

# COUNTY GOVERNMENT OF SAMBURU



DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND ICT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2023

# THE REPUBLIC OF KENYA



## COUNTY GOVERNMENT OF SAMBURU DEPARTMENT OF FINANCE, ECONOMIC PLANNING AND ICT (COUNTY TREASURY)

*Email:* [finance@samburu.go.ke](mailto:finance@samburu.go.ke)  
[info@samburu.go.ke](mailto:info@samburu.go.ke)

P.O. Box 3 – 20600  
MARALAL

**Ref:** SCG/ Budget/42/2023

**Date:** 4<sup>th</sup> October, 2023

Clerk of County Assembly,  
Samburu County,  
P.O. Box 3-20600,  
Maralal.

Dear Sir,

### **COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2023**

The Public Finance Management Act section 118 states that, “the County Treasury shall prepare and submit the above document to the County Executive Committee for approval, by 30<sup>th</sup> September in each financial year.” The section further requires that, “not later than seven days after the C-BROP has been approved by County Executive Committee, the County Treasury shall arrange for the Paper to be laid before the County Assembly.

In compliance with the Law, the document was submitted to the County Executive Committee for discussion and approval. I therefore formally forward to you the approved document.



**Hon. Silvana Kaparo**  
**CECM - Finance, Economic Planning and ICT**

*Copy:*

- ✓ H.E. The Governor  
Samburu County

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## **Abbreviations and Acronyms**

ASDSP	Agricultural Sector Development Support Programme
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
COVID 19	<i>Coronavirus</i> Disease 2019
ECDE	Early Childhood Development Education
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information Communication Technology
KSH	Kenya Shillings
MPC	Monetary Policy Committee
MTEF	Medium Term Expenditure Framework
NSE	Nairobi Securities Exchange
PFM	Public Financial Management
SDGs	Sustainable Development Goals
USD	United States Dollar

## Foreward

The County's Budget Review and Outlook Paper (CBROP) is both a backward and forward-looking policy paper that captures three key elements. These are the review of budget performance from the most recent financial year, updated expectations for key economic indicators and implications for budget performance in the current year and upcoming year and proposed sector distribution of the budget for the coming financial year. Section 118 of the Public Finance Management Act requires the County Treasury to prepare the CBROP for every financial year, specifying the details of the actual fiscal performance in the previous year update the economic and fiscal forecasts and provide information on how the county adhered with the financial objectives and the fiscal responsibility principles.

In the FY 2022/23, the county achieved 99% i.e. Ksh. 6.979 billion of the Ksh. 6.925 billion targeted revenues. This was contributed by receipt of funds from conditional grants that were not initially budgeted in the period. On the own source revenue, the stream had Ksh. 226 million against the budget of Ksh. 240 million.

Total expenditures in F/Y 2022/2023 amounted to Ksh.6.43 billion against a target of Ksh. 6.92 billion. The under absorption was observed in the recurrent Ksh. 302 million and Ksh. 236 million for development. The negative overall fiscal balance was contributed by the underperformance of own source revenues and by the late release of the June equitable share allocation which could not be fully utilized due to year end procedures.

In the medium term, the County will implement revenue reforms, together with embracing strict financial discipline to ensure the budgets are fully implemented. Revenue projections depict a growth to Ksh. 7.3 billion and Ksh. 7.4 billion in the FY 2024/2025 and 2025/2026 respectively. This will be in tandem with a similar projected expenditure to ensure a balanced budget.



Hon. Silvana Kaparo

**CECM – FINANCE, ECONOMIC PLANNING AND ICT**



## Acknowledgment

The CBROP 2023 has been prepared in accordance with the PFM Act, 2012 and the PFM (County) Regulations, 2015. The preparation of the 2023 CBROP was a collaborative effort of all the County Government Departments and Entities, with stakeholders drawn from all sectors, Departments and agencies. The whole process was guided by the County Treasury and could not have been accomplished without the commitment, dedication, sacrifice and determination of all the members of the Macro Working Group.

Special appreciation is hereby extended to the County Executive Committee Member for Finance Economic Planning and ICT who played a key role in guiding and providing overall leadership for the preparation of this Paper. Additionally, special recognition goes to all Chief Officers and Secretary to the County Public Service Board for leading their staff in providing information and real time data towards preparation of this document. The Finance, Economic Planning and ICT department played a critical role in steering the process and providing technical assistance to departments and Entities which allowed for the timely provision of data and inputs used to compile the CBROP 2023.

The finalization of this document was made possible with the inputs from the Departmental SWGs. Recognition is accorded to the Officers in the Finance, Economic Planning and ICT

Directorate including the Head of Accounting Unit, Directorate of Internal Audit, Directorate of Revenue, Directorate of Budget and Directorate of Economic Planning specifically the Budget Unit for execution of this task.

Finally, I take this opportunity to thank the entire staff of the County Treasury for their tireless effort in executing their duties in the County Government.

  
Solomon Letirok  
**CHIEF OFFICER, FINANCE**





## **Legal Basis for the Publication of the Budget Review and Outlook Paper**

The CBROP is prepared per Section 118 of the PFM Act, 2012.

The law states that:

- 1) The County Treasury shall prepare and submit to the County Executive Committee for approval, by 30th September in each financial year, a CBROP which shall include;
  - a) Actual fiscal performance in the previous financial year compared to the budget appropriation for that year.
  - b) Updated macro-economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent CFSP.
  - 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 CFSP; 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) The County Executive Committee shall consider the CBROP to approve 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 County Executive Committee, the County Treasury shall:
  - a) Arrange for the Paper to be laid before the County Assembly; and
  - b) As soon as practicable after having done so, publish and publicize the Paper.



**The Fiscal Responsibility Principles laid out in section 107 of the PFM Act 2012 includes;**

- (1) A County Treasury shall manage its public finances per the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- (2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:
  - (a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
  - (b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
  - (c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for finance in regulations and approved by the County Assembly;
  - (d) over the medium term, the government's borrowings shall be used only for financing development expenditure and not for recurrent expenditure;
  - (e) the county debt shall be maintained at a sustainable level as approved by county assembly;
  - (f) the fiscal risks shall be managed prudently; and
  - (g) a reasonable degree of predictability 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.
- (3) For subsection (2) (d), short-term borrowing shall be restricted to the management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
- (4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.
- (5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2).



## **SECTION ONE: Introduction**

1. The objective of the CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper (CFSP). This together with updated macroeconomic outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the next budget and the medium term.
2. The CBROP is a key document in linking policy, planning and budgeting. This year's CBROP is embedded on the priorities of the county government while taking on board emerging challenges while implementing the devolved system of government. This CBROP, therefore, continues implementation of the development agenda in the following areas of creating conducive business environment; investing in agricultural transformation and food security; provision of portable water; investing in quality and accessible health care; quality education; youth and women empowerment.
3. As required by the PFM Act, 2012, the budget process emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities. This will in turn ensure that the debt situation remains sustainable and enhances continued fiscal discipline. In order to meet the resource requirements of the FY 2024/25, the County Government will continue to apply prudent measures aimed at enhancing local revenue collection and rationalizing expenditures
4. The 2023 CBROP provides sector ceilings for the F/Y 2024/25 budget and the medium term guided by the PFM Act 2012 and 2015 amendment. The Ceilings set in motion the budget preparation for the Fiscal Year 2024/25.
5. **The paper is structured into four sections which are;**
  - i) Review of County fiscal performance for the previous year i.e. FY 2022/2023- details of the actual vs. budget for the year.
  - ii) Recent economic development and outlook.
  - iii) Resource allocation framework.
  - iv) Conclusions and next step.

## SECTION TWO: Review of Fiscal Performance for the FY 2022/23

6. This section details the County’s fiscal performance for the financial year 2022/23 to the budget appropriation for the year; and implications arising from the fiscal performance for the period under review.

### Overview

7. The County’s approved budget for FY 2022/23 was Ksh 6.979 billion, comprising of Ksh 2.184 billion (31.3%) and Ksh 4.794 billion (68.7%) allocation for development and recurrent programmes respectively.
8. To finance the budget, the County expected to receive Ksh 5.37 billion as the equitable share of revenue raised nationally, Ksh 623 million as total conditional grants, generate Ksh.240 million from own sources of revenue, and a cash balance of Ksh 744 million from FY 2021/22.

### Revenue Performance

In FY 2022/23, the County received Ksh. 5.37 billion as the equitable share of the revenue raised nationally, Ksh. 582 million as conditional grants, raised Ksh 226 million as own-source revenue, and had a cash balance of Ksh. 744 million from FY 2020/21. The total funds available for budget implementation during the period amounted to Ksh. 6.924 billion as shown in Table 1, where we observe that most of the revenue streams almost attained the targets set.

**Table 1: Revenue Performance in FY 2022/23**

ITEMS	Approved 2022/23	Actual 2022/23	Difference	Approved 2023/24
<b>COUNTY GENERATED REVENUE</b>				
Land Rates	50,000,000	19,306,856	(30,693,144)	36,800,000
Single Business Permits	15,000,000	16,229,378	1,229,378	16,000,000
Total Cess Receipts	12,000,000	12,016,230	16,230	12,312,000
Game Parks/Nature Reserves Fees	120,000,000	137,125,457	17,125,457	125,983,800
Markets and Slaughter House Fees	10,000,000	3,393,400	(6,606,600)	11,000,000
Vehicle Parking Receipts/Transport	5,040,000	1,826,300	(3,213,700)	5,326,000
Wheat Cess	280,000		(280,000)	288,400
Hospital Charges	16,000,000	10,027,783	(5,972,217)	17,000,000
Liquor License	6,000,000	3,352,001	(2,647,999)	6,180,000
Various Health Departments Fees	600,000	789,353	189,353	624,000
Agricultural Machinery Services	1,615,000	19,100	(1,595,900)	1,693,400
Approval of plans and supervision	1,215,500		(1,215,500)	1,251,900
Hawker	1,800,000	1,520,887	(279,113)	1,854,000

Miscellaneous Revenue	780,000	144,000	(636,000)	803,400
Advertisement		4,030,467	4,030,467	2,400,000
Environment and conservancy		9,172,500	9,172,500	16,510,500
Recoveries		6,328,114	6,328,114	
Cooperative Audit fee		138,888	138,888	
Direct Credits		903,172	903,172	
<b>SUB-TOTAL LOCAL SOURCES</b>	<b>240,330,500</b>	<b>226,323,886</b>	(14,006,614)	<b>256,027,400</b>
<b>SUMMARY</b>			-	
<b>Revenue from Local Sources</b>	<b>240,330,500</b>	<b>226,323,886</b>	(14,006,614)	<b>256,027,400</b>
Revenue transfer from national government	5,371,346,037	5,371,346,037	-	5,594,312,489
Aggregated Industrial Parks Programme				100,000,000
Conditional Grant-Compensation for User Fee Foregone	5,235,578		(5,235,578)	
Conditional Grant-Leasing of Medical Equipment	110,638,298	110,638,298		124,723,404
DANIDA (Health support funds)	14,864,625	14,864,625	-	8,431,500
World bank loan for National agricultural and rural inclusive growth project	174,103,490	138,835,284	(35,268,206)	150,000,000
Mineral Royalties				905,740
De- Risking and Value Enhancement (DRIVE) - livestock				207,839,480
Fertilizer subsidy				12,431,664
EU Grant for instrument for devolution advice and support (Abattoir Construction)	15,626,168	15,626,168	-	
Agriculture Sector Development Support Programme (ASDSP)	25,141,706	25,141,706	-	2,793,523
Kenya Livestock Commercialization Project (KELCLOP)				37,500,000
World Bank Loan for transforming health systems for universal care project B/F	1,576,606	1,576,606	-	
Kenya Urban Support Programme (UDG and UIG)	13,069,989	13,069,989	-	
Kenya Urban Support Programme (UDG and UIG) 20-21	2,339,915	2,339,915	(0)	
Kenya Devolution Support Program (KDSP)	57,215,708	57,215,708	-	
Kenya Road Board (Fuel Levy)	11,600,000	11,600,000	-	
Agriculture Sector Development Support Programme (ASDSP) B/F	6,000,000	6,000,000	-	
DANIDA (Health support funds) B/F	5,119,125	5,119,125	-	
COVID FUND	5,500,000	5,500,000	-	
DANIDA (Health support funds) additional	3,285,000	3,285,000	-	
Balance brought forward 2021-22 for construction of Abattoir	23,060,111	23,060,111	-	
ELRP( Locust)	91,588,750	91,588,750	-	200,970,152
ELRP( Locust) b/f	35,176,647	35,176,647	-	
Balance brought forward 2022-23 - CRF	744,788,985	744,788,985	-	718,000,000
Finance Locally led Climate Action Program (FLLoCA)	22,000,000	22,000,000	-	11,000,000
<b>GRAND TOTAL</b>	<b>6,979,607,238</b>	<b>6,925,096,840</b>	<b>(54,510,398)</b>	<b>7,424,935,352</b>

*Source: County Treasury 2023*



## Overall Expenditure Review

9. During the reporting period, the county spent Ksh. 6.439 billion on development and recurrent programs. Expenditure on development programmes represented an absorption rate of 30 percent while recurrent was 70 percent.

### Expenditure by Economic Classification

10. Analysis of expenditure by economic classification indicates that Ksh. 2.2 billion was spent on employee compensation, Ksh. 2.2 billion on operations and maintenance, and Ksh.1.94 billion on development activities as shown in Table 2.

**Table 2: Summary of Expenditure by Economic Classification**

	<b>Budget</b>		<b>Actuals</b>	
Recurrent	4,794,780,850	68.7%	4,491,864,165	69.8%
Development	2,184,826,388	31.3%	1,948,076,468	30.2%
<b>Totals</b>	<b>6,979,607,238</b>		<b>6,439,940,633</b>	
Salary and Wages	2,435,940,148	34.90%	2,204,439,800	34.23%
Operation and Maintenance	2,358,840,702	33.80%	2,287,424,365	35.52%
Development	2,184,826,388	31.30%	1,948,076,468	30.25%
<b>Totals</b>	<b>6,979,607,238</b>		<b>6,439,940,633</b>	

*Source: Samburu County Treasury 2023*

### Development Expenditure

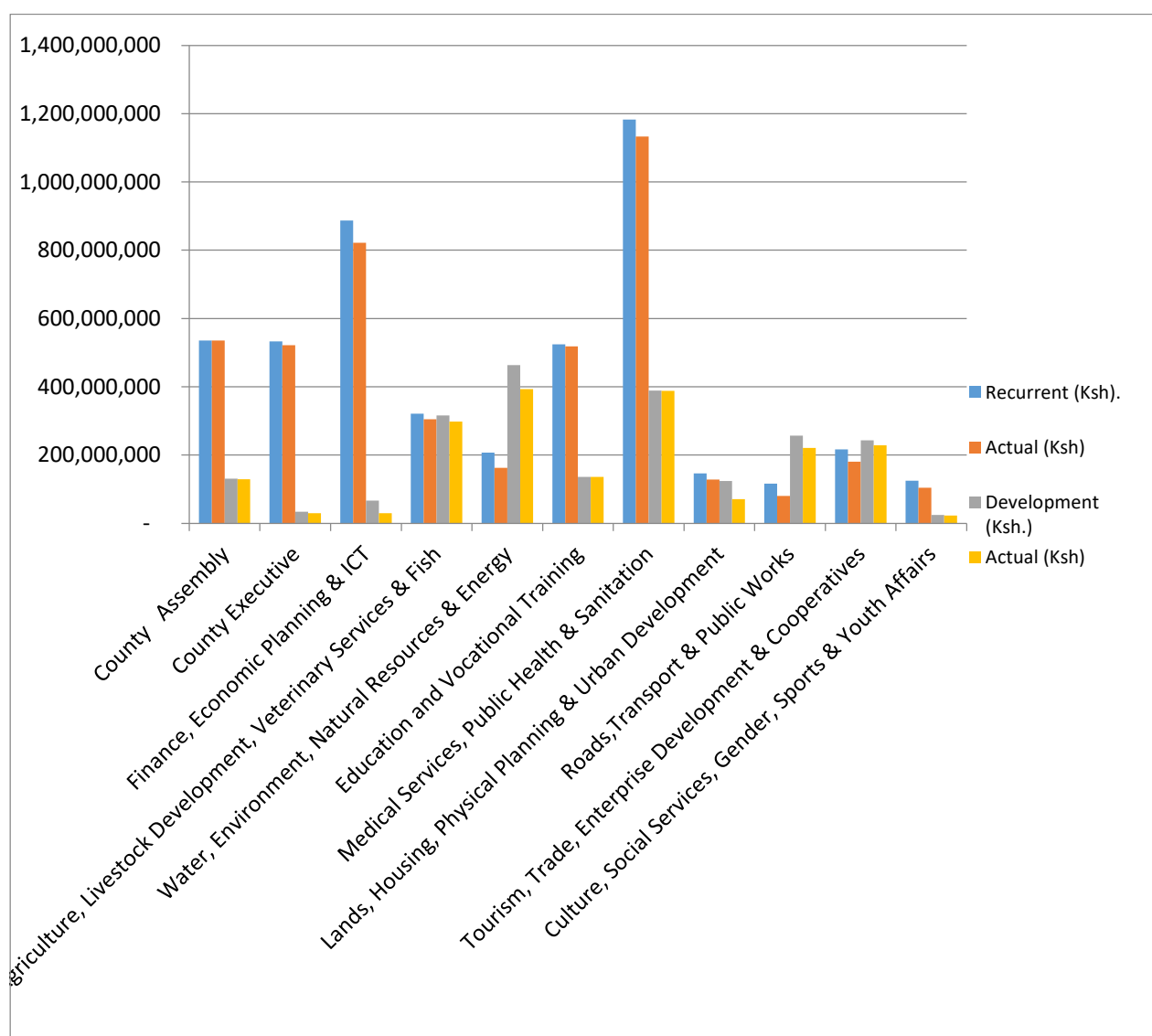
11. The County incurred an expenditure of Ksh. 1.94 billion on development programmes which is 30.2 % of the total expenditure. Table 3 provides a summary of the development and recurrent expenditures in the reporting period.

**Table 3: Approved Expenditure Vs Actual FY2022/23**

<b>DEPARTMENT</b>	<b>RECURRE NT (Ksh).</b>	<b>Actual (Ksh)</b>	<b>DEVELOP MENT (Ksh.)</b>	<b>Actual (Ksh)</b>	<b>TOTAL(Ksh)</b>	<b>Total - Actual (Ksh)</b>	Absorp tion
County Assembly	535,331,727	535,330,690	131,000,000	128,860,339	666,331,727	664,191,029	100
County Executive	532,708,983	521,844,653	33,929,036	29,701,739	566,638,019	551,546,392	97
Finance, Economic Planning & ICT	886,628,687	821,645,785	66,521,681	29,621,400	953,150,368	851,267,185	89
Agriculture, Livestock Development, Veterinary Services & Fisheries	321,510,359	305,267,147	315,687,196	298,440,010	637,197,555	603,707,157	95
Water, Environment, Natural Resources & Energy	207,206,281	162,258,695	463,671,733	393,369,742	670,878,014	555,628,437	83
Education and Vocational Training	524,165,583	518,659,688	136,370,132	136,344,018	660,535,715	655,003,706	99

Medical Services, Public Health & Sanitation	1,183,086,892	1,133,067,799	389,181,674	388,059,941	1,572,268,566	1,521,127,740	97
Lands, Housing, Physical Planning & Urban Development	146,527,018	128,734,181	123,764,548	70,889,527	270,291,566	199,623,708	74
Roads, Transport & Public Works	116,239,919	79,994,406	256,518,424	220,851,488	372,758,343	300,845,894	81
Tourism, Trade, Enterprise Development & Cooperatives	216,509,851	180,537,968	243,458,952	228,689,191	459,968,803	409,227,159	89
Culture, Social Services, Gender, Sports & Youth Affairs	124,865,550	104,523,153	24,723,012	23,249,073	149,588,562	127,772,226	85
<b>TOTAL</b>	<b>4,794,780,85</b>	<b>4,491,864,165</b>	<b>2,184,826,388</b>	<b>1,948,076,468</b>	<b>6,979,607,238</b>	<b>6,439,940,633</b>	<b>92</b>
Percentages	69	70	31	30			

Source: Samburu County Treasury 2023



Source: Samburu County Treasury 2023

**Figure 1: Approved Vs Actual Expenditure 2022/23**

**Table 4: Absorption Rates 2022-23**

DEPARTMENT	Recurrent (Ksh).	Actual (Ksh)	Budget Absorption rate	Development (Ksh.)	Actual (Ksh)	Budget Absorption rate	TOTAL(Ksh)	Total -Actual (Ksh)	Budget Absorption rate
County Assembly	535,331,727	535,330,690	100	131,000,000	128,860,339	98	666,331,727	664,191,029	100
County Executive	532,708,983	521,844,653	98	33,929,036	29,701,739	88	566,638,019	551,546,392	97
Finance, Economic Planning & ICT	886,628,687	821,645,785	93	66,521,681	29,621,400	45	953,150,368	851,267,185	89
Agriculture, Livestock Development, Veterinary Services & Fish	321,510,359	305,267,147	95	315,687,196	298,440,010	95	637,197,555	603,707,157	95
Water, Environment, Natural Resources & Energy	207,206,281	162,258,695	78	463,671,733	393,369,742	85	670,878,014	555,628,437	83
Education and Vocational Training	524,165,583	518,659,688	99	136,370,132	136,344,018	100	660,535,715	655,003,706	99
Medical Services, Public Health & Sanitation	1,183,086,892	1,133,067,799	96	389,181,674	388,059,941	100	1,572,268,566	1,521,127,740	97
Lands, Housing, Physical Planning & Urban Development	146,527,018	128,734,181	88	123,764,548	70,889,527	57	270,291,566	199,623,708	74
Roads, Transport & Public Works	116,239,919	79,994,406	69	256,518,424	220,851,488	86	372,758,343	300,845,894	81
Tourism, Trade, Enterprise Development & Cooperatives	216,509,851	180,537,968	83	243,458,952	228,689,191	94	459,968,803	409,227,159	89
Culture, Social Services, Gender, Sports & Youth Affairs	124,865,550	104,523,153	84	24,723,012	23,249,073	94	149,588,562	127,772,226	85
<b>TOTAL</b>	<b>4,794,780,850</b>	<b>4,491,864,165</b>	94	<b>2,184,826,388</b>	<b>1,948,076,468</b>	<b>89</b>	<b>6,979,607,238</b>	<b>6,439,940,633</b>	<b>92</b>

Percentages

69

70

31

30

*Source: Samburu County Treasury 2023*



## Pending Bills

12. A pending bill is an unsettled financial obligation at the end of a financial year. Pending bills arise when the County Government fails to settle invoiced amounts for goods and services properly procured and delivered, or rendered at the end of a financial year. The list of pending bills is as shown in table 5 below;

**Table 5: Pending Bills as of 30<sup>th</sup> June 2023**

	<b>Recurrent</b>	<b>Development</b>	<b>Total</b>
County Assembly	-		-
County Executive	-	27,146,375	27,146,375
Finance, Economic Planning & ICT	158,651,727	24,002,800	182,654,527
Agriculture, Livestock Development, Veterinary Services & Fisheries	2,922,787	15,480,446	18,403,233
Water, Environment, Natural Resources & Energy	15,864,147	106,757,256	122,621,403
Education and Vocational Training	-	-	-
Medical Services, Public Health & Sanitation	48,066,100	52,446,655	100,512,755
Lands, Housing, Physical Planning & Urban Development	3,780,112	33,394,400	37,174,512
Roads, Transport & Public Works	6,651,090	41,769,450	48,420,540
Tourism, Trade, Enterprise Development & Cooperatives	441,720	24,163,823	24,605,543
Culture, Social Services, Gender, Sports & Youth Affairs	-	10,536,380.00	10,536,380
<b>Total</b>	<b>236,377,683.40</b>	<b>335,697,585.35</b>	<b>572,075,268.75</b>

*Source: Samburu County Treasury 2023*

## Overall balance and financing

Reflecting on the above performance in revenue and expenditure, the County had a balanced budget. The overall absorption rate was 91%. The County did not realize **Ksh. 14,006,614** from its own source revenue and **Ksh. 40,503,784** from development partners by hence a deficit of **Ksh. 54,510,398**.

## **Fiscal Responsibility Principles**

**13.** In line with the Constitution, the PFM Act,2012, the PFM Regulations, and in keeping in line with prudent and transparent management of public resources, the County Government has largely adhered to the fiscal responsibility principles as set out in the statute as follows:

- a) The County Government recurrent expenditure shall not exceed the County Government total revenue i.e. balanced budget was produced in the year.
- b) The County Government's allocation to development expenditures should be above 30 percent of the total budget. In the FY 2022/23, the allocation to development in the budget was 31% of the total expenditures meeting the set threshold and actual expenditure was 30%.
- c) The County Government's share of wages and benefits to total budget should not exceed 35% t. In the year under review the percentage was 34.2% which is below the statutory requirement;
- d) The PFM Act, 2012 requires that public debt and obligations remain at sustainable levels and the County Government is committed to adhering to this at all times by reducing the pending obligations over time.
- e) On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the county Government has marginally altered the Finance Act in the period.

The county will continue collaborating with development partners to assist in the development of the county. Notably is the fact that departments have been taking measures to ensure that they prioritize projects and programs that they can implement in the short term which has increased the overall departmental absorption rate and this trend should be maintained.

## **SECTION THREE – Recent Economic Developments and Outlook**

### **Global Economic performance**

#### **a) World GDP Growth Data**

**14.** World real Gross Domestic Product (GDP) growth decelerated to 3.4 percent in 2022 from a growth of 6.0 percent in 2021. The subdued growth was a result of post-COVID-19 tightening of monetary policies in most regions, the resurgence of COVID-19 in China, and the Russia-Ukraine war that pushed up energy and food prices significantly.

#### **b) Global growth outlook**

**15.** In the latest World Bank Global Economic Prospect released in June, global output has been revised downwards to 2.1 percent in 2023 from 3.1 percent in 2022 and is expected to edge upwards to 2.4 percent in 2024. The development lender attributed the slowdown to the tight monetary policy in most countries that would likely weigh on demand. However, it expected Inflation to decline on the back of a weaker demand and commodity prices receding provided longer-term inflation expectations remain anchored.

### **Emerging and Developing Markets**

**16.** Growth in the Emerging market is projected to increase to 4.0 percent in 2023 spurred by a recovery in China's economy as it reopens after the COVID-19 lockdown, excluding China, growth in emerging markets and developing economies is projected to slow down to 2.9 percent during the same period due to continued tightening in global financial conditions which would elevate interest payment on their external debts. Debt distress concerns are also likely to negatively affect foreign flows.

### **2023 Economic Outlook**

**17.** The global economy is expected to decelerate in 2023 on account of the tightening of monetary policies, high inflation, ongoing effects of the Russia-Ukraine war, and the lingering effects of the COVID-19 pandemic.

### **Domestic Economy**

**18.** Real Gross Domestic Product (GDP) decelerated from revised growth of 7.6 % in 2021 to 4.8% in 2022, with all economic activities registering a positive growth except Agriculture, Forestry, and Fishing, which contracted by 1.6%. The magnitude of growth was somewhat subdued by suppressed agricultural production, owing to adverse weather conditions during the year.



## **Kenya Economic Outlook 2023**

- 19.** Despite the weak global growth outlook, Kenya’s economy is expected to remain resilient in 2023, supported by a robust performance in the services sector and an expected recovery in agriculture. Leading indicators in the first quarter of 2023 point to strong activities in wholesale and retail trade, accommodation and food services, education, and information and communication. The agriculture sector is likely to rebound in 2023 from two consecutive annual contractions supported by favorable weather conditions and subsidized fertilizer from the Government. Economic performance in 2023 is likely to be reinforced by the Government’s development agenda aimed at achieving economic turnaround and inclusive growth.
- 20.** On the downside, the 2023 growth will be hampered by a decline in domestic demand as a result of elevated inflation and sustained high-interest rates. The reduction in domestic demand is likely to suppress private investment. The weakening of the Kenya Shilling against the US Dollar is likely to make imports expensive and slow trade with the rest of the world. Additionally, the projected decline in global demand due to deceleration in the global economy is expected to reduce demand for Kenyan goods.
- 21.** The Kenyan economy has continued to remain resilient despite recording a slowdown in growth to 4.8% in 2022 compared to a growth of 7.6% recorded in 2021. The slowdown was partly attributable to the uneven weather patterns experienced in 2022, which impacted agricultural production, given agriculture is the main contributor to the GDP.
- 22.** However, the economy is expected to rebound in F/Y 2023/24 and expand by 5.5%, mainly supported by private sector growth, continued strong growth of the financial services sector, and recoveries in the agricultural sector. Furthermore, in the FY’2023/2024 budget, the government has allocated Ksh. 4.5 billion for the fertilizer subsidy program aimed at lowering the cost of farm input and enhancing the food supply in the country.
- 23.** The government has reduced its appetite for foreign debt, projecting to borrow Ksh. 131.5 billion in foreign debt in the FY 2023/24, a 66.8% decrease from Ksh. 395.8 billion in the FY 2022/23. The move is expected to lower the cost of debt servicing, given that foreign debt has been ballooning as a result of the Kenya shilling's sustained depreciation against major currencies.

24. However, the government's shift to borrow more domestically, by projecting to increase its domestic borrowing by 37.0% to Ksh. 586.5 billion in FY 2023/24, from Ksh. 428.3 billion in FY 2022/23, is expected to have an impact on credit to the private sector. This is mainly because banks view lending to the government as more secure than lending to the private sector in order to minimize losses given the elevated credit risk.
25. The main driver of the growing public debt is the fiscal deficit occasioned by lower revenues as compared to expenditures. As a result, implementing robust fiscal consolidation would help the government bridge the deficit gap. This can be achieved by minimizing spending through the implementation of structural reforms and the reduction of amounts extended to recurrent expenditure. Fiscal consolidation would also allow the government to refinance other critical sectors, such as agriculture, resulting in increased revenue. However, the overall risk to the economy remains high, owing to the high debt servicing costs in the next fiscal year given the maturing USD 2.0 billion Eurobond due in June 2024.

### **2023 Growth outlook**

26. We expect economic growth to increase in 2023 mainly driven by the base effect and a pick-up in activity in the Agricultural sector. International Monetary Fund revised Kenya's 2023 economic growth forecast upwards to 5.3 percent from the 5.1 percent.

### **Global oil prices**

27. The movement in the prices of oil is also pegged to the recovery of the China economy, the second largest oil consumer. We expect prices of oil to remain below USD 90 per barrel due to demand concerns. Locally, fuel prices are likely to maintain an upward trajectory as the shilling continues to depreciate against the greenback.

### **Currency**

#### **The Kenya Shilling (Ksh.) performance:**

28. During the year 2023, the Kenyan shilling registered mixed performance against major international and local currencies. The depreciation against the USD is mainly attributed to high demand for the greenback from importers as the prices of key imports remained elevated.

The continued depreciation of the KSH against the USD is set to increase prices of imported goods and exert pressure on the country's debt repayment given that most of Kenya's external debt is dollar-denominated. We expect the KSH to remain under pressure as dollar demand remains elevated.

### **Monetary Policy**

**29.** The Monetary Policy Committee (MPC) has noted that the impact of the further tightening of the monetary policy in the year was still transmitting in the economy. It also added that inflationary pressure would be sustained by the announced government measures to allow duty-free import on specific food items such as sugar which would likely ease prices. In view of these developments, the MPC decided to retain the Central Bank Rate (CBR) at 9.50 percent.

### **Private sector credit:**

**30.** Strong credit growth was observed in sectors such as manufacturing (21.7 percent), transport and communication (18.0 percent), trade (13.7 percent), and consumer durables (13.3 percent). The number of loan applications and approvals remained strong, reflecting increased demand. Despite the double-digit growth, the sector saw an increase in the non-performing loan ratio. However, concerns remain on the proposal to increase taxation, continued weakening of the Kenyan shilling, and reduced liquidity in the market which would likely negatively impact the private sector credit growth.

### **Interest Rates**

**31. Treasury Bills Interest Rates-**In future auctions, increase in Treasury Bill rates are expected as investors demand a higher rate of return in the with rising interest rate environment.

**32. Nairobi Securities Exchange -** NSE is playing a vital role in the growth of Kenya's economy by encouraging savings and investment, as well as helping local and international companies' access cost-effective capital. NSE operates under the jurisdiction of the Capital Markets Authority of Kenya. As investors seek to reduce duration risk, there is likelihood for aggressive bids being placed on the shorter-tenor bonds which exert further upward pressure on the shorter end. There are expectations of bond turnover at NSE to remain relatively low as investors focus on the primary bond market where yields are increasing as CBK accepts aggressive bids.



### **Domestic Borrowing Program**

- 33.** Pressure on government borrowing has increased as the government is currently running a deficit in its domestic borrowing program due to the high bond and Treasury bill redemptions. An increase in domestic debt service, could exert some pressure on the government borrowing program and force the Central Bank to accept aggressive bids.

### **Domestic Debt Service**

- 34.** Domestic debt service is expected to increase in July. The higher redemptions in July are likely to increase pressure on the government's borrowing program. We, therefore, expect CBK to continue to accept aggressive bids as it seeks to meet its domestic borrowing target.

### **Climate change issues and policy options**

- 35.** Climate change has become one of the major threats to the planet earth, which is affecting the world over. It is estimated that millions of people, especially the poor and vulnerable from Africa and the Global South are confronted with severe consequences due to increased global warming, which has surpassed 1°C. It has been estimated that climate-related extreme weather events such as hurricanes, floods and droughts are pushing more than twenty million people back into poverty every year and leading to economic losses of more than USD 300 billion (World Bank, 2017).
- 36.** The continent of Africa is one of the most vulnerable to the impacts of climate change. This is because most of the continent's economies depend on climate-sensitive natural resources sectors' and have extremely low levels of adaptive capacity and extreme poverty levels among its inhabitants. The fragile ecosystems, food security and people's livelihoods in Africa have been affected by climate change. Therefore, bringing climate change to a halt and/or slow it, has become a prerequisite to achieving Sustainable Development Goals (SDGs) and protecting the poor people, future generations, and fragile ecosystems from tremendous suffering.
- 37.** Kenya has shown commitment to protect the climate system for the benefit of the present and future generations by signing and ratifying the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement of 2015, thus contributing to continental and regional climate change initiatives. Further, the country's new Constitution 2010 has set out a legal framework to attain ecologically sustainable development; hence providing a firm basis to address the challenge of climate change while striving to attain the development goals set out in Kenya Vision 2030.

**38.** The country has also developed policies, legal and institutional frameworks to guide climate change actions up to the grassroots level as well as setting a commitment of 32% reduction of Green House Gases by 2030 under its Nationally Determined Contribution (NDC).

**39.** Kenya through its partners has undertaken steps towards increasing climate change financing with rural counties being equipped with climate resilience funds to support implementation of climate actions.

### **County Specific Performance 2022/2023**

The performance for Samburu County for the financial year 2022/23 in different sectors was as follows;

#### **40. County Assembly Achievements for FY 2022-2023**

- a) Construction of Speaker's house which is so far 90% complete.
- b) Constructions of County Assembly Ultra-modern block which is now 98 % complete.

#### **41. County Administration/Executive**

The County Executive established a directorate of public communication under public service. The Governor's Press Service has also initiated preparation of county communication strategy. The Governor's Press Service has sustained strong presence and visibility in social media, radio and through regular TV feature stories. The Governor's Press Service has provided media coverage to all newsworthy activities presided over by the Governor and Deputy Governor. Governor's Press officers have also provided media coverage to activities of other departments upon request by the departments.

#### **42. Sub- County Administration**

Established smooth channels of coordination, management and supervision of Government programs to the village level. One Ward administrator's office for Nyiro has been constructed and is complete.

#### **43. County Public Service Board.**

Recruitment of staff as per department requests, staff promotion, administering declaration of incomes, assets and liabilities.

#### **44. Finance, Economic Planning and ICT**

The County Treasury's achievements during the period include; completion of value for money audits in selected departments, implementation of policy on access to County Government procurement opportunities for women, the youth and persons with disabilities, preparation of annual procurement plan, revenue collections despite the COVID-19 pandemic effects, preparation of financial statement on time, Preparation of the county integrated development plan (CIDP) 2023-2027, preparation of the Annual Development Plan FY 2023-2024, preparation of the annual budget, preparation of quarterly progress reports and County Annual Progress Report. The county treasury coordinated the implementation of the Kenya devolution support program (level II) with Capacity Building Plan preparation and quarterly reporting done.

#### **45. Special programmes.**

- a) Development and publishing of the County Disaster Risk Management Policy 2021.
- b) Supplied 1412.3 metric tons of emergency relief food to 180,000 vulnerable households.
- c) Conducted 30 peace meetings/peace dialogues across the county and reached out to 1200 peace stakeholders.
- d) Through a partnership with development partners, 4,900 vulnerable households received about Ksh. 400 million in cash transfers. This is in addition to 12,171 households receiving about Ksh. 200 million cash per year and with support of the Kenya Red Cross Society established a Ksh. 10 million worth of county emergency operation Centre.

#### **46. Agriculture, Livestock Development, Veterinary Services and Fisheries.**

##### **a) Livestock production.**

During the review period, the Directorate of Livestock Production's achievements included the supply and distribution of 225 Somali Camels and 100 Sahiwal. A modern livestock sale yard was constructed at Longewani market Centre.

##### **b) Irrigation & Fisheries development**

During the review period, the Directorate of Fisheries and Irrigation's achievements included purchase of 36 fishing nets pond cover nets, procured 2,075kgs of starter fish feeds, introduction of 28,571 fingerlings to stock 7 dams within Samburu Central Sub-County.

**c) Agriculture projects**

- a) Developed a crop policy
- b) Distributed 60,000 kg of Certified maize and 20,000 kg beans seeds
- c) Completion of Lulu irrigation scheme

**d) Veterinary services.**

- a) 545,131 animals including cats and dogs received vaccinations and/or treatments and active disease surveillance in the county done
- b) Construction of 3 cattle crushes -Anderi, Tuum, Seketet, Logorate and Sarara cattle crushes
- c) Renovation of Silango cattle dip
- d) Suguta and Wamba slaughter houses rehabilitated.

**47. Water, Environment, Natural Resources and Energy**

During the period 2022-2023, some of the key achievements realized by the department include:

- a. Undertaking hydro geological surveys and water feasibility studies to ascertain underground and surface water potentials for 22 proposed borehole sites.
- b. 16 boreholes drilled,13 boreholes equipped and Water trucked 280,000 litres.
- c. Rehabilitation of 33.4 kilometres of water extensions and/or supplies and numerous repairs and overall maintenance of rural water supplies across the county;
- d. Excavation and desilting of eight (8) earth dams/pans in Keleswa, Namalia, Lesepe, Lencheta, Ledero Ndikir, Ntarakwai, Nachola and Loodua and Construction of two (2) Sand dams at Nakwamoru & Laresoro.
- e. Construction of Masonry tanks at Lesirikan, Laparan, Lauragi, Suyan, Archers post, Lopesiwuo and Ndonyo Uasin.
- f. Construction of Numerous water kiosks, steel tanks and solarisation of borehole source points.
- g. Established and trained Three (3) Ward Climate Change Planning Committees (WCCPC) of Suguta Marmar, Loosuk and Porro wards.
- h. Developed draft County Climate Change Action Plan (CCAP) 2023-2027.

#### **48. Education and Vocational Training.**

The sector presents a platform for imparting much-needed skills, competencies, and attitudes to propel the County's development.

<b>S/N</b>	<b>Project</b>	<b>No</b>
1	Construction of Classrooms	30
2	Supply and delivery of Furniture	60
3	Purchase and installation of Water tanks	45
4	Fencing of ECDE Centres	15
5	Construction of Office and store.	15
6	Construction of Preparatory kitchens	30
7	Two (2) Classrooms at Suguta and Wamba WDF	2
8	Specialized materials for Vocational Training	Various quantities

#### **49. Medical Services, Public Health and Sanitation.**

- a) Construction of 4 new dispensaries (Soit Naibor, Morijo, Ndume and Ngare Narok)
- b) Construction of 4 inpatient wards (South Horr HC, Loosuk HC, Lesirkan HC and Lodungokwe HC)
- c) Infrastructure improvement at Samburu County Teaching and Referral Hospital (Ablution Block, Mortuary completion, installation of Aluminum storage tank 60,000 Its capacity and Establishment of tailoring unit including equipping)
- d) Construction of a laboratory Logetei HC
- e) Construction of 8 fences at Lekuru Dispensary, Nauneri dispensary, Lengusaka Dispensary, Nkutuk Elmuget Dispensary, Opiroi HC, Muruankai Dispensary, Naisunyai Dispensary and Lodua dispensary
- f) Construction of 5 staff houses at Mugur Dispensary, Loiragai Dispensary, Nausunyai Dispensary, Twala dispensary and Lorok onyokie dispensary
- g) Construction of 2 Outpatient blocks at Wamba SCH and Suguta Murmur SCH.
- h) Purchase of 3 new ambulances for Archers Post SCH, Angata Nanyokie Ward and Baragoi SCH.



- i) Acquired 1 Refrigerated Land cruiser from the National Government for vaccine collection and distribution.
- j) Supply of ENT and Dental equipment for Samburu County Teaching and Referral Hospital.
- k) Drugs allocation from 130 million to 160 million shillings
- l) Operationalization of Baragoi Sub-County Theatre. The first ever Caesarian section was conducted. The department is also in the final stages of operationalizing theatre services at Suguta SCH.
- m) Recruitment of more healthcare workers including 2 Cuban doctors. Currently, Samburu County Teaching and Referral Hospital has 8 specialists including; 1 Urologist, 2 General surgeons, 1 Nephrologist, 1 Gynecologist, 1 Pediatrician, 1 Family Health Physician and 1 ENT Surgeon.
- n) An estimated 160-bed capacity inpatient block with 2 operating theatres is also almost complete at Samburu County Teaching and Referral Hospital.

#### **50. Lands, Housing, Physical Planning and Urban Development.**

- a) Purchase of GNSS Machine
- b) Cadastral Survey of Baragoi
- c) Planning of Lolmolog
- d) Finalization of Lodungokwe, Poro
- e) Maralal Cabro Paving, parking & Storm Water drainage

#### **51. Roads, Transport and Public Works**

1. Assisted in the Preparation of bill of quantity and supervision of ongoing construction works for other departments. A total of 169 number of bid documents were prepared for client departments. The department supervised major projects of high value namely:
  - a) Construction of an in-patient complex in Maralal referral hospital
  - b) Completion of county assembly chambers
  - c) Construction of Maralal retail market and Nomotio abattoir
  - d) Construction of official residence for the governors' and county assembly speakers'.
  - e) Baragoi maternity wing, Suguta out-patient, Lodungokwe in-patient, Wamba out-patient, Morijo health centre, Loosuk inpatient, Lesoit Naibor health centre, South horr inpatient, Ndume health centre and Nkare Narok health centre.
  - f) Longewan sale yard

2. Conducted Firefighting Training for institutions and business premises.
3. Street lighting in FY 2022/2023
  - a. Loosuk, and Poro streetlight were successfully completed while Kisima and Suguta-Marmar streetlights are ongoing
  - b. Baragoi and Wamba floodlights were successfully completed.
4. Road Projects completed in FY 2022/23
  - a) The Department budgeted a total of 50 No. projects out of which:
    - i. 48 No. projects successfully went through the procurement process.
    - ii. Out of the 48 No. projects that successfully went through procurement, 40 No. have been completed and paid, while 08 No. are on-going.
5. Transport in FY 2022/23
  - i. Conducted inventory exercise on all motorized equipment.
  - ii. Identified equipment for disposal.
  - iii. Came up with a disposal plan.

## **52. Tourism, Trade, Enterprise Development and Co-operatives.**

### **Trade sub-sector**

- a) Suguta Market renovation
- b) Samburu Dairy cooperatives toilet constructed.
- c) Fencing of Meloni Tannery

### **Tourism and wildlife sub-sector**

- a) Support of 6 newly established community conservancies
- b) Construction of Ranger's Camp at Naturkan - Nachola Ward, Morijo – Angata Nanyekie Ward, Latakweny – Ndoto Ward, and Lonjorin – Nyiro Ward
- c) Construction of Perimeter wall and water Extension to Ltungai Fortified Security Camp - Suguta ward
- d) Construction of Fortified Security and Rangers camp at Noolkera – Loosuk Ward, Pura – Loosuk Ward and Lorrain – El-barta Ward
- e) Renovation of rangers houses at SNR headquarters – Samburu Lodge

- f) Support of existing conservancies, through SNR revenue sharing; Kalama & West gate
- g) Support of Development projects for existing conservancies
- h) Construction of 2 Door/ Urinal Pit Latrines block and fencing at Suyian Rangers camp
- i) Formulation of Community Conservation Fund Regulations
- j) Training for Community Conservancies Scouts and Management boards
- k) Formulation of County Tourism Marketing Strategy

**Cooperatives Sub-sector.**

- a) Six (6) pre-cooperative education meetings carried out for livestock marketers with a view to forming Umbrella Livestock Society
- b) Nineteen (19) members' trainings/education days held for 15 Ushanga cooperatives, cereal & fodder cooperatives in Central and 2 beekeeping cooperatives in North
- c) Ten (10) cooperative leaders' trainings undertaken in the course of financial year targeting boards of management of both Sacco Leaders & producer/marketing Cooperatives
- d) Eleven (11) cooperatives audits carried out and 52 inspections undertaken in the course of financial year
- e) Three (3) national trade fare forums attended by representatives of marketing cooperatives (Ushanga and beekeeping) with facilitation from this office.
- f) Beads, beading equipment procured for the 15 registered Ushanga cooperative
- g) Construction of Ushanga shade for Poro Beadwork Cooperative
- h) Fencing of the tannery.

**53. Culture, Gender, Social Services, s and Youth Affairs.**

**Culture, Gender, Social Services Sub-sector**

- a) Celebration of national events Mashujaa and Jamhuri Day.
- b) Conducted cultural events- Kenya inter county sports and cultural association, Lamu cultural festivals, and UNESCO.

- c) Marked International Day of Gender activism against Gender Based violence (16 days of Gender Activism) and carried out community dialogues on Gender based violence.
- d) Training and sensitizations on drugs, alcohol, and substance abuse.
- e) Village Savings and Lending Associations Training at Suguta and Baawa Wards.
- f) Training and sensitizations on Female genital mutilation in Waso Ward.
- g) Marked International Day of Girl Child and conduct community dialogues on the rights of the girl child.
- h) Marked World Aids Day and conducted community dialogues on triple threats (Teen pregnancies, HIV infections, and Gender Based violence).
- i) Mentorship program for young people.
- j) Inspection of bars and liquor premises for licensing.
- k) Community training on social behavior change and group dynamics.
- l) Celebration of International Women's Day and conduct community dialogues on the rights of women.
- m) Support of Persons with disability fund.

#### **54. Sport and Youth Affairs Sub-sector**

The following was realized in the development and promotion of sports and Youth Affairs:

- a) Hosted the North Rift regional cross country championships for the second time where some of our athletes qualified for the national championships.
- b) Participated in the 9<sup>th</sup> Edition of the Kenya Inter-Counties Sports and Cultural Association (KICOSCA) games held in Kisumu where we managed the third position in darts, first position, and second position in tri-cycle race women and men respectively.
- c) We procured assorted sports equipment for various clubs in all the wards.
- d) Trained various coaches and referees in volleyball and handball.
- e) Participated in the Kenya Youth Inter-Counties Sports Association (KYISA) games which are meant to promote raw talent held in Tharaka Nithi county where our basketball team was selected to be the most disciplined team.
- f) Participated in the 9<sup>th</sup> Edition of the Desert Wheel Race held in Isiolo County where we managed position three in the men's category.

- g) Facilitated the Samburu County soccer league where the top two teams were promoted to the lower Rift Regional League namely Sagumai FC and Milimani Sparrows FC and thus joining Taqwa FC and Nabore FC which is in the Division Two league.
- h) Renovated Wamba Stadium and the grading of Lesidai, Lalaingo, Nachola and Kirimon playgrounds.
- i) Held a sports stakeholders' forum which gave birth to the Samburu County Sports Council.
- j) Organized various tournaments in Angata Nanyokie, Ndoto, Nachola, Nkutot, Wamba North and women's soccer in Maralal ward
- k) Participated in the Lower Rift Regional playoffs where Nabore Football club was promoted to division two.
- l) Held meetings with various stakeholders and agenda-setting on youth policy formulation.
- m) We supported various youth talent development programs and training in business and product marketing skills and serving and lending skills
- n) Construction of the high altitude sports center, Lesidai.
- o) Facilitated the 2023 Consolata cup

### **Medium Term Economic outlook**

**55.** The County Government resource allocation will be aligned towards achieving the development programs under the current medium-term theme 'fostering socio-economic development for sustainable growth. The following specific areas will receive more emphasis in the 2024/25 MTEF:

- (a) Agriculture and livestock development
- (b) Micro, Small and Medium Enterprise (MSME) economy
- (c) Housing
- (d) Improved health care access and quality.
- (e) Improvement of Education
- (f) Improved water access, sanitation and environment;

**56.** In line with the PFM principle of implementing a balanced budget, the county expenditure in the FY 2024/25 is projected to be Ksh. 7.3 billion of which recurrent expenditure will be Ksh. 5.1 billion and development expenditure will be Ksh. 2.2 billion.

Expenditure rationalization will form a key component of fiscal policy over the medium term. Settling pending bills will be given priority to avert the associated institutional reputation and litigation risks.

**57.** In the medium term, the following reforms will be undertaken

- i. Enhancing revenue mobilization
- ii. Expenditure rationalization by preparing a realistic budget and ensuring timely procurement of goods and services
- iii. Expenditure efficiency and effective implementation of budget programs
- iv. To pursue efficiency; the county government will monitor, evaluate, and oversee allocation, re-allocation, and management of the public finances.

**58.** The county will continue reorienting expenditure towards those priority programs as identified in public consultative forums. The critical Programmes to be implemented are expected to accelerate economic activities and socio-economic development.

#### **Risks to Domestic Economic Outlook**

**59.** Risks facing the county's economy will also affect its economic performance. These factors include:

- a) 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;
- b) High inflation rates are contributing to a higher cost of living. This will affect the ease of doing business in the county, and access to credit to small and micro
- c) Weak revenue base thereby leading to over-reliance on the transfers from the national government resources which are inadequate and limits resources allocations to key sectors.
- d) Expenditure pressures, especially high recurrent expenditures pose fiscal risks. The county is going to maintain a sustainable recurrent expenditure by strictly adhering to austerity measures and hence free more resources for development expenditure over the medium term.



- e) Instances of prolonged drought have resulted in a decrease in own revenue collections as well as curtailing the purchasing power of the residents. However, the government continues to allocate more resources to sustainable farming methods.
- f) Non-timely disbursement of funds by the national government and the unfavorable allocation to the County due to the parameters within the third generation formulation by the Commission on Revenue Allocation (CRA) continues to be a challenge as this leads to delay in execution and shelving of planned activities of the County thus compromising service delivery.
- g) Pending bills: Currently the County's pending bills obligation stands at Ksh. 547 million. Failure to meet these commitments exposes the county to reputational damage in cases where contractors and suppliers 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.

Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

## **SECTION FOUR - Resource Allocation Framework**

### **Adjustment to the 2023/24 MTEF Budget**

- 60.** The Medium-Term Fiscal Framework (MTFF) for the FY 2023/24 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities. 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 and provision of safety nets; 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 and 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.
- 61.** In addition, the implementation pace in the spending units continues to be a source of concern especially concerning the development expenditures and uptake of external resources. These risks will be monitored closely and the County Government would take appropriate measures in the context of the supplementary budget.
- 62.** On the Revenue side, the County Treasury is expected to institute corrective measures to curb the revenue leakages by enhancing compliance. Departments are expected to prioritize their expenditure and reallocate funds guided by the priorities during the preparation of the supplementary budget by the resource availability.
- 63.** Revision of the FY 2023/24 budget will take into account the critical areas like salaries and wages, pending commitments and the county key strategic objectives geared towards fast tracking economic growth. over the medium term the county will endeavor to reprioritize development expenditures in order to achieve her goals and aspirations. However, resources earmarked for development will be used for the purpose and not for recurrent expenditures

### **Medium-Term Expenditure Framework**

- 64.** 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;

- i. Linkage of Programmes that support Economic Recovery;
  - ii. Linkage of the Programme with the priorities of CIDP (2023-27) and Vision 2030;
  - iii. Degree to which a Programme addresses job creation and poverty reduction;
  - iv. Expected outputs and outcomes from a Programme;
  - v. Cost-effectiveness and sustainability of the Programme;
  - vi. Extent to which the Programme seeks to address viable stalled projects and verified pending bills;
  - vii. Requirements for furtherance and implementation of the Constitution.
- 65.** The priority social-economic sectors will continue to receive adequate resources to promote development. The Health, Education and social service sectors will receive significant share of resources in the budget in coming years. The sector actors are thus required to utilize the allocated resources more efficiently in order to generate fiscal space to accommodate other strategic interventions like disease outbreaks and improved productivity per man hour.
- 66.** The economic sectors including agriculture and livestock will receive increasing share of resources to boost agricultural productivity with a view to promote value addition and deal with threats in food security in the county. In addition, the priority programmes under tourism, wildlife, trade, industry and cooperatives will be allocated adequate resources based on Programme based budgeting.
- 67.** The fiscal framework for the financial year 2024/25 entails a deliberate effort to continue exercising prudence in public expenditure management with the principal goal of containing fiscal risks, gradually lowering the fiscal deficit, and adopting austerity measures to deter the increase of recurrent expenditures in favor of productive capital spending.
- 68.** Going forward, and given the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater to the priority sectors. In the meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy Paper.
- 69.** Reflecting the above medium-term expenditure framework, Table 6 below provides the tentatively projected baseline ceilings for the 2024-2025 MTEF budget, classified by vote heads.

**Table 6: Medium Term Sector Ceiling 2024/2025 - 2026/2027, Ksh**

<b>Department</b>	<b>Approved 2022/23</b>	<b>Approved 2023/24</b>	<b>Grants 24-25</b>	<b>Salary 24-25</b>	<b>Total Must do</b>	<b>CBROP Ceilings 2024/25</b>	<b>Projections 2025/26</b>	<b>Projections 2026/27</b>
County Assembly	666,331,727	668,999,097		316,610,000	316,610,000	635,549,142	654,217,380	667,301,700
County Executive	566,638,019	516,457,050		308,494,000	308,494,000	520,634,197	528,443,710	539,012,500
Finance, Economic Planning & ICT	953,150,368	736,150,927		277,786,000	277,786,000	727,343,381	750,433,530	765,442,200
Agriculture, Livestock Development, Veterinary Services & Fisheries	637,197,555	1,066,722,842	377,263,675	139,823,000	517,086,675	1,023,386,700	1,048,887,500	1,069,865,300
Water, Environment, Natural Resources & Energy	670,878,014	531,652,517	100,000,000	50,118,000	150,118,000	530,069,891	553,245,940	564,310,800
Education and Vocational Training	660,535,715	795,460,310		296,957,000	296,957,000	770,687,295	787,322,600	803,069,000
Medical Services, Public Health & Sanitation	1,572,268,566	1,633,621,381	128,364,931	950,721,000	1,079,085,931	1,616,940,312	1,646,269,400	1,679,194,800
Lands, Housing, Physical Planning & Urban Development	270,291,566	267,057,578		74,028,000	74,028,000	269,190,340	278,468,000	284,037,400
Roads, Transport & Public Works	372,758,343	416,182,832		55,432,000	55,432,000	410,373,690	411,454,300	419,683,400
Tourism, Trade, Enterprise Development & Cooperatives	459,968,803	577,613,566	100,000,000	133,168,000	233,168,000	580,732,888	607,713,900	619,868,200
Culture, Social Services, Gender, Sports & Youth Affairs	149,588,562	215,017,252		50,987,000	50,987,000	215,266,389	217,480,400	221,830,000
<b>TOTAL</b>	<b>6,979,607,238</b>	<b>7,424,935,352</b>	<b>705,628,606</b>	<b>2,654,124,000</b>	<b>3,359,752,606</b>	<b>7,300,174,226</b>	<b>7,483,936,660</b>	<b>7,633,615,300</b>

*Source: Samburu County Treasury 2023*

## 2024/2025 Budget Framework

70. The F/R 2024/25 budget framework is set against the background of the updated medium-term macro-fiscal framework set out above.

### Revenue Projections

71. The FY 2024/25 budget targets for revenue (equitable share and local) collection of **Ksh. 7,300,174,226,3** as per table 7. This revenue performance will depend on the trend of growth of the Kenyan Gross Domestic and the own source revenue.

**Table 7: Medium-Term Revenue 2023/24 - 2025/26**

ITEMS	Approved 2022/23	Approved 2023/24	Projection 2024/25	Projection 2025/26
<b>COUNTY GENERATED REVENUE</b>				
Land Rates	50,000,000	36,800,000	42,000,000	44,600,000
Single Business Permits	15,000,000	16,000,000	20,000,000	22,000,000
Total Cess Receipts	12,000,000	12,312,000	15,000,000	17,099,800
Game Parks/Nature Reserves Fees	120,000,000	125,983,800	150,000,000	155,050,200
Markets and Slaughter House Fees	10,000,000	11,000,000	12,000,000	12,600,000
Vehicle Parking Receipts/Transport	5,040,000	5,326,000	4,455,780	4,678,569
Wheat Cess	280,000	288,400	500,000	500,000
Hospital Charges	16,000,000	17,000,000	18,000,000	18,900,000
Liquor License	6,000,000	6,180,000	10,000,000	10,000,000
Various Health Department Fees	600,000	624,000	636,540	660,000
Agricultural Machinery Services	1,615,000	1,693,400	1,774,200	1,862,911
Approval of plans and supervision	1,215,500	1,251,900	1,289,500	1,380,000
Hawker	1,800,000	1,854,000	1,909,600	2,100,000
Miscellaneous Revenue	780,000	803,400	827,500	900,000
Advertisement		2,400,000	2,520,000	2,646,000
Environment and conservancy		16,510,500	16,510,500	18,161,550
<b>SUB-TOTAL LOCAL SOURCES</b>	<b>240,330,500</b>	<b>256,027,400</b>	<b>297,423,620</b>	<b>313,139,030</b>
<b>SUMMARY</b>				
<b>Revenue from Local Sources</b>	<b>240,330,500</b>	<b>256,027,400</b>	<b>297,423,620</b>	<b>313,139,030</b>
Revenue transfer from national government	5,371,346,037	5,594,312,489	5,693,122,000	5,800,000,000
Aggregated Industrial Parks Programme		100,000,000		

Conditional Grant-Compensation for User Fee Foregone	5,235,578			
Conditional Grant-Leasing of Medical Equipment	110,638,298	124,723,404	120,932,631	120,932,631
DANIDA (Health support funds)	14,864,625	8,431,500	7,432,300	3,716,150
World bank loan for National agricultural and rural inclusive growth project	174,103,490	150,000,000	140,000,000	140,000,000
Mineral Royalties		905,740		
De-Risking and Value Enhancement (DRIVE) -livestock		207,839,480		
Fertilizer subsidy		12,431,664		
EU Grant for the instrument for devolution advice and support (Abattoir Construction)	15,626,168			
Agriculture Sector Development Support Programme (ASDSP)	25,141,706	2,793,523	2,793,523	2,793,523
Kenya Livestock Commercialization Project (KELCLOP)		37,500,000	37,500,000	37,500,000
World Bank Loan for transforming health systems for universal care project B/F	1,576,606			
Kenya Urban Support Programme (UDG and UIG)	13,069,989			
Kenya Urban Support Programme (UDG and UIG) 20-21	2,339,915			
Kenya Devolution Support Program (KDSP)	57,215,708			
Kenya Road Board (Fuel Levy)	11,600,000			
Agriculture Sector Development Support Programme (ASDSP) B/F	6,000,000			
DANIDA (Health support funds) B/F	5,119,125			
COVID FUND	5,500,000			
DANIDA (Health support funds) additional	3,285,000			
Balance brought forward 2021-22 for construction of Abattoir	23,060,111			
ELRP( Locust)	91,588,750	200,970,152	200,970,152	200,970,152
ELRP( Locust) b/f	35,176,647			
Balance brought forward 2022-23 - CRF	744,788,985	718,000,000	700,000,000	700,000,000
Finance Locally led Climate Action Program(FLLoCA)	22,000,000	11,000,000	100,000,000	100,000,000
<b>GRAND TOTAL</b>	<b>6,979,607,238</b>	<b>7,424,935,352</b>	<b>7,300,174,226</b>	<b>7,419,051,486</b>

*Source: Samburu County Treasury 2023*



## **Expenditure Forecasts**

**72.** In the proposed FY 2024/25 budget, overall expenditures are projected to be **Ksh. 7.3 billion** as indicated in table 6 above. With most County positions having been filled, the wage bill is projected to be at **Ksh. 2.65 billion**. The Operations and Maintenance are expected to be **Ksh. 2.45 billion**. The allocation of resources for development expenditures is projected to be **Ksh. 2.2 billion**.

In this regard, the county government will over the medium term ensure compliance with the fiscal responsibility principles as outlined in section 107 of the PFM Act 2012. The county government is expected to enhance expenditure productivity in the proposed year and manage the rising wage bill to be within the required limit.

## **SECTION FIVE - Conclusion and Next Steps**

- 73.** The County Budget Review and Outlook Paper reflects the dynamic circumstances and are broadly in line with the Fiscal Responsibility Principles outlined in the PFM Act, 2012. They are also consistent with the County's Strategic Objectives being pursued as a basis of the allocation of public resources.
- 74.** Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds by the various departments will be crucial in ensuring the county delivers its functions. Plans and programmes are strictly adhered to achieve the objectives of the County government.
- 75.** Going forward, the Third County Integrated Development Plan (CIDP 2023-2027), will be implemented to grow development in the county on a priority basis. In addition, to continue adhering to the fiscal discipline, the County Government will continue to entrench the fiscal responsibility principles set out in the Public Finance Management Act (PFMA) 2012 in making forecasts realistic and reasonable. The county will also continue with prudent management of funds and delivery of expected output. Effective and efficient utilization of funds will be crucial in ensuring that the county government delivers on its functions.
- 76.** The Sector Working Groups are required to carefully scrutinize all proposed Departmental budgets for FY 2024/25 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned to the achievement of the objectives. In this regard, the Sector Working Groups are expected to unbundle the medium-term development strategies and develop budget proposals for FY 2024/25 and the medium-term. The 2023 CBROP sector ceilings will guide the development of the sector budget proposal which will form inputs to the 2024 County Fiscal Strategy Paper. Of importance to note is that the Sector working group must adhere to the CIDP and ADP sector priorities.