,855,098	925,784,930	938,426,718	985,348,054	1,034,615,457	1,086,346,229	16.43%
Own Source Revenue	254,745,602	350,000,000	400,000,000	420,000,000	441,000,000	463,050,000	7.00%
Other Receipts	345,640,185	-	-	-	-	-	0.00%
Total	**4,752,303,589**	**5,489,983,323**	**5,712,144,943**	**5,997,752,190**	**6,297,639,800**	**6,612,521,790**	**100.00%**

Table 5: County Government Revenue Sources by Type

Financial Year	2021/22 Actual Expenditure	2022/23 Approved Budget Estimates	2023/24 Proposed Estimates	2024/25 Projected Estimates	2025/26 Projected Estimates	% Total 2022/23
Equitable Share	3,877,062,704	4,214,198,393	4,373,718,225	4,592,404,136	4,822,024,343	76.57%
World Bank - Transforming Health Systems	32,039,102	-	-	-	-	0.00%
DANIDA	4,347,750	5,695,500	2,847,750	2,990,138	3,139,644	0.05%
ASDSP – Sweden	5,500,000	16,230,461	3,285,670	3,449,954	3,622,451	0.06%
Kenya Climate Smart Agriculture (KCSAP)	222,650,265	350,000,000	122,000,000	128,100,000	134,505,000	2.14%
National Agricultural Value Chain Development Project (NAVCDP	-	-	115,000,000	120,750,000	126,787,500	2.01%
Kenya Informal Settlement Programme	-	20,000,000	120,000,000	126,000,000	132,300,000	2.10%
Emergency Locust Response Project (ELRP)	10,317,981	45,730,460	137,655,000	144,537,750	151,764,638	2.41%
Aquaculture Business Development Project (ABDP)	-	15,000,000	15,000,000	15,750,000	16,537,500	0.26%
Financing Locally- Led Climate Action (FLLoCA) -CCRI/CCIS		22,000,000	136,000,000	142,800,000	149,940,000	2.38%
Supplement Construction County HQ		76,000,000	76,000,000	79,800,000	83,790,000	1.33%
Leasing Medical Equipment		153,297,872	110,638,298	116,170,213	121,978,724	1.94%
Aggregated Industrial Parks Programme			100,000,000	105,000,000	110,250,000	1.75%
Other Loans and Grants	-	221,830,637	-	-	-	0.00%
Own Source Revenue	239,381,562	350,000,000	400,000,000	420,000,000	441,000,000	7.00%
Other receipts	345,640,185	-	-	-	-	0.00%
Total	**4,736,939,549**	**5,489,983,323**	**5,712,144,943**	**5,997,752,190**	**6,297,639,800**	**100.00%**

The chart below shows the actual revenue sources for FY 2021/22, Estimates for FY 2022/2023, and the projected revenue for FY 2023/24 & FY 2024/25.

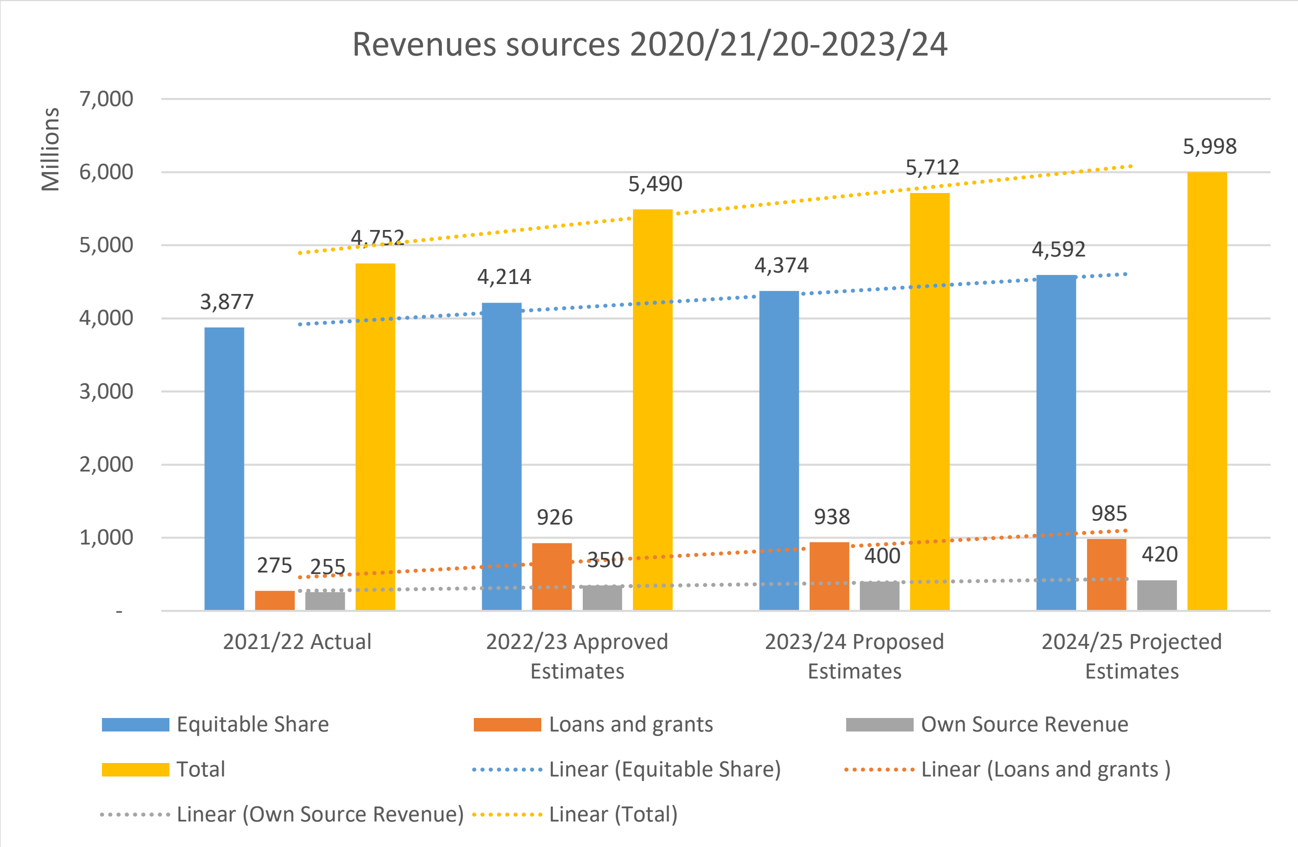


Figure 4: County Revenue Trends by Source

3.4.2 Expenditure Projections

From table, the total expenditure for the FY 2023/24 is expected to be at KSh 5,712.14 million which is slightly higher than the budgeted total expenditure for the FY 2022/23 of KSh 5489.98 million. The increase is due to expected increase in equitable share and own source revenue.

Table 6: Estimates vs Actual Expenditure FY 2019/20- 2023/24

FINANCIAL YEAR	2019/20 Actual Expenditure	2020/21 Actual Expenditure	2021/22 Actual Expenditure	2022/23 Approved Estimates	2023/24 Proposed Estimates
Estimates	5,119,073,806	5,857,834,974	5,911,260,701	5,489,983,323	5,712,144,943
Actual	4,479,989,745	5,554,449,574	4,736,939,549	0	-
Deviation	639,084,061	303,385,400	1,174,321,152	-	-

.

Table 7: County Government Fiscal Projections FY 2023/24 MTEF

	2021/22 FY	2022/23 FY	2023/24 FY	2023/24 FY	2023/24 FY	2024/25 FY	2024/25 FY	2025/26 FY
Particulars	**Actual Expenditure**	**Approved Budget Estimates**	**Projections CFSP 2022**	**Proposed CFSP 2023**	**CBROP 2022 Proposed**	**CFSP 2023 Projections**	**CBROP 2022 Projected**	**CFSP 2023 Projections**
TOTAL REVENUE & GRANTS	4,736,939,549	5,489,983,323	5,682,408,313	5,712,144,943	5,614,908,313	5,997,752,190	5,895,653,729	6,297,639,800
Other Receipts	345,640,185	-	-	-	-	-	-	-
Revenue (Total)	**4,391,299,364**	**5,489,983,323**	**5,682,408,313**	**5,712,144,943**	**5,614,908,313**	**5,997,752,190**	**5,895,653,729**	**6,297,639,800**
Equitable Share Allocation	3,877,062,704	4,214,198,393	4,424,908,313	4,373,718,225	4,424,908,313	4,592,404,136	4,646,153,729	4,822,024,343
Local Revenue	239,381,562	350,000,000	367,500,000	400,000,000	300,000,000	420,000,000	315,000,000	441,000,000
Grant income	274,855,098	925,784,930	890,000,000	938,426,718	890,000,000	985,348,054	934,500,000	1,034,615,457
Subtotal	**4,391,299,364**	**5,489,983,323**	**5,682,408,313**	**5,712,144,943**	**5,614,908,313**	**5,997,752,190**	**5,895,653,729**	**6,297,639,800**
Total Expenditure	**4,736,939,549**	**5,489,983,323**	**5,682,408,313**	**5,712,144,943**	**5,614,908,313**	**5,997,752,190**	**5,895,653,729**	**6,297,639,800**
Recurrent	3,529,051,532	3,672,581,364	3,822,266,713	3,753,960,975	3,764,087,330	3,999,273,949	3,952,291,697	4,245,856,391
Recurrent as % of CG Total Revenue	*80%*	*67%*	*67%*	*66%*	*67%*	*67%*	*67%*	*67%*
Personnel Emolument	2,105,920,482	2,155,622,424	2,379,562,899	2,386,579,000	2,305,943,953	2,499,562,930	2,421,241,151	2,587,885,800
Operations & Maintenance	1,423,131,050	1,516,958,940	1,442,703,814	1,367,381,975	1,458,143,377	1,499,711,019	1,531,050,546	1,657,970,591
Personnel Emoluments as % of CG Revenue	*48%*	*39%*	*42%*	*42%*	*41%*	*42%*	*41%*	*41%*
Development	1,023,906,323	1,817,401,959	1,860,141,600	1,958,183,968	1,850,820,983	1,998,478,241	1,943,362,032	2,051,783,409
Development as % of CG Total Revenue	*23%*	*33%*	*33%*	*34%*	*33%*	*33%*	*33%*	*33%*
Unspent Bal Current FY	183,981,694							

From table 7, the total revenues for the FY 2022/23 are estimated to be KSh 5,489.98 million comprising some equitable allocations of KSh 4214.20 million, conditional grants Ksh 925.78 million and KSh 350 million as own source revenues. Further KSh 183.98 million as exchequer balances relating to the FY 2021/22 that were not captured in the original estimates have been included in the supplementary budget estimates. In the FY 2023/24 the total revenues are expected to increase to KSh 5,712.14 million. The fiscal projections indicate that the Equitable Share will increase to KSh 4,373.72 million in FY 2023/24 million and KSh 4,592.4 million in the FY 2024/25. Similarly, the County own source revenues are projected to be KSh 400 million and KSh 420 million over the same period. The projected recurrent expenditure for FY 2023/24 is KSH 3,743.96 million representing 66 per cent of the County Government total revenue, while KSh 1,968.18 million will be utilized for development expenditure which is 34 per cent of the total revenue.

3.4.3 Recurrent Expenditure Forecasts

The recurrent expenditure by economic classification is presented in table 8.

Table 8: Expenditure by Economic Classifications - FY 2021/22-2024/25 MTEF

Particulars	**2021/22 FY Actual Expenditure**	**2022/23 FY Approved Budget Estimates**	**2023/24 FY Projections**	**2023/24 FY Projections**	**2024/25 FY Projections**
Total Expenditure	**4,736,939,549**	**5,489,983,323**	**5,712,144,943**	**5,997,752,190**	**6,297,639,800**
Recurrent	3,529,051,532	3,672,581,364	3,753,960,975	3,999,273,949	4,245,856,391
Personnel Emolument	2,105,920,482	2,155,622,424	2,386,579,000	2,499,562,930	2,587,885,800
Operations & Maintenance	1,423,131,050	1,516,958,940	1,367,381,975	1,499,711,019	1,657,970,591
Recurrent as % of CG Total Expenditure	74.50%	66.90%	65.72%	66.68%	67.42%
Personnel Emoluments as % of CG Expenditure	44.46%	39.26%	41.78%	41.67%	41.09%
O&M as % of CG Expenditure	30.04%	27.63%	23.94%	25.00%	26.33%

Expenditure by economic classification is also presented in the following graph.

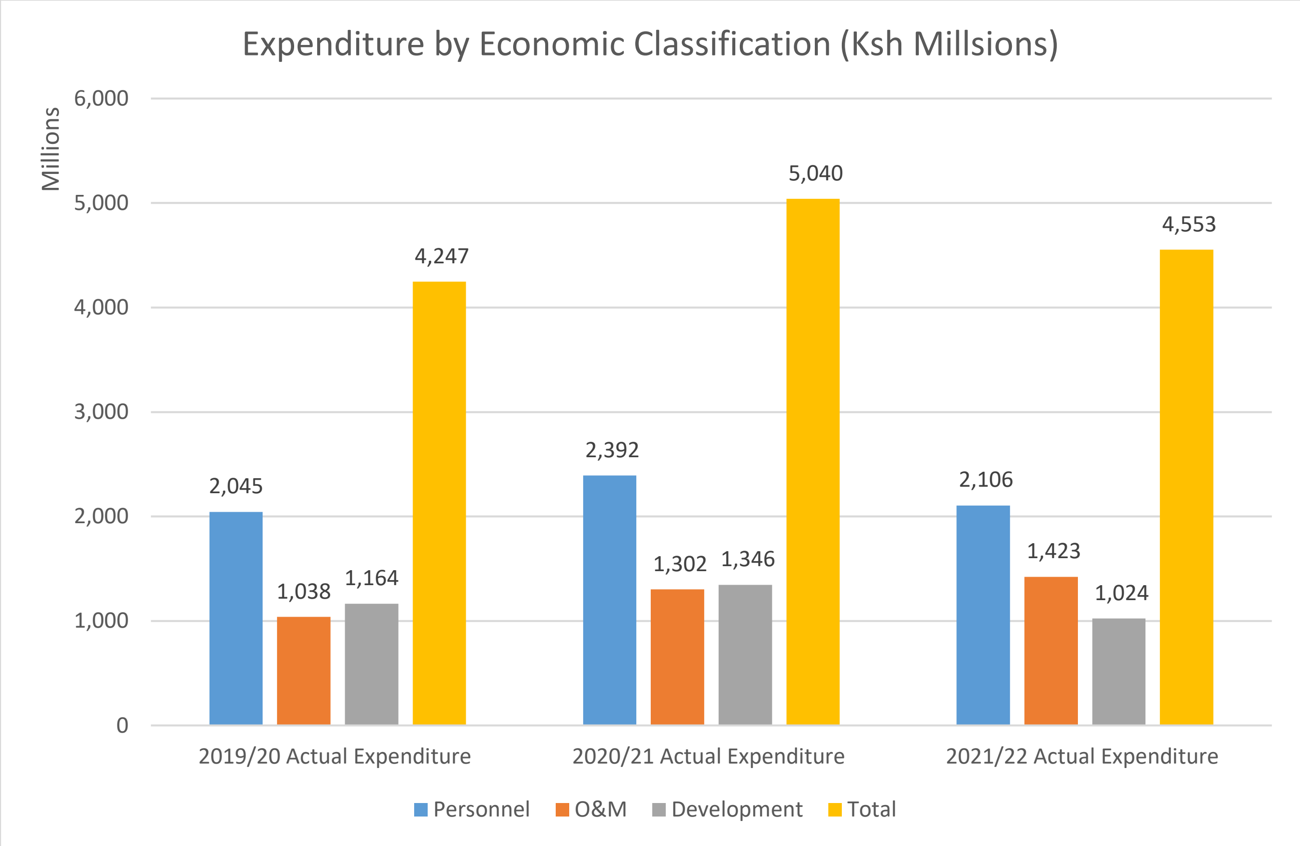


Figure 5: Actual Expenditure by Economic Classifications from FY 2019/20 – FY 2021/22

3.4.4 Development and Net Lending

The development expenditure allocation for FY 2023/24 is proposed to be KSh 1,958.18 million which represents 34 per cent of the total County resource envelope. This is above the minimum 30 per cent threshold required as per the public finance regulations and is expected to remain about 30% in the medium term. The actual for FY 2021/22, estimates for 2022/23 and projected development expenditure over the medium term are presented in Table 9.

Table 9: Actual and Projected Development Expenditure

	Actual Expenditure	**Budget Estimates**	**Projections**		
Financial Year	**2021/22 FY Actual Expenditure**	**2022/23 FY Approved Budget Estimates**	**2023/24 FY Proposed Estimates**	**2024/25 FY Projections**	**2025/26 FY Projections**
Total Expenditure	4,736,939,549	5,489,983,323	5,712,144,943	5,997,752,190	6,297,639,800
Development	1,023,906,323	1,817,401,959	1,958,183,968	1,998,478,241	2,051,783,409
Development as % of CG Total Revenue	22%	33%	34%	33%	33%

Figure 6 shows the comparison of actual, estimates and projected expenditure on development by the County Government over the period 2021/22-2025/26 financial years.

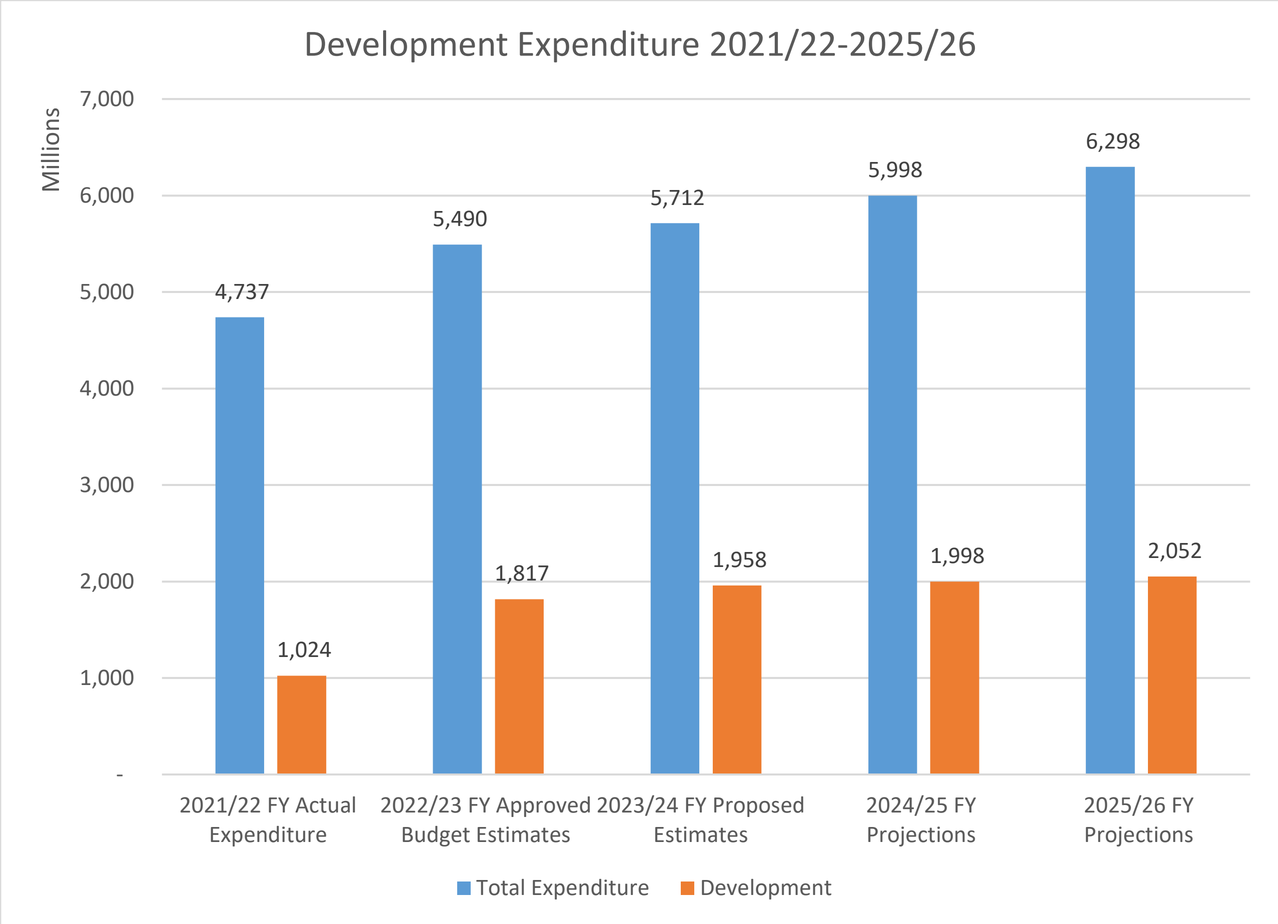


Figure 6: Actual, estimates and Projected Development Expenditure 2021/22 – 2025/26

3.4.5 Fiscal Balance and Deficit Financing

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

3.5 Summary

The 2023/2024 financial year budget will be financed through the Equitable Share allocation, County Own Revenue Sources and Loans and Conditional Grants. The main source of funding will be through the Equitable Share constituting 76.57 per cent of the total revenue sources. This will be followed by Loans and Grants with 16.43 per cent and finally, the County own sources with 7.0 per cent.

CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

4.0 Overview

The FY 2023/24 budget and the Medium-Term Budget Framework builds on the Governments effort to support economic recovery and mitigate against the adverse effects of the COVID-19 pandemic. This will be achieved through implementation of programmes supporting economic recovery and additional priority programs derived from the national priorities. These priorities include supporting agricultural production and productivity, supporting growth of Micro, Small and Medium Enterprises (MSME), job creation and enhancing social protection. In this regard, departments will be encouraged to adopt efficiency in allocation of resources through cost budgeting and reduce non-priority spending. This framework sets out the medium-term expenditure priorities and budget constraints against which sector plans can be developed and refined.

4.1 Resource Envelope

The resource envelope available for allocation among the spending County Departments is based on the prevailing medium term fiscal framework which is outlined in chapter 3. The County Government will endeavour to mobilize resources from other sources to fund its budgetary requirements in key priority areas of food security, water, and environmental programmes. Key reforms in revenue administration that have seen own source revenues triple over the last five years will be enhanced further.

For the FY 2023/2024, County Own Revenue (CORe) will finance about 7.0 per cent of the expenditure priorities in the projected budget of KSh 5,712.18 million. In the FY 2022/23, the County targets to raise KSh 350 million from its Own Revenue Sources and is projected to increase to KSh 400 million in financial year 2023/2024. This local revenue target is 52% of the county revenue potential (KSh 758.1 million) as per CRA own Source revenue potential and tax gap study. This will be achieved by ensuring improved revenue administration and expanding the tax base. The revenue streams where the county has room to collect more revenue include property rates (KSh 35 million), plan approval rates (KSh 27 million), advertisement rates (KSh 35 million), agricultural transportation rates (KSh 59 million), hospital fees rates (KSh 294 million), technical services rates (KSh 28 million) and administrative fees rates (KSh 33 million). Equitable Share from national Government will account for 78.1 per cent of total budget resources while Loans and Conditional Grants will be 14.6 per cent.

Table 10: Resource Envelope for FY 2021/22-2023/24

Details	2021/22 FY Actual Expenditure	2022/23 FY Approved Budget Estimates	2023/24 FY Projections	% 2023/24 Total
Equitable share	4,222,702,889	4,214,198,393	4,373,718,225	76.6%
Grants	274,855,098	925,784,930	938,426,718	16.4%
Own Source revenue	239,381,562	350,000,000	400,000,000	7.0%
TOTAL	**4,736,939,549**	**5,489,983,323**	**5,712,144,943**	100.0%

4.2 Spending Priorities

4.2.1 Details of Sector Priorities

The Agriculture and Rural Development sector is the backbone of the economy, contributing approximately 35 percent of Kenya's Gross Domestic Product (GDP) and approximately 63 per cent towards the gross county product. The sector employs more than 40 percent of the total population and 70 percent of the rural population. The interventions in this thematic area are aimed at increasing agricultural production, value addition and market access.

In the FY 2023/24-2025/26 MTEF period, the sector's main priority will be on increasing agricultural production and productivity. This will be achieved through various strategic intervention, with the following priorities being implemented in the FY 2023/24. The sector has been allocated a total of KSh. 723.53 million with KSh. 210.59 million as recurrent expenditures and KSh. 512.94 million as development expenditure. The agriculture sub-sector has been allocated KSh. 591.08 million which will be used to finance Emergency Locust Response Project (ELRP) with KSh. 137.6 million, National Agricultural Value Chain Development Project (NAVCDP) at a cost of KSh. 115 million, Kenya Climate Smart Agriculture (KCSAP) to cost KSh. 122Million among other projects. The Livestock and Fisheries sub-sector has been allocated KSh. 129.44 million for the FY 2023/24 to finance both development and recurrent expenditures.

Health is a critical factor to economic growth and development. Improving the health of a nation's citizens can directly result in economic growth, because there will be more people able to conduct effective activities in the workforce. To improve on the health of our county, the sector has been allocated KShs 1,985.13 million, comprising of Kshs 1,804.5 million as recurrent and KSh 180.64 million as development. This total allocation accounts for 35% of the total county budget allocations for the FY 2023/24. The medical services sub-sector has been allocated 1,517.64 for recurrent expenditure and KSh.70 million for development expenditure totalling to 1,587.64 million. The public health and sanitation sub-sector has been allocated 397.85 million to cater for both recurrent and development expenses.

The environment and Water sector has been allocated KSh 345 million towards funding different projects and programs in the FY 2023.24. Out of this amount Ksh 90 million will be utilise for recurrent expenditure and KSh 255 million for development expenditure. The key programs to be undertaken include domestic water supply. Support to smallholder community irrigation projects and water harvesting and storage ground water exploitation. Under the environment and natural resources sub sector the county will focus on addressing climate change issues and environment management and conservation.

Basically, education promotes employment, earnings, health, and poverty reduction. Globally, there is a 9% increase in hourly earnings for every extra year of schooling. For societies, it drives long-term economic growth, spurs innovation, strengthens institutions, and fosters social cohesion. Education is one core factor to be considered for a society's growth and general development of an area. Tharaka Nithi County recognizes the importance of education to its children and to the society. In the FY 2023/24, the sector has been allocated a total budget of KSh 404.16 million which comprises of KSh 289.16 million for recurrent expenditure and KSh 115 million for development expenditure. The education sub-sector has been allocated KSh 284.65 million, youth and sports sub-sector KShs.66.42 million, culture and tourism sub-sector KSh 27.1 million and the Gender, children, and social services sub-sector KSh. 26 million.

The public administration sector is a fundamental pillar of the County service delivery framework. It provides overall County leadership, oversight, and policy direction; prudent public finance management for transparency and accountability; coordinates County and Sectoral development planning; management of population policy; ensures effective and efficient County public service through staff capacity building, as well as the development of a sound legislative and regulatory framework. In the FY 2023/24 the sector will focus on Sub County and ward office improvement, pay sector pending bills and Establish disaster rescue centres. The sector has been allocated of KSh 971.08 million comprising KSh139.26 million allocated to the Office of the Governor, Kshs.135.9 million for Public Administration and Devolution Affairs, KSh 161.52 million allocated to the Finance and Economic Planning KSh 504 million for the County Assembly and KSh 30.33 million for the County Public Service Board.

The General Economic and Commercial Affairs (GECA) Key objective for the MTEF Period 2023/24 – 2025/26 is to support the growth MSME. Some of the initiatives to be employed include enhance market access and value addition; improving the business environment, access to affordable finance and markets for MSMEs; aggregate farmers and MSMEs, through cooperatives and SACCOs and promote the growth of the tourism sector.

For Medium, Small and Micro Enterprises (MSMEs) the sector has prioritized value addition, Innovation & Incubation for MSME; Annual market fumigation, purchase of weight and measures; Creation of business hubs; create employment opportunities through Jua kali skills development; enhance market access for MSMEs through creation of market linkages; Provide business advisory services to SMEs; provide Credit facilities to Women, Youth and PWDs Fund; capacity building for MSMES including access to modern management practices.

Tourism Development and Promotion subsector has prioritized; Establishment and management of County Tourism Information Centres and Integrated Systems; Establishment of amenities at priority attraction sites; Branding of tourism sites; Development of Tharaka-Nithi County Guide; Hold exhibitions annually and design and production of documentaries, brochures, and flyers. To implement these programmes, the Sector has been allocated KShs. 353.8 million. This comprises of Ksh.175.87 million for recurrent expenditure and KShs. 178.00 for development expenditures for the same period.

Facilitative infrastructure is essential for a meaningful economic development and therefore it is a major priority. To ensure effective road network to spur economic growth, the County government will prioritize low volume seal tarmacking, gravelling, muramming, grading, opening, expansion and maintenance of new roads, construction of bridges and acquire/ maintain heavy earth moving equipment. To create conducive business environment, the county government will also focus on building modern markets, expanding markets, and improving market infrastructure. Modern ICT Equipment, automating government services, connecting facilities and households to national grid, and promoting use of alternative energy resources and efficient energy technologies is also a key strategy to enhance livelihood.
In FY 2023/24, the County Government will commit KSH 775.6 million towards infrastructure and ICT, with 225.0 being for recurrent and 550.6 for development. Physical planning and housing sector has been allocated KSH 153.2 million of which KSH 57.2 is for recurrent and KSH 96.0 million for development in FY 2023/24. This will help in ensuring completion of County spatial plan, continued construction of the county headquarters offices, physical planning services, completion of ongoing Adjudication Sections, planning and survey of major towns and completion of ongoing and roads survey and mapping.

4.2.2 Criteria for Resource Allocation

The following criteria guided the allocation of resources within the county entities for FY 2023/24 and over the medium term:

i. Linkage of the programme with the priorities of County Integrated Development Plan III and the Medium-Term Plan IV of the Vision 2030.
ii. Extent to which the programme seeks to address viable stalled projects and verified pending bills.
iii. Degree to which a programme addresses the core mandate of the unit,
iv. Cost effectiveness and sustainability of the programme.
v. Requirements for furtherance and implementation of the fiscal responsibility principles; and
vi. Linkage of programmes that support National Agenda.

4.2.3 Sectoral Ceilings

The baseline estimates reflect the current departmental spending levels in sector programmes.

a. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of pending bills, salaries, and pensions.
b. Development expenditures have been allocated based on the county priorities. The following criteria was used in apportioning capital budget:
    i. On-going projects: emphasis was given to completion of on-going capital projects and in particular infrastructure projects with high impact economic growth.
    ii. Counterpart funds: priority was also given to adequate allocations for donor counterpart funds which is the portion that the government must finance in support of the projects financed by loans and grants.
    iii. Strategic policy interventions: further priority was given to policy interventions covering the entire county and established county funds.

4.3 Medium Term Expenditure Estimates

The summary of indicative departmental ceilings for FY 2023/24 is as indicated in table 11 and informs the Sector Ceilings for FY 2023/24 and MTEF as shown in table 12 below.

Table 11: Departmental Ceilings

Department	**PE**	**O&M**	**Grants - Rec**	**Total Rec**	**Ord. Dev**	**Grants - Dev**	**Total Dev**	**Grand Total**
Agriculture and Crop Production	96,177,840	26,964,500	-	123,142,340	90,000,000	377,940,670	467,940,670	591,083,010
Livestock and Veterinary Development	55,091,264	17,852,191	-	72,943,455	20,000,000	-	20,000,000	92,943,455
Fisheries and Ecosystem management	10,500,000	3,500,000		14,000,000	10,000,000	15,000,000	25,000,000	39,000,000
County Assembly	-	459,000,000	-	459,000,000	60,000,000		60,000,000	519,000,000
County Public Service Board	16,933,400	13,400,000	-	30,333,400	-	-	-	30,333,400
Office of Governor and Deputy Governor	56,015,000	78,260,700		134,275,700	-	-	-	134,275,700
Public Administration and Devolution Affairs	97,604,300	28,350,000	-	125,954,300	10,000,000	-	10,000,000	135,954,300
Finance and Economic Planning	72,837,000	83,682,900	-	156,519,900	-	-	-	156,519,900
Education and Vocational Training	152,944,800	46,701,700	-	199,646,500	85,000,000	-	85,000,000	284,646,500
Gender, children, and Social Services	17,500,000	8,500,000		26,000,000	-		-	26,000,000
Culture and Tourism	17,600,000	9,500,000		27,100,000	-		-	27,100,000
Youth and Sports	24,870,800	11,548,000	-	36,418,800	30,000,000	-	30,000,000	66,418,800
Lands and Physical planning	45,058,000	12,188,700	-	57,246,700	20,000,000	76,000,000	96,000,000	153,246,700
Medical Services	1,219,799,066	292,839,134		1,512,638,200	70,000,000	-	70,000,000	1,582,638,200
Public Health and Sanitation	243,523,400	40,481,000	2,847,750	286,852,150	-	110,638,298	110,638,298	397,490,448
Information Communication Technology	18,600,500	22,000,000		40,600,500	-	-	-	40,600,500
Roads and Public Works	48,439,400	115,985,000	20,000,000	184,424,400	450,605,000	100,000,000	550,605,000	735,029,400
Revenue and Resource Mobilization	95,039,000	20,000,000		115,039,000	10,000,000		10,000,000	125,039,000
Trade, investment promotion, Energy, and Industry	44,101,480	16,730,400	-	60,831,880	68,000,000	100,000,000	168,000,000	228,831,880
Water Services and Irrigation	35,243,750	16,750,000	-	51,993,750	100,000,000	-	100,000,000	151,993,750
Environment and Natural resources	18,700,000	9,300,000	11,000,000	39,000,000	30,000,000	125,000,000	155,000,000	194,000,000
Total	**2,386,579,000**	**1,333,534,225**	**33,847,750**	**3,753,960,975**	**1,053,605,000**	**904,578,968**	**1,958,183,968**	**5,712,144,943**

Table 12: 2023/24 Sector Ceilings

Sector	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Health Services	1,463,322,466	333,320,134	2,847,750	1,799,490,350	70,000,000	110,638,298	180,638,298	1,980,128,648
Public Administration	243,389,700	662,693,600	-	906,083,300	70,000,000	-	70,000,000	976,083,300
Infrastructure and ICT	67,039,900	137,985,000	20,000,000	225,024,900	450,605,000	100,000,000	550,605,000	775,629,900
Agriculture and Livestock Development	161,769,104	48,316,691	-	210,085,795	120,000,000	392,940,670	512,940,670	723,026,465
Education and Social Services	212,915,600	76,249,700	-	289,165,300	115,000,000	-	115,000,000	404,165,300
Water, Environment and Natural Resources	53,943,750	26,050,000	11,000,000	90,993,750	130,000,000	125,000,000	255,000,000	345,993,750
General Economic and Commercial Affairs	139,140,480	36,730,400	-	175,870,880	78,000,000	100,000,000	178,000,000	353,870,880
Lands, Physical planning, and Urban Development	45,058,000	12,188,700	-	57,246,700	20,000,000	76,000,000	96,000,000	153,246,700
Total	**2,386,579,000**	**1,333,534,225**	**33,847,750**	**3,753,960,975**	**1,053,605,000**	**904,578,968**	**1,958,183,968**	**5,712,144,943**

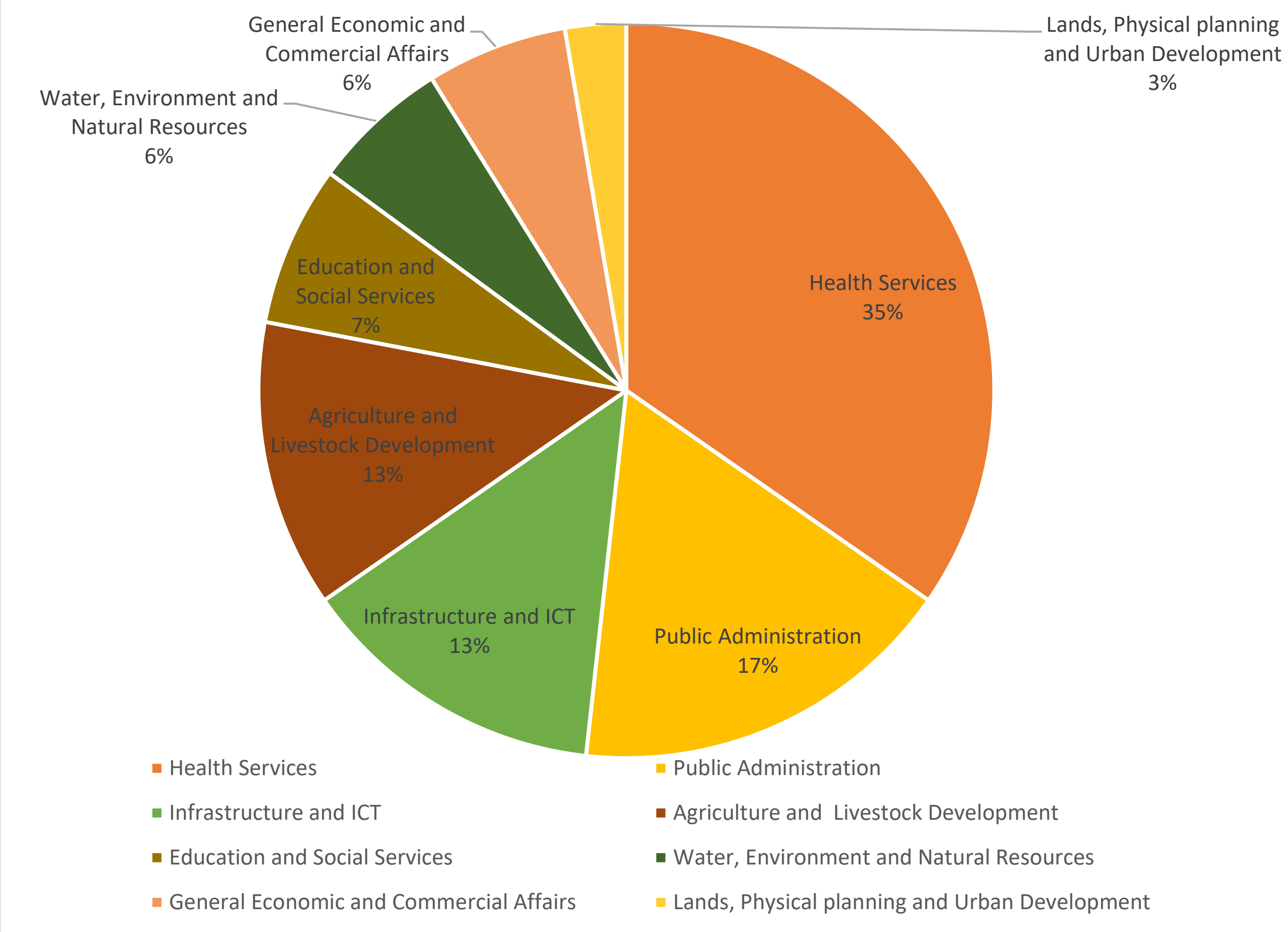


Figure 7: Pie Chart Presentation of Sector Allocation % of Total Expenditure

The overall expenditure and allocations in terms of percentages as per the sectors in this CFSP is well indicated in the above pie chart. The top five sectors in terms of allocation are health which takes the biggest share at (34.7%) followed by public administration, 17%, infrastructure and ICT (13.6%) and Agriculture sector (12.7%) and.

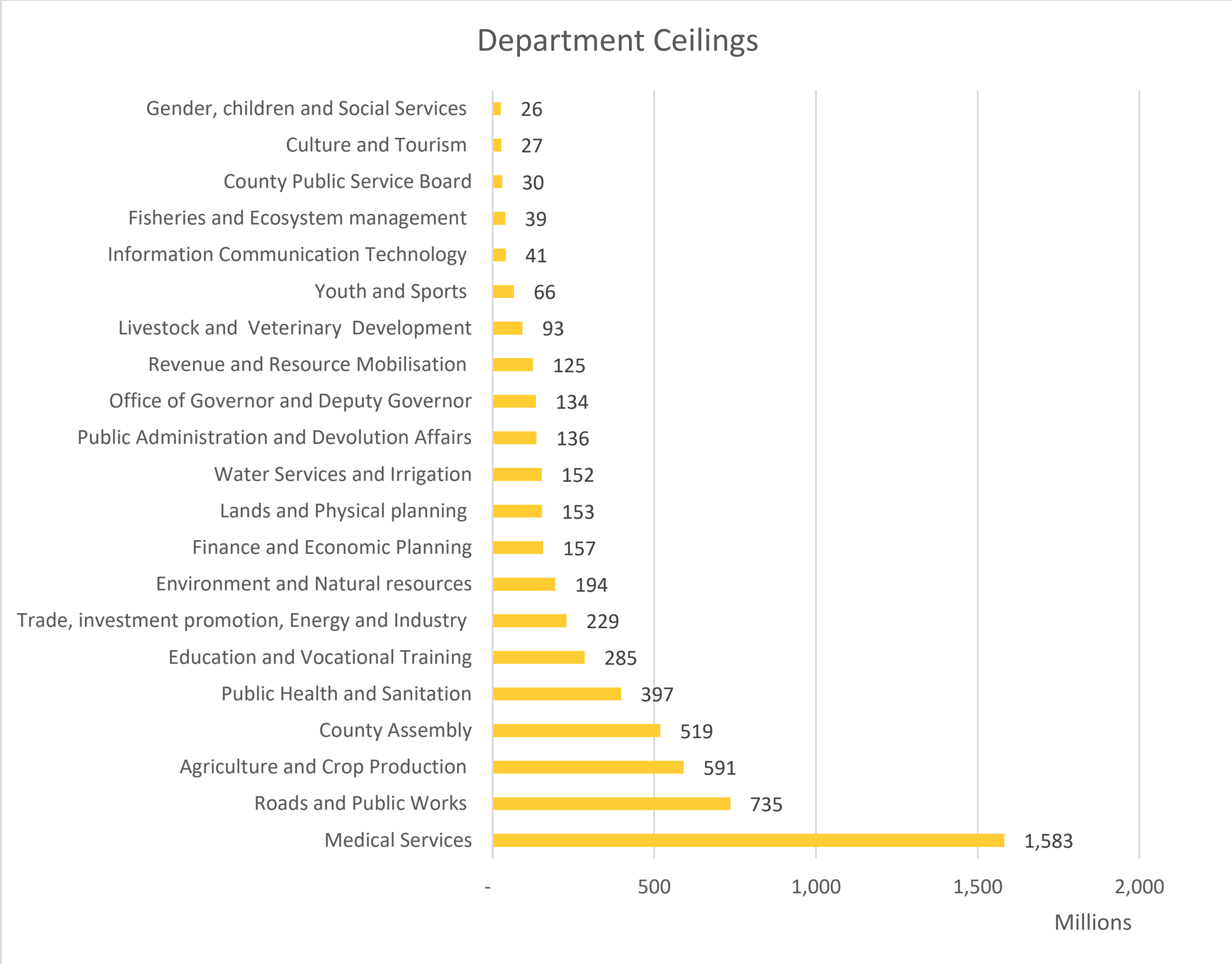


Figure 8 : Graphical Presentation of the departmental Allocations

CHAPTER FIVE: CONCLUSION AND NEXT STEPS

The overall expenditure in this CFSP as outlined in MTEF framework has grown moderately considering the minimal growth in the annual revenues. The critical sectors and programs will continue to receive a significant share of resources as well as capital investments as contributions to the growth objectives. The CFSP 2023 has detailed the set of fiscal policies that are aimed accelerating post COVID Recovery and the need to complete ongoing projects in addition to the fiscal responsibility principles entrenched in the PFM Act, 2012. The overall strategy is consistent with the national strategic objectives that will accelerate economic recovery to improve livelihoods.

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

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthen the County 's capacity to deliver services to its residents. Monitoring and evaluation will involve the tracking of activities, tracking of budget usage, the assessment of performance and putting in place strategies and actions for the attainment of results. Proper implementation of the budget is critical towards providing services that will promote sustainable development. Sustainability requires greater effort from all the stakeholders including County Government departments, sector working groups, civil societies, communities, County Assembly, and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.