

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NYERI

DEPARTMENT OF FINANCE ECONOMIC PLANNING
AND ICT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

2023

SEPTEMBER 2023

@ 2023 Nyeri County Budget Review and Outlook Paper (CBROP)

To obtain a copy of the document, please contact:

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NYERI

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FOREWORD

The County Budget Review and Outlook Paper (CBROP), 2023 is the first to be prepared under the newly elected Administration. The CBROP 2023 has been prepared at a time when the County Government is gearing up to implement its County Integrated Development Plan (2023-2027) while advancing its manifesto in line with the National Government's Bottom-Up Economic Transformation Agenda (BETA). The priority action areas and programmes for this financial year are as outlined in the 2023 County Fiscal Strategy paper aimed at economic turnaround and inclusive growth. These priority programmes and policies are detailed in the Annual Development Plan 2023-24 that draws from the County Integrated Development plan 2023-2027 and the Fourth Medium-Term Plan for the period 2023-2027 which is anchored on the Kenyan Vision 2030.

The newly elected administration took office at a time when the economy was facing a myriad of challenges occasioned by external shocks such as geopolitical tensions that disrupted and continue to disrupt global supply chains, rising global inflation that was majorly reflected in the rising cost of fuel, fertilizer, and food prices. Nyeri county was among the Counties that were severely affected by drought that affected most parts of the Country, aggravating the inflationary pressures; severe food insecurity; loss of lives, livestock, and livelihoods.

Given the tough economic times, the National Government embarked on immediate interventions aimed at easing the burden of the rising cost of living, lowering food prices, and offering support to those affected by the drought and cost of living situation in the country. On the other hand, the County Government supplemented these efforts locally and will continue to be part of this recovery journey by working in partnership with the national government in implementing projects and programs that are linked to economic recovery and sustainability.

While doing so, the County Government will also aim at achieving higher and sustainable growth, generate employment, deliver quality health care, reduce poverty and inequality thus enabling Nyeri to realize the aspirations of the CIDP 2023-2027, Kenya Vision 2030 and Sustainable Development Goals (SDGs). However, we remain cognizant of the tight fiscal space that we are in as well as the external and internal risks that may hinder our ability to achieve our intended aspirations. We will, therefore, continue to monitor these risks and make appropriate readjustments if need be.

The implementation of FY 2022/23 Budget was faced with myriad of challenges partly by the late disbursement of funds by the National Treasury leading to slow and low absorption of funds. The budget allocations for the financial year 2023/2024 will greatly determine the expenditure priorities for the FY 2024/2025 due to the issues of escalating wage bills, ongoing projects, and the effects of high inflation rate. In the process of preparation of the County Fiscal Strategy Paper, 2024, allocation of funds to programs will be done on the basis of how they demonstrate

alignment to the objectives as identified in the Economic Recovery Strategy, the ADP for FY 2024/2025 and the CIDP 2023-2027.

The implementation of FY 2023/24 budget has started in intense. While the County Government has limited fiscal space, spending units have been directed to ensure smooth implementation of planned programmes during the remainder of the financial year without accumulating any pending bills.

I therefore, call upon all Accounting Officers to adhere to the schedule of activities and timelines as outlined in the Budget Circular issued earlier to enable finalization and appropriation of the FY 2024/2025 budget estimates as well as successful implementation FY 2023/2024 Budget



Robert Thuo Mwangi.
County Executive Committee Member
FINANCE, ECONOMIC PLANNING AND ICT

ACKNOWLEDGEMENT

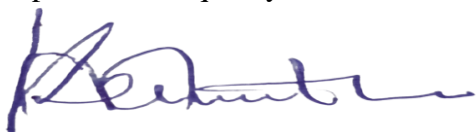
The County Budget Review and Outlook Paper (CBROP), 2023 has been prepared in accordance with the provisions of the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal out-turn of the FY 2022/2023, the macro-economic projections and will form the basis for setting the departmental ceilings for the FY 2024/2025 and the medium budget.

The CBROP also provides an overview of the actual performance of the FY 2022/2023 and how it affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act 2012 as well as information that will help in adjusting the projections outlined in the County Fiscal Strategy Paper, 2023 during preparation of this year's revised budget. Financial predictability (budgeting) is quite different from financial certainty (flow of funds) and the FY 2022/2023 was a year full of uncertainties due to erratic flow of funds from the National Treasury.

Further, it's good to note that this document was prepared through a collaborative effort of all the county departments/entities who provided valuable and credible information for analysis and inclusion herein. We value their contributions to this noble undertaking which is an essential stage in the preparation of the county budget for the financial year 2024/2025. Special gratitude goes to His Excellency the Governor, His Excellency the Deputy Governor, the County Secretary, the County Executive Committee Members, Chief Officers, County Directors, and other county authorities who offered their unwavering support during the process of preparation of this document.

Special thanks go to the team from the Directorate of Economic Planning, Budgeting, Monitoring and Evaluation who spent valuable time to ensure the success of this statutory requirement. To everyone who made this exercise successful, I thank and assure you that the time that was spent for the success of this noble task was not in vain as the document will be of importance to the future planning and budgeting process in the county.

As we enter into the critical phase of the preparation of the FY 2024/2025 budget estimates, I urge that we strictly adhere to the set guidelines and deadlines without forgetting the importance of public participation and consultation with other statutory institutions. Note that allocation of resources will be geared towards ensuring outcome and result oriented development, for increased household income in our county. Success in the implementation of any budget largely depends on its quality and therefore there is a need to invest time and resources in its preparation.



Mercy W. Ngacha
Chief Officer- Economic Planning, Budgeting, M&E

**LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW
AND OUTLOOK PAPER**

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

- 1) A County Treasury shall;
 - a) prepare a County Budget Review and Outlook Paper (CBROP) in respect of the county for each financial year; and
 - b) Submit the paper to the County Executive Committee by 30th September of that year.
- 2) In preparing the County Budget Review and Outlook Paper, the County Treasury shall specify-
 - a) the details of actual fiscal performance in the previous financial year compared to the budget appropriation for that year;
 - b) the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
 - c) information on-
 - i) any changes in the forecasts compared with the CFSP or.
 - ii) how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the CFSP for that year; and
 - d) reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the CBROP is approved by County Executive Committee, the County Treasury shall:
 - (a) arrange for the CBROP to be laid before the County Assembly; and
 - (b) as soon as practicable after having done so, publish and publicize the paper.

**FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL
MANAGEMENT LAW**

Section 107(2) of the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of county public resources. The PFM Act states that:

- (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 expenditures on wages and benefits 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 county government's borrowings shall be used only for the purpose for financing development expenditure and not for recurrent expenditure.
- (e) the county debt shall be maintained at a sustainable level as approved by the County Assembly.
- (f) the fiscal risks shall be managed prudently; and
- (g) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

EXECUTIVE SUMMARY

The County Budget Review and Outlook Paper (CBROP), 2023 reviews the budget implementation for the FY 2022/2023 as well as projecting the broad outlook for county's development agenda for FY 2024/2025. It provides a reflection of fiscal framework for creating a strong basis for fiscal discipline and public funds accountability. The CBROP reminds us of the need for maintaining an ideal balance between government receipts and expenditures.

The document provides objectives and the legal basis under which it is prepared and how the performance of the FY 2022/2023 budget adhered to the fiscal responsibility principles and financial objectives spelt out in the PFM Act, 2012.

The CBROP is a key policy document that will guide the preparation of the CFSP, 2024. It shows the macro-economic projections at the national level as they will have a significant impact on the county's development performance in the medium term. The CFSP, 2024 will highlight the progress in the implementation of the projects and programmes prioritized in the FY 2023/2024 budget while also taking into account the recent macroeconomic developments.

In the review of the fiscal performance in FY 2022/2023, the CBROP provides some of the reasons as to why there were delays in implementation of development projects. During the financial year, the exchequer releases to the county were highly inconsistent throughout the period. This led to slow or insufficient execution of the planned projects and programmes thus leading to delay of payments for that financial year. By the end of the FY, 104 per cent of the revenue had been realized while overall spending stood at 96.18 and 74.99 percent on recurrent and development votes respectively.

The document also provides an analysis of the county's recent economic development which summarizes all development projects and programmes undertaken during the last financial year, 2022/2023, in all sectors. Most of the development resources were spent on infrastructure as they are critical enablers of socioeconomic progression.

The CBROP provides the factors to be considered in allocation of resources under the MTEF and budget preparation process. During the FY 2022/2023 the County Treasury revised the budget twice and thus it becomes difficult to give projections for the FY 2024/2025 although generally it will not be very different from the amounts provided in the current FY 2023/2024 budget estimates.

The county has continued to operate under tight resources constraints with lots of unpredictable scenarios. Prudence will be observed at all levels to ensure value-for-money from the limited resources.

I. INTRODUCTION

A. Background

1. The County Budget Review and Outlook Paper (CBROP) is developed as per the requirements of section 118 of the Public Finance Management Act, 2012 which states that every county must prepare a CBROP by 30th September, of every fiscal year, and submit the same to the County Executive Committee (ExCom). The ExCom shall in turn:

- Within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments.
- Not later than seven days after the ExCom has approved the paper, the County Treasury shall.
- Arrange for the paper to be laid before the County Assembly
- As soon as practicable after having done so, publish and publicize the Paper.

B. Objectives of CBROP

2. The objective of the County Budget Review and Outlook Paper (CBROP), 2023 is to provide a review of fiscal performance for the FY 2022/23 and how this performance affects the financial objectives and fiscal responsibility principles set out in the PFM Act and outlined in the County Fiscal Strategy Paper (CFSP), 2023. This, together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2023/24 and the medium-term budget. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the CFSP, 2024.

3. The CBROP, 2023 is a key policy document that will guide the development of the CFSP, 2024. The CFSP, 2024 will highlight the progress in the implementation of the projects and programmes prioritized in the FY 2023/2024 Budget while also taking into account the recent macroeconomic developments.

4. The own source actual performance during the FY 2022/23 increased slightly by 1.16 percent compared to FY 2021/22. This comprised of all other revenue streams apart from the health sources that are retained in the health service fund. It is imperative to note that the collection from the fund grew significantly i.e., from Kshs. 345 million collected in the FY 2021/22 to Kshs 473 million in the FY 2022/23 representing 37.1 percent increase.

5. However, a closer analysis of collections from other revenue streams reveals an insignificant increase in receipts, despite concerted effort employed through a rapid result initiative drive aimed at improving revenue collection. There is therefore need to refocus and identify a more reliable way to enhance own source revenue to reduce overreliance on external sources.

6. 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 county government is able to settle its commitment and enhance continued fiscal discipline. In order to meet the resource requirements of the FY 2023/24, the County Government will continue to apply prudent measures aimed at enhancing local revenue collection as well as rationalization of expenditures.

II. REVIEW OF FISCAL PERFORMANCE IN 2022/2023

A. Overview

7. In the financial year 2022/23, the County Government was experiencing delayed disbursement of funds from the National Treasury, especially in the first half of the period under review. This led to delays in commencement of the planned projects and programme due to cash flow challenges. The expected allocation was however released at the tail end of the financial year 2022/23 at a time when commitment could not be done leading to unspent balances from ongoing or unimplemented projects.

8. During the financial year 2022/23 the County Treasury revised the county budget to align it with the County Allocation of Revenue Act, 2022 as well as address the emerging social needs in line with the prevailing economic trends. The balances accruing from the FY 2021/22 were also appropriated by revising budget estimates to allow for spending and payment of pending bills and commitments. As at the end of the FY 2022/23, the approved second supplementary budget for the financial year amounted to Kshs. 7,608,472,106 comprising of Kshs. 5,316,930,474 for recurrent and Kshs 2,291,541,632 for development.

B. Fiscal Performance in FY 2022/23

Revenue Performance

9. In the financial year 2022/23, cumulative revenues received by the County Government from various sources that includes the equitable share, conditional grants, transfer from government agencies as well as the unspent balances brought forward from FY2021/22 amounted to Kshs. 7,914,412,127 while Kshs. 610,737,309 was received from the county own revenue sources as shown in **Table 1 below**. It is nevertheless important to note that the own revenue source does not contain the revenue streams from health facility following the creation of Health Service Fund which ring-fences collections for health. The actual collection through the fund amounted to Kshs. 473,033,705.

Table 1: Revenue Performance in Financial Year 2022/23

Revenue Sources and Expenditure	Approved Appropriation (Kshs)	Revised Appropriation (Kshs.)	Actual Performance (Kshs.)	Deviation (Kshs.)	Performance %
Balance B/F		297,317,394	297,317,394	0	100
Equitable Share	6,228,728,555	6,228,728,555	6,727,026,842	498,298,287	108
Kenya Urban Support Program (UDG)	0	2,339,915	2,339,915	0	100
Kenya Informal Settlement Programme	102,139,147	30,000,000	30,000,000	0	100
Transforming Health Systems for Universal Health Care (THS -UCP)	48,739,220	-		0	0
DANIDA	11,405,700	17,409,938	17,409,938	0	100
Agriculture Sector Development Support Programme (ASDSP)	8,473,681	15,674,770	15,674,770	0	100
Kenya Climate Smart Agriculture Project (KCSAP)	352,822,250	124,713,230	124,713,230	0	100
IDA (World Bank) Credit- National Agricultural Value Chain Development		70,000,000	67,192,729	(2,807,271)	96
IDA (World Bank) Credit- FLLOCA Climate Change Grant Level 1	136,500,000	22,000,000	22,000,000	0	100
Sub-total	6,888,808,553	6,808,183,802	7,303,674,818	495,491,016	107
Own Source Revenue	700,000,000	800,000,000	610,737,309	(189,262,691)	76
Total Revenue	7,588,808,553	7,608,183,802	7,914,412,127	306,228,325	104
Salaries & Wages	3,892,654,502	3,870,793,916	3,813,005,491	(57,788,425)	99
Operations & Maintenance (O&M)	1,362,447,072	1,446,136,558	1,300,498,430	(145,638,128)	90
Development	2,333,706,979	2,291,541,632	1,718,404,708	(573,136,924)	75
Total Expenditure	7,588,808,553	7,608,472,106	6,831,908,629	(776,563,477)	90

Source: County Treasury, 2023

10. As at the end of June 2023, most of the targeted revenues were realized apart from the own source revenue and National Agricultural Value Chain Development (NAVCD). Further, the National Treasury released the equitable share mean for the month of June, 2022 in the FY 2022/23. The unspent cash balances accruing from the financial year 2021/22 amounted to Kshs. 297,317,394 and this necessitated the formulation of the first supplementary budget to appropriate the balances and align it to the County Allocation of Revenue Act, 2022.

11. In the financial year 2022/2023, the County Government received Kshs. 6,727,026,842 as shareable revenues from the National Government which was exceeded the approved amount by Kshs 498,298,287 which was the expected disbursement for June 2022. Further the county received Kshs. 2,339,915 as a grant from Kenya Urban Support Programme (KUSP), Kshs. 30,000,000 for Kenya Informal Settlement Programme, Kshs. 17,409,938 as DANIDA, Kshs. 15,674,770 for Agricultural Sector Development Support Programme, Kshs. 124,713,230 for Kenya Climate Smart Agricultural Project, Kshs. 67,192,729 as grant for National Agricultural Value Chain Development and Kshs. 22,000,000 for World bank FLLOCA Climate Change Grant Level grant.

12. The County Government collected Kshs. 610,737,309 from its own revenue streams against a target of Kshs. 800,000,000 during the financial year 2022/23. The performance shows a marginal increase of 1.19 percent compared with the preceding financial year. However, the amount does not comprise of the collection from the health-related sources since they now form

part of the allocation directed to Health Service Fund that ring fences all collections from health facilities within the fund. The amount collected by the fund in the financial year 2022/23 therefore amounts to Kshs. 473,033,705.

13. However, the performance of the own revenue collection from the other sources remains an area of concern since despite the effort and resources directed towards the same during the financial year, 2022/23, it recorded only a slight increase. However, we are hopeful that things will return to normal and through concerted effort, more revenue will be collected this financial year.

14. Going forward, the County Government will come up with innovative ways of increasing its own revenue collection without necessarily overburdening its citizens. The County Government will ensure that all the necessary legislation to support revenue collection is enacted so as to reduce conflict and litigations that hinder optimal revenue collection. Further, the personnel involved at all levels of revenue mobilization, collection, enforcement, and management will continue to be equipped with requisite skills and capacity built on their core mandate in an endeavor to attain more resources for development initiatives. Increased revenue will also reduce the pending bills and overdependence on equitable share and other external revenue sources.

Table 2: Local Revenue Performance – FY 2022/23

	Revenue Stream	Annual Targeted Revenue (Kshs.)	Revenue Performance in 2022/2023	Deviation in Revenue Performance in 2022/2023	Percentage Performance in 2022/23 (%)
1.	Liquor Licence	86,808,759	62,490,169	(24,318,590)	71.99
2.	Agricultural Mechanisation Station	1,500,000	349,646	(1,150,354)	23.31
3.	Wambugu Agricultural Training Centre	8,000,000	4,749,523	(3,250,477)	59.37
4.	Veterinary Charges	7,000,000	5,350,280	(1,649,720)	76.43
5.	Slaughtering Fees	2,580,060	2,060,890	(519,170)	79.88
6.	Nyeri Slaughterhouse	500,000	430,000	(70,000)	86
7.	Kiganjo Slaughterhouse	120,000	110,000	(10,000)	91.67
8.	Sale of Fertilizer/lime	60,000	41,300	(18,700)	68.83
9.	Gura Fishing Camp/fisheries revenue	0	0	-	0
10.	Coffee Permit	566,310	407,490	(158,820)	71.96
11.	Market Entrance/Stalls/Shop Rents	45,202,269	35,387,482	(9,814,787)	78.29
12.	Weights and Measures	4,500,000	3,205,360	(1,294,640)	71.23
13.	Co-operative Audit	2,156,056	1,608,860	(547,196)	74.62
14.	Hospital Services	0	0	-	0
15.	Public Health	17,000,000	10,621,567	(6,378,433)	62.48
16.	Burial Fees	134,933	109,300	(25,633)	81
17.	Commision 3%/Agency Fee (Fees from KHC, Insurance Firms, e.t.c.)	6,217,846	4,821,533	(1,396,313)	77.54
18.	Business Permits	126,800,000	109,993,016	(16,806,984)	86.75
19.	Ambulant Hawkers Licences (Other than BSS Permits)	708,503	448,680	(259,823)	63.33
20.	Miscellaneous	100,000	798,425	698,425	798.43
21.	Document Search Fee/Duplicate receipts	59,095	47,000	(12,095)	79.53

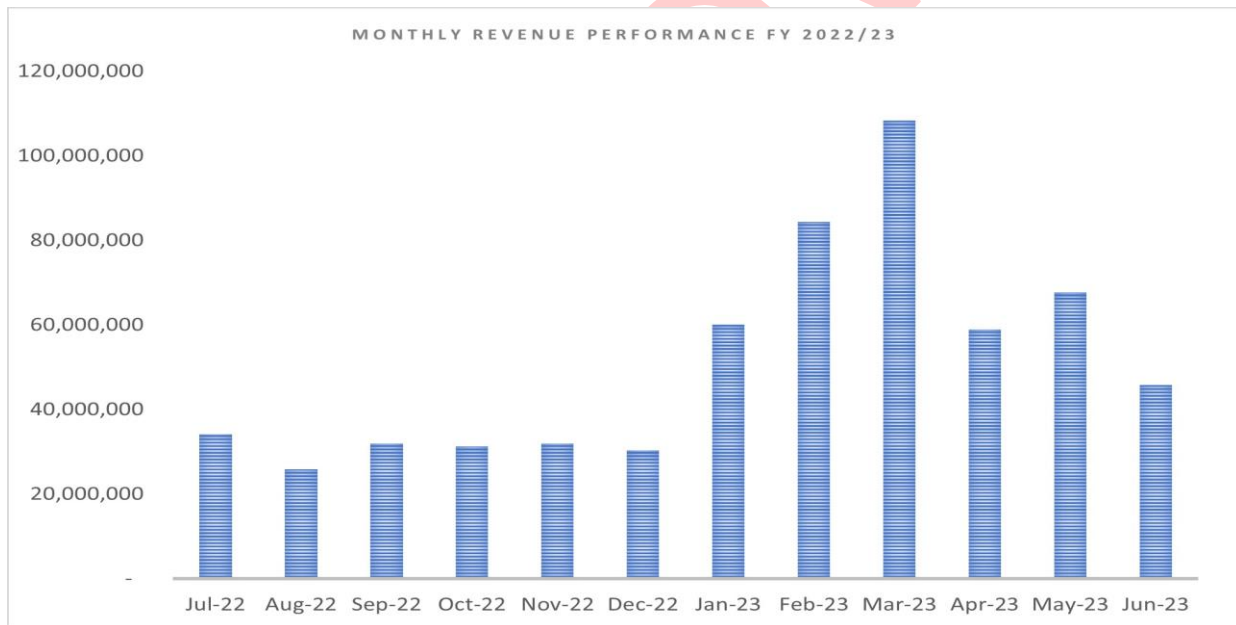
	Revenue Stream	Annual Targeted Revenue (Kshs.)	Revenue Performance in 2022/2023	Deviation in Revenue Performance in 2022/2023	Percentage Performance in 2022/23 (%)
22.	Impounding Charges/Court Fines, penalties, and forfeitures	2,000,000	1,545,522	(454,478)	77.28
23.	Application Fee	7,500,000	5,206,820	(2,293,180)	69.42
24.	Parking Clamping/Penalties/Offences fees	2,000,000	769,300	(1,230,700)	38.47
25.	Sale of Old Office Equipment and Furniture	-	1,008,005	-	-
26.	Central Kenya show annual permit	200,000	130,500	(69,500)	65.25
27.	Right-of-Way / Way-Leave Fee (KPLN, Telkom, e.t.c.)	3,000,000	1,490,130	(1,509,870)	49.67
28.	Cess (Quarry, Produce, Kaolin, e.t.c.)	51,687,836	40,311,185	(11,376,651)	77.99
29.	Street Parking Fees	41,000,000	29,996,337	(11,003,663)	73.16
30.	Enclosed Bus Park	85,000,000	74,151,751	(10,848,249)	87.24
31.	Fire-Fighting Services	20,000,000	14,765,900	(5,234,100)	73.83
32.	Land Rates/ Other Property Charges	70,000,000	51,179,872	(18,820,128)	73.11
33.	Ground Rent - Current Year / Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees	5,160,958	3,903,203	(1,257,755)	75.63
34.	Ground Rent - Other Years	1,852,002	1,427,802	(424,200)	77.1
35.	Hire of Plant & Machinery	-	-	-	-
36.	Plot Transfer Fee/Business Subletting / Transfer Fee	1,015,866	757,000	(258,866)	74.52
37.	Housing Estates Monthly Rent	40,124,180	28,461,680	(11,662,500)	70.93
38.	Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey, Occupation Cert, boundary dispute e.t.c.)	25,000,000	15,232,511	(9,767,489)	60.93
39.	Sign Boards & Advertisement Fee	40,000,000	35,052,705	(4,947,295)	87.63
40.	Buildings Plan Approval Fee/Buildings Inspection Fee	37,088,828	26,318,813	(10,770,015)	70.96
41.	Consent to Charge Fee/Property Certification Fee (Use as Collateral)	1,719,518	1,289,300	(430,218)	74.98
42.	Sales of Council's Minutes / Bylaws	588,133	450,000	(138,133)	76.51
43.	Debts Clearance Certificate Fee	1,588,521	1,211,000	(377,521)	76.23
44.	Hire of Grounds (Kamukunji, Whispers park) / Social Hall Hire	2,000,000	1,266,252	(733,748)	63.31
45.	Food Ration (KRT) Nursery School	400,000	294,700	(105,300)	73.68
46.	Food Ration (Kingongo) Nursery School	308,066	270,550	(37,516)	87.82
47.	Food Ration (Nyakinyua) Nursery School	434,276	307,750	(126,526)	70.87
48.	Registration of School, Training/Learning Center Fee	-	-	-	-
49.	Stadium Hire (Ruringu, Karatina etc)	61,205	49,500	(11,705)	80.88
50.	Public Toilets/Use of public toilets	149,145	106,000	(43,145)	71.07
51.	Refuse Collection Fee/Tipping charges/Garbage Dumping Fee/waste disposal charges	50,000,000	30,666,200	(19,333,800)	61.33
52.	Sale of flowers, Plants, Firewood, Produce e.t.c	-	-	-	
53.	Quarry /mining charges-annual licence fee	-	-	-	

	Revenue Stream	Annual Targeted Revenue (Kshs.)	Revenue Performance in 2022/2023	Deviation in Revenue Performance in 2022/2023	Percentage Performance in 2022/23 (%)
54.	Tree cutting permits	-	-	-	
55.	Polluters of Environment Penalties	-	-	-	
56.	Noise Regulation/Pollution	107,635	86,500	(21,135)	80.36
57.	Exhauster Services Charge	-	-	-	
58.	Private borehole operators	-	-	-	
59.	Water bowser/water vendor licences	-	-	-	
		800,000,000	610,737,309	(189,262,691)	76.34

Source: County Treasury, 2023

15. From a monthly review, the county government’s performance of local revenue collection sharply rises from January with March recording the highest amount as shown in the figure below. This is because the key revenue sources such as Single Business Permits and land rates have a payment deadline of the month of March before they start attracting fines and penalties.

Figure 1: Monthly Own Source Revenue Performance in FY 2022/2023



Source: County Treasury, 2023

Expenditure Performance

16. The total expenditure in the 2022/23 financial year amounted to Kshs. 6,831,908,629 against a budget of Kshs. 7,608,472,106 representing an under performance of Kshs. 776,563,477 as shown in **Table 3** below. This shortfall in absorption was attributed to failure by the National Treasury to release the disbursement for the Month of June 2022 as well as not having met the local revenue targets. Further, the allocated donor funds were not disbursed despite being approved in the County Budget and hence reflected as underperformance of the overall budget.

Table 3: Expenditure Performance in FY 2022/23

Expenditure Classification	Approved Appropriation (Kshs)	Revised Appropriation (Kshs.)	Actual Performance (Kshs.)	Deviation (Kshs.)	Performance %
Salaries & Wages	3,892,654,502	3,870,793,916	3,813,005,491	(57,788,425)	99
Operations & Maintenance (O&M)	1,362,447,072	1,446,136,558	1,300,498,430	(145,638,128)	90
Total Recurrent	5,255,101,574	5,316,930,474	5,113,503,921	(203,426,553)	
Development	2,333,706,979	2,291,541,632	1,718,404,708	(573,136,924)	75
Total Expenditure	7,588,808,553	7,608,472,106	6,831,908,629	(776,563,477)	90

Source: County Treasury, 2023

17. During the FY 2022/23 the County Government incurred recurrent expenditure amounting to Kshs 5,113,503,921 against a proposed budget of Kshs 5,316,930,474 representing an under-performance of Kshs 203,426,553. The County spent Kshs. 3,813,005,491 and Kshs. 1,300,498,430 on personnel emoluments and operations and maintenance respectively.

18. On the other hand, the expenditure on development amounted to Kshs 1,718,404,708 against a revised estimate of Kshs 2,291,541,632, representing an under-performance of Kshs 573,136,924. This can mainly be attributed to delayed disbursement of exchequer by the National Treasury as well as shortfall in own source revenue collection in the financial year. The expected funds were disbursed at the end of the financial year when commitments were already closed hampering absorption.

Performance by Departments and Other County Units

19. Analysis of the performance by departments and other county units indicates that the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure at 99.54 percent while Department of Finance and Economic Planning had the lowest at 83.79 percent as shown in Table 4 below.

Table 4 : Performance of Recurrent Budget in FY 2022/23

Department/Entity	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Performance (%)
Office of the Governor & Deputy Governor	112,083,962	128,863,962	128,267,952	596,010	99.54
Office of the County Secretary	263,694,168	314,688,074	313,134,044	1,554,030	99.51
Finance and Economic Planning	837,123,402	766,845,727	642,503,131	124,342,596	83.79
Lands, Physical Planning, Housing and Urban Development	49,379,640	50,452,583	47,099,707	3,352,876	93.35
Health Services	2,250,635,902	2,252,690,140	2,227,949,458	24,740,682	98.90
Gender, Youth and Social Services	58,164,024	67,413,061	65,937,241	1,475,820	97.81
County Public Service and Solid Waste Management	109,385,107	108,766,756	105,147,117	3,619,639	96.67
Agriculture, Livestock and Fisheries	244,442,843	240,902,843	238,152,892	2,749,951	98.86
Trade, Culture, Tourism & Cooperative Development	50,245,025	49,825,025	45,497,383	4,327,642	91.31
Education and Sports	263,394,783	297,344,783	295,064,349	2,280,434	99.23
Water, Irrigation, Environment & Climate Change	75,724,101	73,914,777	72,697,858	1,216,919	98.35
County Assembly	762,693,761	762,713,387	733,413,524	29,299,863	96.16

Department/Entity	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Performance (%)
County Public Service Board	38,048,187	39,828,187	39,405,775	422,412	98.94
Transport, Public Works, Infrastructure and Energy	99,352,198	96,946,698	94,207,212	2,739,486	97.17
Office of the County Attorney	40,734,471	65,734,471	65,406,278	328,193	99.50
TOTAL	5,255,101,574	5,316,930,474	5,113,883,921	203,046,553	96.18

Source: County Treasury, 2023

20. From the analysis of the development outlay below, the Office of the County Secretary had the highest absorption rate of development budget at 98.89 percent followed by County Public Service Board with 98.65 percent of the units allocated budget. The County Assembly had the lowest absorption at 1.99 percent followed by the Office of the Governor and Deputy Governor with 5.62 percent. **Table 5** below shows the performance of the departments and units. However, the figures on the tables may change slightly due to year-end adjustments.

Table 5: Performance of the Development Budget in FY 2022/23

Department	Approved Appropriation (Kshs)	Revised Appropriation (Kshs)	Actual Performance (Kshs)	Deviation (Kshs)	Performance (%)
Office of the Governor & Deputy Governor	20,000,000	20,000,000	1,123,180	18,876,820	5.62
Office of the County Secretary	33,750,000	45,546,256	45,040,067	506,189	98.89
Finance and Economic Planning	44,274,445	250,229,574	110,866,278	139,363,296	44.31
Lands, Physical Planning, Housing and Urban Development	212,139,147	234,778,175	133,503,478	101,274,697	56.86
Health Services	322,887,950	379,098,499	316,119,142	62,979,357	83.39
Gender, Youth and Social Services	54,500,000	56,845,500	49,735,818	7,109,682	87.49
County Public Service and Solid Waste Management	57,750,000	62,136,499	58,276,183	3,860,316	93.79
Agriculture, Livestock and Fisheries	426,382,343	355,213,290	324,095,069	31,118,221	91.24
Trade, Culture, Tourism & Cooperative Development	81,000,000	106,003,199	95,781,007	10,222,192	90.36
Education and Sports	58,500,000	41,000,000	36,960,152	4,039,848	90.15
Water, Irrigation, Environment & Climate Change	276,569,171	181,985,300	113,208,586	68,776,714	62.21
County Assembly	50,000,000	50,000,000	995,384	49,004,616	1.99
County Public Service Board	8,000,000	8,000,000	7,891,800	108,200	98.65
Transport, Public Works, Infrastructure and Energy	687,953,923	500,705,340	424,808,564	75,896,776	84.84
TOTAL	2,333,706,979	2,291,541,632	1,718,404,708	573,136,924	74.99

Source: County Treasury, 2023

21. Given that the county budget is programme-based **Table 6** below shows the Performance of the Budget by Programme and Sub-Programme.

Table 6: Performance of the Budget by Programme and Sub-Programme FY 2022/23

County Department	Name of the Programme	Sub-Programme	Recurrent		Development		Total Budget	
			Approved Budget	Actual Payments	Approved Budget	Actual Payments	Approved Budget	Actual Payments
Agriculture, Livestock and Fisheries	Agricultural Management	Administration and planning services	226,819,334	225,417,966	334,120,139	303,583,724	560,939,473	529,001,690
	Livestock Production Management	Provision of Extension Services to Livestock farmers	2,009,500	1,706,402	6,500,000	6,885,194	8,509,500	8,591,596

County Department	Name of the Programme	Sub-Programme	Recurrent		Development		Total Budget	
			Approved Budget	Actual Payments	Approved Budget	Actual Payments	Approved Budget	Actual Payments
	Crop Management	Administrative Support Services	2,014,500	1,562,614			2,014,500	1,562,614
	Fisheries development	Administrative Support Services	1,535,000	1,386,450			1,535,000	1,386,450
	Veterinary services	Administrative Support Services	2,962,509	2,517,709	9,000,000	8,824,995	11,962,509	11,342,704
	Wambugu ATC	Farm Development	4,551,500	4,551,250	2,969,782	2,181,438	7,521,282	6,732,688
	AMS Naromoru	Development Of Agricultural Land for Crop Production	1,010,500	1,010,500	2,623,369	2,619,719	3,633,869	3,630,219
			240,902,843	238,152,892	355,213,290	324,095,070	596,116,133	562,247,962
Lands, Physical Planning, Housing and Urbanization	Physical planning services	Administration and personnel services	44,343,083	41,663,802	234,778,175	133,503,478	279,121,258	175,167,280
	Land Policy and Planning	Land Policy Formulation	4,294,000	3,758,055			4,294,000	3,758,055
	Housing Development and Human Settlement	Government Building	1,815,500	1,677,850			1,815,500	1,677,850
			50,452,583	47,099,707	234,778,175	133,503,478	285,230,758	180,603,185
Transport, Public Works Infrastructure and Energy	General administration and policy Development and implementation	Administration, planning and support services	74,169,951	72,107,156			74,169,951	72,107,156
	Roads development, maintenance and management	County access and feeder roads improvement	0	0	179,245,592	163,491,825	179,245,592	163,491,825
	Energy Sector development	Street lighting programme	22,776,747	22,100,057	321,459,748	261,316,739	344,236,495	283,416,796
			96,946,698	94,207,213	500,705,340	424,808,564	597,652,038	519,015,777
Trade, Culture, Tourism and Co-Operative Development	Trade and Cooperative Development	Trade Promotion	41,097,525	37,734,062	88,000,000	78,696,954	129,097,525	116,431,016
	Tourism Development	Promotion of Tourism	7,127,500	6,490,902			7,127,500	6,490,902
	Co-operatives	Co-operative Development	1,600,000	1,272,419	18,003,199	17,084,053	19,603,199	18,356,472
			49,825,025	45,497,383	106,003,199	95,781,007	155,828,224	141,278,390
Health Services	Administration, Planning and General Support Services	Administration, Planning and General Support Services	2,151,384,824	2,150,999,338	379,098,499	316,119,142	2,530,483,323	2,467,118,480
	Rural Health	Administration, Planning and General Support Services	101,305,316	76,979,032			101,305,316	76,979,032
			2,252,690,140	2,227,978,370	379,098,499	316,119,142	2,631,788,639	2,544,097,512
Education and Sports	General administration and policy Development and implementation	Administrative Support Services	287,715,345	286,349,313			287,715,345	286,349,313
	ECDE Management	ECDE Management	4,882,516	4,274,257	27,900,000	24,427,469	32,782,516	28,701,726
	Youth Training and Development	Youth Polytechnics	1,000,000	957,649	9,300,000	8,736,282	10,300,000	9,693,931
	County Sports Development	Search and nurture talents	3,746,922	3,483,130	3,800,000	3,796,400	7,546,922	7,279,530
			297,344,783	295,064,350	41,000,000	36,960,151	338,344,783	332,024,501
Office of the Governor and Deputy Governor	Management and Co-ordination of county affairs	Administration, planning and support services	128,863,962	128,267,952	20,000,000	1,123,180	148,863,962	129,391,132
			128,863,962	128,267,952	20,000,000	1,123,180	148,863,962	129,391,132
Office of the County Secretary	Coordination of County Functions and Public Service Management	Coordination of County Functions and Public Service Management	312,301,074	310,989,476	45,546,256	45,040,067	357,847,330	356,029,543
		Community sensitization, education and public participation	1,017,000	1,012,860			1,017,000	1,012,860
		ICT Development	1,370,000	1,131,707			1,370,000	1,131,707
			314,688,074	313,134,043	45,546,256	45,040,067	360,234,330	358,174,110
Finance and Economic Planning	Executive services	Administration and personnel services	698,708,827	576,861,977	250,229,574	110,866,278	948,938,401	687,728,255
	Economic Planning and Policy Formulation	Economic Planning and Policy Formulation	11,184,600	10,773,046			11,184,600	10,773,046
	Public Finance Management	Financial Accounting	10,467,500	10,185,274			10,467,500	10,185,274
		Procurement Compliance and Reporting	10,825,000	9,938,628			10,825,000	9,938,628
		Internal Audit	5,559,800	5,339,400			5,559,800	5,339,400
	Revenue Mobilization	Revenue Mobilization	27,200,000	26,755,095			27,200,000	26,755,095
Economic Planning and Policy Formulation	Monitoring and Evaluation	2,900,000	2,699,710			2,900,000	2,699,710	
			766,845,727	642,553,130	250,229,574	110,866,278	1,017,075,301	753,419,408
County Assembly	General administration, Policy Development and implementation	Administration and planning services	611,338,387	631,043,140	50,000,000	995,384	661,338,387	632,038,524
	Mortgage Services	Administration and planning services	151,375,000	102,370,384			151,375,000	102,370,384
			762,713,387	733,413,524	50,000,000	995,384	812,713,387	734,408,908
County Public Service and Solid Waste Management	Human resources Management	Administration Planning and Support Services	101,692,342	98,635,332	6,136,499	4,886,154	107,828,841	103,521,486
	Sanitation management	Administrative Support Services	7,074,414	6,511,785	56,000,000	53,390,029	63,074,414	59,901,814

County Department	Name of the Programme	Sub-Programme	Recurrent		Development		Total Budget	
			Approved Budget	Actual Payments	Approved Budget	Actual Payments	Approved Budget	Actual Payments
			108,766,756	105,147,117	62,136,499	58,276,183	170,903,255	163,423,300
County Public Service Board	General Administration and Planning services	Administration and Personnel Services	39,828,187	39,405,775	8,000,000	7,891,800	47,828,187	47,297,575
			39,828,187	39,405,775	8,000,000	7,891,800	47,828,187	47,297,575
Gender, Youth and Social Services	General Administration and Planning services	Administration and personnel services	65,463,061	63,987,246			65,463,061	63,987,246
	Social development	Administration and planning services	0	0	56,845,500	49,735,818	56,845,500	49,735,818
	Disaster Management	Administration and planning services	1,950,000	1,949,995			1,950,000	1,949,995
			67,413,061	65,937,242	56,845,500	49,735,818	124,258,561	115,673,060
Water and Irrigation Services	Water Management	Administrative Support Services	71,549,777	70,606,887	106,769,171	75,858,519	178,318,948	146,465,406
	Environment and Climate Change	Administrative Support Services	2,365,000	2,090,970	75,216,129	37,350,067	77,581,129	39,441,037
			73,914,777	72,697,857	181,985,300	113,208,586	255,900,077	185,906,443
Office of the County Attorney	General Administration and Planning services	Administration and personnel services	65,734,471	65,406,278			65,734,471	65,406,278
			65,734,471	65,406,278	0	0	65,734,471	65,406,278
		Grand Total	5,316,930,474	5,113,962,831	2,291,541,632	1,718,404,708	7,608,472,106	6,832,367,539

Source: County Treasury, 2023

C. Fiscal performance of the FY 2022/2023 in relation to fiscal responsibility principles and financial objectives

22. In line with the Constitution, the PFM Act, 2012, the PFM Regulations, objectives as outlined in the CFSP 2022 and in line with the principles of 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:

23. The County own source revenue increased from Kshs 603,255,130 in 2021/2022 to Kshs. 610,656,883 in the FY 2022/23, translating to an increase of 1.22%. This is attributed to enhanced enforcement as well as awareness creation among the Nyeri people. On a positive note, the county received Kshs 7,006,357,424 out of the expected 6,510,866,408 from the exchequer where Kshs 498,298,287 was the last tranche for the FY 2021/2022. The expenditure on development was Kshs. 1,718,404,708 while that of recurrent was Kshs. 5,113,883,919 representing a 74.99% and 96.18% absorption rate of the development & recurrent budget respectively. This low absorption of development funds is mainly attributed to the delay by the National Treasury in releasing the exchequer which subsequently hampered execution of the planned activities due to cash flow challenges.

24. The amount of revenue collected by the County Government from own sources in FY 2022/23 improved considerably in absolute terms as compared to FY2021/22. Notably, an analysis of the various streams indicated that the actual collection from the health-related sources almost doubled while other sources also improved as compared to the previous financial year's achievement. The improved health related own revenue performance can be attributed to the roll out of the Health Services Fund while the increase experienced in the other streams can be ascribed to the enhanced enforcement as well as positive uptake of the levies and charges by the Nyerians.

25. However, despite the challenges experienced, revenue collection is expected to increase, and efforts will be made for further improvement. This will include expansion of the county's revenue base, strengthening existing revenue streams and reduction in litigations by engaging all stakeholders in formulation of related legislation. The enforcement and inspectorate units will continue being facilitated through capacity building in order to be more effective in revenue mobilization.

26. According to the County Allocation of Revenue Act (CARA 2023) the allocated equitable share was Kshs 6,485,331,051, translating to a 4.11% increase compared to the amount expected in FY 2022/23. In addition, the target for Own Source Revenue in FY2023/24 is Kshs. 800,000,000 for all the revenue streams excluding health services stream which will be maintained in the Health Fund as per the Nyeri Health Service Act, 2021. Subsequently, the actual contribution of local revenues has remained below 10 percent of the projected total county revenues in FY2022/2023.

27. For the FY 2023/24 budget, adjustments will be introduced on fiscal aggregates as provided for under section 108 (2) of the PFM Act, 2012; CARA, 2022 and the unspent balances as at 30th June, 2023. The pending bills and ongoing works accruing from the FY 2022/2023 totaled Kshs 195,314,221. These will partly be paid as the first charge in respective departmental votes and the remaining amount will be provided for during supplementary budget from the amount brought forward from 2022/23 financial year. However, it is imperative to note that some of the pending bills originated from failure by the National Treasury to release the last tranche of the FY 2021/22 equitable share on time as well as non-release of part of the conditional funds in line with the approved amounts leading to cancellation of already processed payments.

28. In accordance with section 25(1) (b) of the PFM (County Governments) Regulations, the county government is required not to spend more than 35 percent of its aggregate revenue on salaries and wages. However, since the dawn of devolution, pressure has been rising for counties to adhere to this provision on wage bill ceiling despite the fact that the rise is triggered, mainly, by external factors. These includes the increase in salaries of staff as well as signing of CBA's nationally and the effects being imposed on counties to execute without provision of additional resources e.g., the CBA for nurses and doctors that has continued to strain the county's resource basket.

29. The County's allocation on salaries and wages in FY 2022/23 stood at Kshs. 3,870,793,916 representing 50.87 percent of the total county budget. The incessant recruitment of staff without consideration of its effect on the budget has further deepened pressure on the already strained budget leaving very little for operations and maintenance. Notwithstanding, the demand for promotions from workers, whenever they are due, has also contributed significantly to the continued rise in the wage bill.

30. By the end of FY 2022/23 the County Government expenditure on wages and salaries was Kshs. 3,813,005,491 which translated to 55.81 percent of the county's total actual expenditure. Despite the fact that expenditure on wages and salaries was beyond the required threshold of 35% as per the PFM regulations, the county government has continued to explore ways of reducing the wage bill to release funds to development activities. There is need for the county government to prioritize addressing the issue of the alarming wage bill pressure and explore sustainable ways to avoid ending up with a budget that can only settle salaries and leave nothing for operations.

31. In the financial year 2022/2023, the amount allocated for the development expenditure was 30.12 percent of the total county budget which was within the legal requirement in line with the PFM Act 2012 that requires the county government to allocate at least 30% of their annual budget towards development expenditure over the medium term. By the end of this period only Kshs. 1,718,404,708 of the development budgets had been spent which translates to 25.15 percent of the total county expenditure.

32. During the FY 2022/23, the County Government did not enter into any debt through external borrowing. However, an allocation will be provided for in the supplementary budget for payment of all the eligible pending bills, most of which will be settled. The cash balances carried forward to FY 2023/24 amounted to Kshs. 1,000,524,842.45, consisting mainly of the last tranche for FY 2021/2022 of Kshs. 498,298,287 and donor/conditional grants. However, this will necessitate for appropriation through a supplementary budget to enable the funds to be utilized.

33. Pursuant to the provisions of the PFM Act, 2012, the County Treasury prepared the Finance Bill, 2022 which was later approved by the County Assembly. The preparation of the finance bill ensured that a reasonable degree of predictability with respect to the level of tax rates and tax bases was maintained. This was done through involvement of all key stakeholders and members of the public to guarantee ownership and indulgence in the process. The preparation of the bill through a participatory process was also meant to curtail the chances of conflict on matters relating to settlement of fees, rates, and charges. This also ensured that the stakeholders are aware of the accruing benefit from payment of fees, rates and charges and hence enhancing adherence to the requirements of the law.

34. The County Government also prepared the third generation County Integrated Development Plan that will guide the development agenda over the medium term. The CIDP 2023-2027 was launched on 27th July, 2023 at a very colorful event. The CIDP was aligned to the Sustainable Development Goals, Kenya's Vision 2030, National Government Agenda for the current administration as well as other necessary policies that will impact positively on the development of the county in the next five years.

A. Recent Macroeconomic Development and Policy Outlook

35. The development agenda of the County over the medium term is heavily linked to national and international aspirations as outlined in Kenya's Vision 2030 and its medium-term plans as well as other regional and international plans and agreements. Consequently, global, and national economic indicators have a significant impact on the economic outlook at the county level. It is therefore crucial to track these occurrences with the aim of making appropriate local adjustments.

36. From a financial perspective, it is important to understand that any internal or external factors that have a negative impact on the economic and financial trends at the national level will have a ripple effect on the county government's expenditure trends and its economic agenda.

37. The global economic outlook remained gloomy in 2022 relative to the positive outlook registered in 2021. The world economy recorded a growth rate of 3.5 percent in 2022 compared to the 6.5 percent growth rate that was registered in 2021. This global growth is projected to recede further to 3.0 percent in both 2023 and 2024. This recessionary trend is attributed to the persistent global inflation, volatility in the global oil and energy prices and the disruption of global supply chains. Additionally, the tightening of monetary policies by leading global economies as a reaction towards controlling the rising inflation has also continued to weigh in on the economic outlook. Generally, advanced economies, characterized by slowed growth in manufacturing and other country specific factors which have offset the stronger gains made in the services sector, continue to drive the decline in growth from 2022 to 2023. However, emerging market and developing economies are expected to record more stable prospects with regards to their growth outlook for 2023 and 2024, although with notable shifts across regions.

38. Given the current global situation as well as outlook, most economies are and will continue prioritizing policies that are geared toward reducing inflationary pressures while enhancing financial stability. However, this economic outlook may be affected by the intensification of geopolitical conflicts, externalities associated with extreme weather conditions as well as continued volatility of global oil and energy prices. In the event that these risks materialize it will be prudent for policymakers to put in place measures that enhance the fiscal buffers and enhance targeted support to the vulnerable. Furthermore, improvements to the supply side of the economy ease fiscal consolidation and a smoother decline of inflation toward target levels.

39. The average growth rate of the Kenyan Economy during the 10 years preceding the Covid-19 pandemic was 5.0 percent compared to the current average growth rate of 6.2 percent for the two years after the pandemic. Kenya being an open economy was significantly affected by similar forces as those that characterized the global economy in 2022. This led to a slump in the growth rate to 4.8 percent compared to the 7.6 percent recorded in 2021.

40. The economic situation and inflationary pressures were further aggravated by severe climate related shock, experienced in 2022, in the form of severe drought. This led to a rise in the number of people experiencing food shortages and insecurity as well as loss of lives, livestock, and livelihoods. As a result, the agricultural sector contracted by 0.4 percent in 2021 and 1.6 percent in 2022.

41. On the other hand, the service sector remained relatively strong in 2022. Supported by improved performances in information and communication, financial and insurance and professional, administrative and support services sub-sectors, the sector recorded a stellar growth of 6.7 per cent during the period. This performance was also supported by substantial growth in the accommodation, food services, and transport and storage sub-sectors. The activities in the services sector remained strong in the first quarter of 2023 growing by 6.0 percent. However, during the same period the industrial sector slowed down to 3.5 percent compared to a growth of 6.8 percent in 2021 on account of a slowdown in activities in the manufacturing, electricity and water supply and construction sub-sectors.

42. With regards to the country's gross domestic products, the first quarter of 2023 recorded real GDP growth of 5.3 percent. This positive trend was as a result of improvements in the Agricultural sector by 5.8 percent reflecting the impact of improved rainfall conditions and the impact of fertilizer and seed subsidies provided to the farmers by the Government. As a result of improved agricultural activities, the nation experienced an increase in food crop production as well as increased exports in vegetables and fruits.

43. The improvement of the Agricultural sector in the first quarter of 2023, also reflected in the improved manufacturing activity. During this period, there was an increase in the manufacturing of food products that included bakery products and processing and preservation of fish. Development of the Non-food manufacturing sector was attributed to growth in the manufacture of basic metals and fabricated metal products. Additionally, the electricity and water supply subsector also recorded a significant growth of 2.3 percent due to increased generation of electricity from renewable sources such as geothermal and wind. However, a decline in the demand for cement and imports of construction related materials such as bitumen, iron and steel led to a contraction of the manufacturing subsector.

44. The available indicators in the first three quarters of 2023 point out a positive economic outlook. It is expected that the Economy will grow by 5.5 per cent in 2023 and 5.7 percent in 2024. This growth will be supported by growth in activities in the private sector as well as government investment in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Additionally, other measures that are expected to support this growth include public sector investments in infrastructure and implementation of prudent fiscal and monetary policies.

45. As mentioned, the world economy was rocked by inflationary pressures which were also reflected in the local economy. The average inflation rate in Kenya remained above the government's target range of 5 ± 2.5 percent from June 2022 to June 2023. To control inflation and bring it down to the target range, the Central Bank Rate increased gradually from 7.50 percent in May 2022 to 10.50 percent in June and August 2023. The monetary policy tightening as well as easing of food prices led to a drop in the inflation rate from a peak of 9.6 percent in October 2022, to 6.7 percent in August 2023.

46. Rising food prices was one of the major contributors to the overall inflation rate during the period. However, easing of prices resulting from increased food supply, seasonal and international developments as well as zero rating of imports by the Government led to a decline in food inflation to 7.5 percent in August 2023 from a peak of 15.0 percent in August 2022.

47. The price of fuel maintained an upward trend as a result of withdrawal of the fuel subsidy from September 2022, upward adjustment of electricity tariff from April 2023, and the upward adjustment of VAT on petroleum product in July 2023 from 8.0 percent to 16.0 percent. However, prices of cooking gas continued to decline and moderated inflation reflecting the impact of the zero-rating of VAT on liquefied petroleum gas (LPG). The net effect of these scenarios was an increase in fuel inflation to 14.2 percent in August 2023 from 8.6 percent in August 2022. The contractionary monetary policy put in place by the government was effective in reducing the non-food/petroleum inflation to 3.7 percent in August 2023 from a peak of 4.4 percent in March, 2023.

48. The Kenyan foreign exchange rate remained under tight pressure from global economic forces arising from rising uncertainties in leading economies as well as rise in interest rates as a reactionary measure to combat inflation. More specifically, the rising United States interest rates coupled by increased prices of goods and services saw the Kenyan Shilling depreciate by a rate of 20.5 percent in the 12 months leading to August 2023 compared to a depreciation of 9.3 percent in a similar period in 2022. During this period the Kenyan shilling exchanged at Ksh 143.9 in August 2023 compared to Ksh 119.5 in August 2022. Within the same period the shilling lost against the Euro and the sterling pound from Ksh 121.0 and Ksh 143.5 in August 2022 to Kshs. 157.1 and Ksh 182.9 in August 2023 respectively. The position of the Kenyan shilling during this period was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

49. In the year leading to July 2023, the Country's Broad Money Supply (M3) grew by 14.3 percent as compared to the growth of 7.6 percent recorded in a similar period in 2022. The growth in M3 during this period was as a result of an increase in the Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system.

50. The country's Net Foreign Assets, as at July 2022, had contracted by 46.8 percent. However, an increase in commercial banks' foreign assets during the period leading to July 2023

contributed to a 56.6 percent growth in this indicator. On the other hand, the 10.2 percent growth in Net Domestic Assets recorded by July 2023 was mainly attributable to increase in domestic credit particularly resilient private sector credit and net lending to government.

51. Domestic credit advanced to the Government shrunk by 16.1 percent in the year leading to July 2023, while credit to other public sector grew by 16.7 percent within the same period mainly due lending to parastatals. A growth of 10.3 percent was recorded with regard to private sector lending, this was a direct reflection of improved business activities in the Country.

52. To combat inflation, the Government put in place contractionary monetary policies. Consequently, this was reflected by rising interbank interest rates, as well as higher returns on the 182-days and 364-days treasury bills. Additionally, commercial banks average lending and deposit rates also increased in the year to June 2023

53. The export revenues for 2023 were positively influenced by improvements in trade and the ongoing recovery in the tourism sector. Throughout the year leading up to June 2023, exports saw a 2.1 percent growth, primarily fuelled by higher earnings from tea and manufactured goods. The rise in tea export earnings can be attributed to increased prices, which were the result of lower global supply due to drought conditions, along with sustained demand from traditional markets. Consequently, the current account balance narrowed by 20.6 percent reflecting lower imports, strong performance of export of goods and services as well as increased remittances.

54. On the other hand, the capital account balance improved by USD 28.1 million to register a surplus of USD 189.7 million in June 2023 compared to a surplus of USD 161.6 million in the similar period in 2022. The net impact of the combined external sector developments was an improvement in the Nation's Balance of payment by a surplus of USD 1,113.5 million (1.1 percent of GDP) in June 2023 from a surplus of USD 1,555.5 million (1.4 percent of GDP) in June 2022.

55. The foreign exchange reserves stood at USD 13,165.6 million in the 12 months leading to June 2023, this was an improvement by USD 585 million compared to the previous period ending in June, 2022. From the total foreign exchange reserves holding, USD 8,036.7 million was held by the Central Bank while the balance of USD 5,128.8 million was held by commercial banks. This reserve holding represents 4.4 months of import cover, which was above the required threshold of 4 months. Nevertheless, it was a decline from the previous period's 4.9 months of import cover.

56. As a result of tightened monetary policy and inflationary pressures, there was a slump in activities in the Kenyan Capital market. The NSE 20 Share Index declined to 1,540 points from 1,751 points while Market capitalization declined to KShs 1,545 billion from KShs 2,142 billion between August 2022 and August 2023.

B. Economic Performance of County Sectors

57. The financial year 2022/23 started well despite the financial Constraints experienced at the onset. The main contributor to the constraints was the delay in disbursement of funds from the National Treasury which in turn affected the timely implementation of the planned county projects and programs. However, the county managed to carry out most of its planned activities despite delays in the release of funds.

58. The county has 5 ward offices and 3 sub-county offices which help in offering and extending administration services across the County. In the year under review, the Civic Education and Public Participation (CEPP) Unit conducted 12 civic education forums. Members of the community were also trained on the three modules: Constitution, Devolution and Public Participation. There were six (6) other related trainings conducted by the department across the County in FY 2022/23.

59. During the year, the county prepared and submitted the following documents pursuant to the requirements of the Public Finance Management Act, 2012 and other enabling legislations: the Finance Bill, 2022, Annual Development Plan for the FY 2023/24, County Budget Review and Outlook Paper, 2022, County Fiscal Strategy Paper, 2023, quarterly Budget Implementation and Financial Reports and Statements for FY 2022/23. Further, to increase office space and improve the work environment the County through the Department of Finance Economic Planning and ICT procured and customized containers, refurbished sub-County revenue offices, and constructed a store at the Municipal yard. During this period the county continued to put in place measures to enhance revenue collection through continuous marking of parking lots and repair of street advertisement boxes to enhance revenue collection.

60. Agriculture remains the backbone to the county's economy and plays a critical role in advancing the National Government's Bottom-up Economic Transformation Agenda on food security. The county has continued to direct its efforts towards value addition of agricultural products to ensure sustainable food and nutritional security and thereby boosting the financial well-being of Nyeri residents and overall economic growth and development. In this regard, the county has total area of 80,943 hectares under agricultural production.

61. It's worth noting that agricultural production for both cash crops and food crops declined during the FY 2022/23 period as a result of poor rainfall over the last two years. Consequently, prolonged periods of low rainfall led to drought in some of the regions within the county, this necessitated the procurement and distribution of relief food to the vulnerable people. Towards improving agricultural production, the county procured and distributed 267 tons of manure & 3.4 tons of certified beans seed countywide and promoted conservation of tillage through use of the chisel plough to over 200 farmers. The County also conducted capacity building on appropriate agricultural technologies & innovations, plant clinics and soil testing services to over 30,000 farmers.

62. Regarding livestock production, the average unit price of livestock products increased which is attributable to the high inflation rate and increased cost of living in general. During the year, the county government continued with its efforts towards improvement of breeding stock by providing artificial insemination services where 25,040 animals were inseminated i.e. conventional semen 24,873 and sexed semen 167. Further, to mitigate against livestock diseases, 70,331 animals were vaccinated across the county. In addition, fish farming and production was supported through restocking of ponds with fingerlings and provision of fish feeds to fish farmers. On poultry farming, 3,000 one month old improved indigenous poultry breeds were procured and distributed. In addition to these interventions the County set up a model apiary at Wambugu ATC with 40 modern hives and accessories and supported one CBO with 22.5 tons of raw materials for feed formulation.

63. Through the Kenya Climate Smart Agriculture Project, the county supported farmers in reducing soil acidity by procuring and delivering 10,000 bags of lime. Additionally, and in support of the coffee value chain the programme was able to revitalize coffee factories such as Kigwandi, Kianjogu, Karie, Ruthagati, Kiamabara, Kagumoini, Kieni, Mukui, Muthuthini, Nduma, Ichamara, Kiaguthu, and Gatuyaini with greenhouse solar dryers, disc pulper, solar security lighting, water harvesting, fermentation tanks, sorting shed and conditioning bins. In addition to this, the county also undertook the improvement of coffee drying tables to metallic and durable long-lasting standard for two factories and distributed 18,750 coffee seedlings to coffee farmers.

64. To develop sustainable priority value chains for improved income, food and nutrition security, community irrigation water project i.e., Nganyuthe Irrigation scheme and Thiha Micro Irrigation Schemes were rehabilitated and capacity building on various innovations and technologies conducted. Further, the Inclusion Grant was advanced to eligible Savings and Credit Cooperative Organizations (SACCOs) i.e., Mutundu Christian and Laiki Sacco Society.

65. Under the Aquaculture Business Development Programme, 402 ponds were rehabilitated while 420 fishponds were stocked with 418,000 tilapia and 12,400 catfish fingerlings. In addition to this, 67 cover nets and 3,424 bags of fish feeds were distributed to fish farmers. Additionally, 667 water pans were excavated, 14 farmer groups provided with various value addition equipment and Ndiriti Aguthi Aggregation constructed under the Small-Scale Irrigation and Value Addition Project. Through UTaNRMP, 200 water pans with a capacity of 54 m³ were excavated, lined, and fenced.

66. Currently the county has a total of 43 Vocational Training Centers with 75 instructors and 435 ECDE centers with 808 teachers. Enrollment in the VTCs increased from 1,856 in 2022 to 2,557 in 2023, while that of ECDEs decreased from 20,912 in the year 2022 to 19,069 in 2023 .

67. The provide conducive learning and care environment in early childhood education centers, the county in the FY 2022/23 built and upgraded 10 ECDE centres, procured ECDE teaching and learning materials, junior chairs, teachers' chairs, and tables for 434 ECDE centers. In addition to this the capacity of 800 ECDE teachers and 8 Principal Education Officers was enhanced through training. The county also set out to motivate and enhance the productivity of the staff under the education subsector through translation of terms for 800 ECDE teachers and 15 other staff from contract to permanent and pensionable.

68. To promote education access among the needy students, Kshs 40 million was disbursed through the Elimu Fund program to 7,940 students. To further support this program by improving its efficiency a server was procured and installed at the Nyeri Town Hall. Further, 60 pairs of shoes produced through the recently established leather production unit were donated to vulnerable students under the scholarship program.

69. In order to promote technical skills for the youth, the county continued to invest in Youth Polytechnics. During the financial year 2022/2023, the county conducted training of 10 Trainers of Trainers (TOTs) on leather work and leather goods production and built 2 new training workshops in Karatina and Othaya VTCs. Towards sports development, the County procured sports equipment, facilitated officers who participated in the KICOSCA games held in Kisumu, levelled Kigogoini playground, and procured and distributed sports equipment countrywide.

70. Due to the rapid climatic changes and inadequate rainfall experienced in the recent past, the County Government has continued to sensitize and support farmers on irrigation farming practices with the aim of ensuring that there is continued food production across the county. county in the FY 2022/23 drilled and equipped Kiabarie and Kabunda boreholes, rehabilitated 2 boreholes and fitted them with solar pumps. The total acreage under irrigation achieved in the county in the year under review was 60 acres which increases the number of households practicing irrigation farming to 21,800H/Hs.

71. The county has approximately 82,640 households with access to clean water. To increase access of clean water to households, the county constructed a waterline with a length of 50,100m, constructed 2 intakes, improved, and supported the extension of services for Mawasco, Nyewasco and Omwasco. Other water projects that were completed within the year under review included procurement and distribution of 140 plastic tanks each of 1000ltrs for Mukurweini, supply of pipes and fittings for various projects and construction of Maragima, Kahigaini and Kanjora water projects.

72. With regard to environmental protection, promotion of county greening and riparian conservation, the County undertook the protection and development of 2 springs, procured and supplied 3910 tree seedlings, installed 17 No. fuel saving jikos in institutions, and participated in environmental awareness creation through celebration of 3 environmental days.

73. The county public service board is mandated to among other functions advise the county government on human resource management and development, appoint persons to hold or act in offices of the county public service and facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in counties. In the financial year 2022/23, the board executed its roles and responsibilities through capacity building of staff to equip them with relevant skills and knowledge for improved service delivery. To boost staff productivity and morale, the County translated officers from contract to permanent and permanent terms and undertook staff harmonization and integration to main public service to reduce discrepancies amongst staff. In an effort to contain the ballooning wage bill, the county employed strategies including recruitment at the entry levels in the case of replacements, recruiting internally where gaps arises, translating terms for contractual staff to permanent and pensionable after expiration of their contracts and outsourcing and issuing special contracts for services like cleaning and guarding.

74. The county has been working tirelessly to develop and promote retail and wholesale markets as well boost development of micro and small businesses. Through the Enterprise Development Fund programme, the county identified potential beneficiaries and made loan disbursements to the successful traders; these loans will enable the traders to expand their businesses. During the period under review was able to improve markets through construction of market stalls, market sheds, ablution blocks and renovation and rehabilitation of the already existing market infrastructure. Further to curb the cost of electricity to the County arising from trading activities the Department of Trade, Tourism, Culture and Cooperative Development oversaw the installation of solar lighting systems separation and installation of meters at Karatina market. The Department also renovated its offices in an effort to improve service delivery as well as the work environment.

75. the County continues to enforce fair trade practices and consumer protection Pursuant to section 46 of the Kenya constitution, in FY 2022/23 ifmis the Weights and Measures Unit verified and certified 8,284 weights and measures equipment and renovated the weights and measures offices at Ruring'u. On co-operative development, the county organized and celebrated the world Co-operative alliance (ushirika) day, procured and installed a modern water pump at Githiru coffee factory to minimize the operation cost, renovated and rehabilitated the cooperative movement stand at ASK show grounds at kabiruini, amended the Nyeri county co-operative Societies Act of 2016 to improve the legal and regulatory framework for co-operatives in the county, registered 15 new co-operative societies and fabricated a centralized co-operative registry to manage co-operative records.

76. With regard to Tourism promotion, the County made renovations at the cultural centre including installation of a rainwater harvesting system, cabro paving of the car park area, renovation of the ablution block and erecting of a modern sign board. The county also organized and participated in the annual world tourism day, commemoration of field Marshall Dedan

kimathi through tree planting, Scouts Founder's Day, and the first World Scout Parliamentary Union (WSPU) Africa assembly conference held at Kagumo teacher's college.

77. The County through the department of Gender strives to prevent loss of life and property through prompt response to disasters and assisting the vulnerable members of the society. In the financial year 2022/23, the county was able to respond to 299 disaster cases within and outside the county. In addition to this, 2 county fire engines were prepared, and 4 water hydrants installed to enhance disaster response and preparedness. The County also procured 2000 pieces of iron sheets to support disaster victims. Other activities implemented within this period included launching of the St. John ambulance training facility that will provide first aid training to staff and other interested persons, training of fire officers on first aid, completion of the construction of an ablution block at Karatina fire station, renovations at Kiawara Fire Station, sensitizations on disaster response and fire drills to enhance disaster preparedness, prevention, and response.

78. During the year, the county offered care and protection to 68 orphaned and vulnerable children in Karatina Children's Home through provision of basic needs and education. This was complimented by the completion of the construction of a multipurpose dining hall at the facility. In the period under review, the County through the department of Gender, Youth and Social Services assisted over 140 vulnerable households with food and non-food items. On empowerment and employment creation 131 special interest groups benefited from merchandise for business startups. Additionally, mentorship and training forums on social issues such as gender-based violence and drugs were offered to help address these challenges at the grassroots level. The County, within the same period, managed to complete the construction of Ihururu rehabilitation center and Ihururu Recreation Park.

79. With the county Government commitments to deliver quality service to its citizens, numerous steps have been taken to ensure maximum satisfaction from services offered, and this calls for qualified and motivated personnel. On staff related matters, the county through the department of County Public Service Management was able to ensure the payment of service gratuity to officers whose contracts expired and payment of personal emoluments to staff to boost their productivity. To further enhance service delivery, the human resource offices were repaired, and accessibility ramp constructed at the Provincial Block "c" offices and the Governor's Townhall office. Other staff related achievements in FY 2022/23 included recruitment of 183 interns and management of the internship program, proper management of staff human resource records, training of staff, induction of the newly recruited officers, maintenance of staff welfare by updating their medical schemes and gratuity computation as well as handling and resolving staff conflicts.

80. Article 42 of the Constitution of Kenya, 2010 guarantees every person a clean and healthy environment. To implement this, the county has been making efforts in ensuring that proper

environmental conservation measures are put in place to manage both liquid and solid waste through the County solid waste management Bill, 2020. In the Financial year 2022/2023, the county collected approximately 35,500 tonnes of garbage. This was actualized through; procurement of a skip loader (truck), procurement of twenty (20) skip bins, procurement of one (1) specialized vehicle to supervise on garbage collection, hiring of heavy machinery such as excavators and a wheel loader which aided in pushing and compacting of garbage in all 4 of the county dumpsites.

81. Other interventions that have been put in place to enhance waste management activities in the County included purchase of safety gear and working tools for the staff, murraming of dumpsite roads, construction and maintenance of refuse chambers, sweeping, collection, transportation, and disposal of waste, unclogging and cleaning of open drainage systems, organizing and conducting major town clean ups and planting of phytoremediation trees at the dumpsites.

82. Health care is a key sector in the social and economic development. To this end, the county has strived to ensure continuity in the provision of quality medical services to the citizenry across all the county health facilities. The county has 100 (level 2) Dispensaries, 25 (level 3) Health centers, 4 (level 4) Hospitals and 1 (level 5) Hospital. During the financial year, the county stocked all the Primary Health Facilities with NCD drugs to reduce NCD burden, Increased the CHVs monthly stipend to improve community health system and boost productivity, screened 187,000 members of the community for diabetes and hypertension and another 11,147 clients for breast and cervical cancer. To ensure the recommended hygiene standards are observed, public health clearances were issued to 90% of food and non-food premises.

83. Further, to extend health care to the public and to ensure provision of quality services, the County recruited and deployed 175 Health Care Workers and offered internship and attachment opportunities to 450 medical students. This temporarily sealed the gaps of human resources that existed and improved medical and health services at the health facilities in the county. In the same period, the vaccination rate against Covid-19 increased as a total of 363,675 persons had received Covid-19 1st dose vaccination, while 295,373 persons were fully vaccinated across the County with 44,183 receiving booster doses by July, 2023. Among other achievements in the health sector under the period were; highest number ever representing 99% of Skilled Deliveries were conducted in county health facilities, 99% of HIV patients were put on ARVs, 82% of mothers attended 4th ANC and there was Vitamin A supplementation of children across the county.

84. For enhancement of proper and effective service delivery, the county completed construction and renovation works in 4 health centres and 16 dispensaries across the county. There was also completion of Isolation ward at Mt. Kenya Hospital, installation of Oxygen meters at

Mukurweini hospital, Construction of cabro pavement, Refurbishment of ward 2 and Radiology as well as Expansion of laboratory at Karatina level IV hospital, Renovation and equipping of morgue and kitchen at Mukurweini hospital, Renovation of wards in Othaya sub-county hospital and Construction of a new maternity ward at Nyeri Town health centre in partnership with JOICFP Kenya. For Narumoru level IV Hospital, there was completion in construction and equipping of the Kitchen, Morgue and Laundry, Structured CCTV/EPABX cabling, supply, delivery and commissioning of: medical gas piping, 200KVA generator set, water tanks and 2 Lifts.

85. During the year under review, the county through department of Lands Department achieved the following: Operationalized Field marshal Muthoni wa Kirima transport terminus, completed two (2) Local Physical and Land Use Development Plans, namely Narumoru and Mukurwe-ini urban areas, Initiated the survey of Narumoru and Blue valley county residential estates, Initiated Planning and Survey of informal settlements (Ex Colonial Villages) namely; Ngorano, Ruthagati, Iruri, Ichamara, Itundu, Warazo, Gitegi and Ihwa. For Tenure Regularization and in collaboration with the State Department of Housing, 663 title deeds were processed and issued under KISIP.

86. In the Financial Year 2022/23 and through the Municipal Board, the county has improved the open-air market area at field marshal Muthoni wa Kirima Transport Terminus by Murraming and levelling to ease accessibility, installed 6 skip bins for solid waste management within Nyeri municipality and purchased one refuse truck to facilitate solid waste management.

87. The county remains focused in ensuring accessibility to all areas by opening up roads even to the most remote locations as well as increasing access to electricity services for the households, institutions and public areas. To date there are a total of 800Km, 3,500Km and 1,282Km of earth, gravel, and bitumen standard roads in the county respectively. To improve access to the rural areas and enhance market accessibility of agricultural products, the County Government has continually improved various access and feeder roads. In the FY 2022/23 the county graded 301.25Km and graveled 38.45Km of road surface. Further, 0.86km of road was tarmacked.

88. In an effort to improve business environment and security in the trading and market centers, as well as extend the trading hours, the county has installed 3.8Km of streetlights (70 poles), installed 200 posts of stand-alone streetlights, connected 4 transformers and installed/rehabilitated 16 High mast floodlights. This is in addition to the continued maintenance of the existing high mast flood lights.

89. The county through the Office of the County Attorney was able to make the following accomplishments during the Financial Year 2022/2023; completed development of the strategic plan, 2023-2027, facilitated training of the legal counsel on legal audit and compliance, facilitated determination and conclusion of 21 cases, provided advise to departments on payment

of legal fees, and championed alternative dispute resolution in various matters thus subverting lengthy litigation.

C. MACROECONOMIC OUTLOOK

Global (World) Economic outlook

90. Economic growth in the World slowed to 3.5 percent in 2022 from a growth of 6.3 percent in 2021 as high global inflation, energy and value chain disruptions, and impact of monetary policy tightening in most world economies weighed on economic activity. The growth is projected to slow down further to 3.0 percent in 2023 and 2024 due to the impact of ongoing monetary policy tightening to address inflationary pressures. Global inflationary pressures have responded to policy tightening but inflation exceeds central bank targets in most countries. Recent actions by authorities to contain banking sector challenges in the United States and Swiss Banking have reduced the immediate risk of financial sector instability. However, intensification of the conflict in Ukraine, volatility in the global oil prices and extreme weather-related shocks could weigh on the global economic outlook.

91. Further, advanced economies are projected to record a slower growth of 1.5 percent in 2023 and 1.4 percent in 2024 from 2.7 percent in 2022. About 93 percent of the countries in the advanced economies are projected to have a lower growth in 2023 and 2024. This slowdown is largely driven by aggressive monetary policy tightening in advanced economies that have increased concerns about escalating financial markets uncertainty, particularly persistent high interest rates and vulnerability of the banking sector.

92. Growth in the emerging market and developing economies, is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent in 2024, although with notable shifts across regions. The sluggish global growth, high inflation rates and the challenging global and domestic financial conditions continue to weigh on the growth for sub-Saharan Africa region. The region economic growth is projected to slow down to 3.5 percent in 2023 from 3.9 percent in 2022, before picking up to 4.1 percent in 2024.

Kenya's (Domestic) Macroeconomic Outlook

93. Over the medium term, Kenya's economic performance is projected to remain strong and resilient. For instance, in the first quarter, the economy recorded a strong growth of 5.3 percent in the reflecting a strong recovery in agriculture sector and buoyant services sector including financial and insurance, information and communication, wholesale and retail trade and transport and storage. Additionally, the economy is expected to remain strong and to expand by 5.5 percent in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2024/25).

94. The economic growth will be supported by the strong recovery in agriculture and resilient services sector that both drive the industrial sector. The adequate rainfall during the long rain season in most parts of the country and the anticipated short rains later in 2023 will continue to support activities in the agriculture, electricity, and water supply sectors. Improved availability of raw materials following the recovery in agriculture and a decline in global commodity prices will support food processing in the manufacturing sector. Additionally, activities in the construction sector will be boosted by the affordable housing programme. On the services sector, greatest support will be from the resilient activities in the financial and insurance, information and communication, wholesale and retail trade and transport and storage, among others. The easing of global commodity prices and supply chain constraints coupled with robust private sector investment are expected to support domestic demand.

95. On the demand side, private consumption is expected to remain on a vigorous growth path in the near term. Further, due to the easing of inflationary pressures, there will strong household disposable income, which in turn will support household consumption. The Government through the financial inclusion initiative popularly known as the Hustlers Fund will strengthen MSMEs thereby correcting market failures for the vast majority of Kenya's at the bottom of the pyramid. This will go a long way to support growth in the sector. The multi-year fiscal consolidation program by the Government has been incorporated in the projections and is expected to lower the fiscal deficit and achieve a positive primary balance over the medium term. Further, there will be a reduction in debt vulnerabilities and strengthened debt sustainability which will lead to improvement in investors' confidence, leading to robust private investment and economic growth over the medium term. The lower domestic financing needs of the Government will enable the expanded lending to the private sector by the banking sector.

96. To ensure smooth economic growth, development spending in the budget will be retained at an average of 5.6 percent of GDP. This will enhance Government investment in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Additionally, it will support investments in key projects under the Bottom-Up Economic Transformation Agenda (BETA) including construction of dams, improvement of road networks and ports and laying of additional National Fiber Optic network. Enhanced digitalization is expected to improve efficiency and productivity in the economy. Investment in digital superhighway will result in enhanced connectivity and access to broadband services which will lower the cost of doing business, enhance efficiency and create employment opportunity.

97. Kenya's exports of goods and services is expected to continue strengthening supported by receipts from tourism and implementation of crops and livestock value chains, specifically, exports of tea, coffee, vegetables, and fresh horticultural produce, among others. The expected recovery of Kenya's trading partners and the implementation of Africa Continental Free Trade Area (AfCFTA) will enhance demand for exports of Kenyan manufactured products. Current

account deficit will average 5.4 percent of GDP between 2023 and 2027. The projected robust domestic demand sustained by private investment, will sustain imports of raw materials, 41 machinery and equipment for private construction, and household consumption. In addition, global oil price continues to stabilize lowering the oil import bill. In the Balance of Payments Statement, external financing needs will be met mainly by equity inflows and foreign direct investment given the conducive business climate that Government has created particularly the fiscal policy predictability. Improvement in the current account, boosted by robust export earnings and strong remittance inflows the will continue to support stability in the foreign exchange market.

Monetary Policy outlook

98. Maintaining price stability and providing adequate credit over the medium term will be the main aim of monetary policy with overall inflation expected to remain within the target range. Overall inflation is expected to moderate to 5.0 percent in FY 2023/24 and remain within the target range of 5 ± 2.5 percent as pressure on international commodity prices, will ease. In addition, the Government through facilitation of zero-rated imports and lowering cost of production through the ongoing fertilizer and seeds subsidy program will exact downward pressure on inflation which will in turn support sufficient supply of staple food.

99. For enhancement of monetary policy transmission, the Central Bank has continued to implement reforms to modernize its Monetary Policy Framework and Operations in Kenya. Central Bank of Kenya has implemented a new monetary policy framework based on inflation targeting. CBK has implemented an interest rate corridor with the aim of facilitating alignment of the short-term rates with the Central Bank Rate (CBR), reduce volatility in the interbank rate and improve monetary policy transmission, The interest rate corridor is set at ± 250 basis points around the CBR. Additionally, the CBK has reduced the applicable interest rate to the Discount Window from 600 basis points to 400 basis points above CBR to improve access to the Window.

100. To enable the public to invest in Government of Kenya securities, CBK has introduced DhowCSD, an upgraded Central Securities Depository infrastructure that offers a simple, efficient, and secure portal. This plays a major role as it enables investors to participate and trade in Government securities market (Treasury Bills and Bonds) on their mobile phones and on web-based devices. The DhowCSD will transform Kenya's financial markets through enhanced operational efficiency and expansion of digital access, market deepening for broader financial inclusion, and improved monetary policy operations. Additionally, the DhowCSD will also improve the functioning of the interbank market by facilitating collateralized lending amongst commercial banks and further reduce segmentation in the interbank market.

Risks to the Economic Outlook

101. There are downside risks to this macroeconomic outlook which emanates from domestic as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result to domestic inflationary pressures and food insecurity.

102. On the external front, uncertainties in the global economic outlook stemming from the current geopolitical tension could result in higher commodity prices and slowdown the global economic recovery which could impact on the domestic economy. Weaker global demand could adversely affect the Kenya's exports, foreign direct investments and remittances. Additionally, high international commodity prices pose a risk to global and domestic inflation outcomes which could lead to further tightening of financial conditions. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

103. Upside risks are mostly linked to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. This will be reinforced by faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Optimal coordination between monetary and fiscal policies are expected to result to a stable macroeconomic condition which is a necessary condition for investment and savings thereby promoting economic growth.

III. RESOURCE ALLOCATION FRAMEWORK

A. Implementation of FY 2023/24 Budget

104. The implementation of the FY 2023/24 budget has progressed well with the local revenue collection indicating a good performance. However, there are expenditure pressures arising from FY 2022/23 rollovers and pending commitments amounting to Ksh 195,314,221 which may necessitate revision of the budget to cater for emerging expenditure pressures. The county government has however affirmed its strong commitment to its fiscal consolidation plan.

105. Total revenues for the FY 2023/24 are projected at Ksh 8,048,278,680 with local revenues projected at Ksh 800M, Equitable share projected at Kshs. 6,509,913,723 and conditional grants at Kshs. 738,364,957. Total recurrent expenditures are projected at Ksh 5,633,690,224 (69.99% of the total budget) while development expenditures are projected at Ksh 2,414,588,456 (30.01% of the total budget). This is a balanced budget; therefore, the county does not anticipate borrowing.

B. Fiscal Policy for FY 2024/25

106. The fiscal policy stance in the FY 2024/25 and over the medium term aims at supporting the priority programmes as outlined in the CIDP 2023-2027, the Bottom-Up Economic Transformation Agenda (BETA) and the MTP IV through a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective debt management strategy, without compromising service delivery to citizens. This is expected to boost the county's debt sustainability position and ensure that county's development agenda honors the principle of equity.

107. Towards this end, emphasis will be placed on enhanced revenue mobilization through a combination of levies and charges administrative and policy reforms as outlined in the Finance bill, 2023. Further, there is continuous effort to reform, automate and simplify revenue raising measures and processes to enhance compliance and expand the revenue base. The County will continue to employ the use of technology to curb revenue leakages.

108. On the other hand, the county government will put efforts to improve efficiency in public spending and ensure value for money by: eliminating non-priority expenditures; rationalizing expenditures; scaling up the use of Public Private Partnerships in funding of projects; and enhancing the end-to-end e-procurement system.

109. The above reforms on the revenue and expenditure, will result in an enhanced fiscal responsibility.

C. FY 2024/25 and Medium-Term Expenditure Framework (MTEF)

110. The FY 2024/25 and the Medium-Term Framework will focus on the implementation of the county broad strategic objectives as outlined in the CIDP 2023-2027 and Bottom-up Economic Transformation Agenda (BETA) as prioritized in the Medium-Term Plan (MTP) IV.

111. These county broad strategic objectives are: improvement of productivity in agriculture and overall food and nutrition security; promotion of shared economic growth and job creation; enhancement of good governance and active citizenry; enhancement of basic infrastructure for effective service delivery; promotion of climate action, environmental protection, and sustainable use of natural resources; improvement of financial sustainability and resilience; provision of accessible, affordable, and quality health care services; scaling up of institutional development, transformation, and innovation; promotion of access to quality and affordable housing; and enhancement of the use of information and communications technology (ICT) and other innovations.

Criteria for Resource Allocation

112. In order to support economic recovery and achieve the county transformative development agenda, the County Government will continue to uphold the policy on expenditure prioritization. The transformative development agenda is geared towards provision of core services, creation of employment opportunities, improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication of roles and inefficiencies. The county also aims at spending on the most critical needs in order to achieve quality outputs and outcomes with optimum utilization of resources.

113. Realization of the county transformative development agenda will have implications on the budget ceilings. The following criteria will serve as a guide for allocating resources:

- i. Projects and Programmes identified in the Annual Development Plan 2024/2025 and CIDP 2023-2027.
- ii. Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030.
- iii. Linkage of programmes that support mitigation and adaptation of climate change.
- iv. Linkage of activities that support completion of ongoing projects and programmes.
- v. Linkage of the programme with the priorities of CIDP 2023-2027.
- vi. Extent to which a programme addresses job creation and poverty reduction.
- vii. Extent to which a programme addresses the core mandate of the County Departments and Units.
- viii. Expected outputs and outcomes from a programme.
- ix. Requirements for furtherance and implementation of the Constitution.
- x. Cost effectiveness and sustainability of the programme; and

xi. Extent to which the Programme seeks to address viable ongoing projects and verified pending commitments.

114. The Medium-Term Budget Framework for the period 2024/2025-2026/2027 will mainly focus on regulating non-priority expenditure and redirecting the resources to priority areas as identified in the Annual Development Plan 2024/2025 and in the CFSP 2024. These priority areas were identified during public participation and stakeholder engagement which ensures enhanced ownership of development projects and programmes by the communities

APPROVED

MTEF Budget Ceilings

115. Reflecting on the above medium-term expenditure framework, table 6 below provides the Approved Estimates for the FY 2022/2023. The table also provides FY 2023/24 budget as approved and the projected ceilings for FY 2024/2025, FY 2025/2026, and FY 2026/2027

Table 7: MTEF Ceilings by Department

Department/Spending Unit	APPROVED BUDGET FY 2022/2023			APPROVED BUDGET FY 2023/2024			PROJECTED BUDGET FY 2024/2025			PROJECTED BUDGET FY 2025/2026			PROJECTED BUDGET FY 2026/2027		
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
Executive Office of the Governor and the Deputy Governor	128,863,962	20,000,000	148,863,962	149,525,317	40,500,000	190,025,317	157,001,583	42,525,000	199,526,583	164,851,662	44,651,250	209,502,912	173,094,245	46,883,813	219,978,058
Office of the County Secretary	314,688,074	45,546,256	360,234,330	129,694,168	14,750,000	144,444,168	136,178,876	15,487,500	151,666,376	142,987,820	16,261,875	159,249,695	150,137,211	17,074,969	167,212,180
Finance, Economic Planning and ICT	766,845,727	250,229,574	1,017,075,301	812,453,629	35,000,000	847,453,629	853,076,310	36,750,000	889,826,310	895,730,126	38,587,500	934,317,626	940,516,632	40,516,875	981,033,507
Lands, Physical Planning and Urban Development	50,452,583	234,778,175	285,230,758	90,986,943	146,319,603	237,306,546	95,536,290	153,635,583	249,171,873	100,313,105	161,317,362	261,630,467	105,328,760	169,383,230	274,711,990
Health Services and Public Health	2,252,690,140	379,098,499	2,631,788,639	2,399,143,540	409,356,849	2,808,500,389	2,519,100,717	429,824,691	2,948,925,408	2,645,055,753	451,315,926	3,096,371,678	2,777,308,540	473,881,722	3,251,190,262
Gender, Youth, Social Services and Sports	67,413,061	56,845,500	124,258,561	92,535,224	101,200,000	193,735,224	97,161,985	106,260,000	203,421,985	102,020,084	111,573,000	213,593,084	107,121,088	117,151,650	224,272,738
County Public Service and Solid Waste Management	108,766,756	62,136,499	170,903,255	289,443,930	65,500,000	354,943,930	303,916,127	68,775,000	372,691,127	319,111,933	72,213,750	391,325,683	335,067,530	75,824,438	410,891,968
Agriculture, Livestock and Aquaculture Development	240,902,843	355,213,290	596,116,133	241,540,696	471,309,172	712,849,868	253,617,731	494,874,631	748,492,361	266,298,618	519,618,363	785,916,980	279,613,548	545,599,281	825,212,829
Trade, Cooperatives, Culture and Tourism	49,825,025	106,003,199	155,828,224	52,664,145	313,200,000	365,864,145	55,297,352	328,860,000	384,157,352	58,062,220	345,303,000	403,365,220	60,965,331	362,568,150	423,533,481
Education and Training	297,344,783	41,000,000	338,344,783	350,620,023	89,500,000	440,120,023	368,151,024	93,975,000	462,126,024	386,558,575	98,673,750	485,232,325	405,886,504	103,607,438	509,493,941
Water, Environment, and Climate Change	73,914,777	181,985,300	255,900,077	79,144,595	248,500,000	327,644,595	83,101,825	260,925,000	344,026,825	87,256,916	273,971,250	361,228,166	91,619,762	287,669,813	379,289,575
County Assembly	762,713,387	50,000,000	812,713,387	776,126,610	50,000,000	826,126,610	814,932,941	52,500,000	867,432,941	855,679,588	55,125,000	910,804,588	898,463,567	57,881,250	956,344,817
County Public Service Board	39,828,187	8,000,000	47,828,187	42,381,177	6,000,000	48,381,177	44,500,236	6,300,000	50,800,236	46,725,248	6,615,000	53,340,248	49,061,510	6,945,750	56,007,260
Roads, Transport, Public Works, Infrastructure and Energy	96,946,698	500,705,340	597,652,038	87,124,607	423,452,832	510,577,439	91,480,837	444,625,474	536,106,311	96,054,879	466,856,748	562,911,627	100,857,623	490,199,585	591,057,208
County Attorney	65,734,471	0	65,734,471	40,305,620	0	40,305,620	42,320,901	0	42,320,901	44,436,946	0	44,436,946	46,658,793	0	46,658,793
TOTAL	5,316,930,474	2,291,541,632	7,608,472,106	5,633,690,224	2,414,588,456	8,048,278,680	5,915,374,735	2,535,317,879	8,450,692,613	6,211,143,472	2,662,083,773	8,873,227,245	6,521,700,645	2,795,187,962	9,316,888,607

Source: County Treasury, 2023

2024/25 Budget Framework

116. The budget framework for FY 2024/25 builds up on the Government's efforts to boost and sustain economic activities as well as rekindling the economy to a steady and sustainable growth path. This is in addition to expenditure rationalization and enhancement of revenue collection strategies as proposed in Finance Bill, 2024. This will be achieved through implementation of programmes in the ADP 2024-2025 and CIDP 2023-2027.

117. Further, the Government will continue to strengthen its fiscal consolidation plan to contain the growth of pending commitments and bills, expenditure as well as increase the local revenue collected. In this regard, more emphasis will be put on aggressive revenue mobilization including policy measures to whip in additional revenue and control on expenditures to restrict its growth. Expenditure measures will include cost budgeting in addition to a review of projects to restructure and re-align with the Government overall development agenda to avoid spending on non-priority areas.

Revenue projections

118. The 2024/2025 projected budget of Kshs 8,450,692,614 will be financed through the equitable share from the national resources, conditional grants and internally generated revenue.

119. The main sources of internally generated revenue will be parking fees, single business permits and land rates. It is important to note that, in order to include balances that could be brought forward from FY 2023/2024, the county budget will be revised through a supplementary budget.

Expenditure Forecasts

120. In FY 2024/2025 projected budget, recurrent expenditures are expected to remain at 69.99 percent of county's annual budget i.e., Kshs 5,915,374,735 same as for the FY 2023/24 budget which is at Kshs. 5,633,690,224 (69.99 percent). Development expenditures are also projected to remain at 30.01 percent of county's annual budget i.e., Kshs 2,535,317,879 same as for the FY 2023/24 budget which is at Kshs. 2,414,588,456 (30.01 percent).

121. To enhance local revenue, the Government will adopt the following strategies.

- i. Entrench predictability on fees and charges by providing greater certainty of policy direction for investors.
- ii. Increasing efficiency, effectiveness, and accountability of public spending.
- iii. Containing the growth of recurrent expenditure in favor of capital investment.
- iv. Enhance self-reliance in financing economic development thus less dependence on the exchequer and development partners.

- v. Align the revenue policy objectives with other government objectives such as ease of doing business, trade policies among others.
- vi. Encourage voluntary compliance of levies and charges; and
- vii. Widening the local revenue base and administration.

122. The allocations in the FY 2023/2024 budget will form the basis of expenditure ceilings on goods and services for departments/entities not disregarding the absorption capacity. The PFM Act, 2012 requires that a minimum of thirty percent of the budget be allocated to development expenditure over the medium term, therefore, it's important that the county puts in place measures to ensure more resources are devoted to development and support critical infrastructure.

IV. CONCLUSION

123. The Global economic outlook remains uncertain reflecting the impact of the tightening of monetary policy and escalation of geopolitical tensions particularly the ongoing war in Ukraine. Consequently, the global growth is projected to slow down to 3.0 percent in 2023 and 2024 from 3.5 percent in 2022. This will consequently have a very strong effect on the county budget preparation and execution.

124. To this end, the approved FY 2023/24 budget maintains careful expenditure control while protecting social spending. To strengthen the economic recovery, the budget for FY 2024/25 and the medium term will focus on enhanced revenue mobilization, reprioritization, and rationalization of expenditures in order to ensure sustainable development. Further, the county government will continue to pursue its growth friendly fiscal consolidation plan that will signal debt sustainability and manageable fiscal gap.

125. To restrict growth in expenditures, the County treasury will scrutinize all proposed Departments and Units budgets for FY 2024/25 and the medium term to ensure that they are also aligned to the achievement of the county broad strategic objectives. In this regard, over the medium term, the Sector Working Groups will be expected to unbundle the development strategies and develop policies, programmes, and projects for implementation. The 2023 CBROP will form the basis for preparation of the CFSP 2024 that will summarize the various projects and initiatives that will be undertaken during the implementation of CIDP 2023-2027 and therefore set a pace for the next long term development goals.

126. The resource envelope and ceilings which will be provided in the County Fiscal Strategy Paper, 2024 (CFSP) for each department/ entity will be the only available resources for which to budget.