



**COUNTY GOVERNMENT OF UASIN GISHU**

**COUNTY TREASURY**

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**COUNTY BUDGET REVIEW AND OUTLOOK PAPER**  
**2023**

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**SEPTEMBER 2023**

**A County of Opportunities for All in Kenya and Beyond**

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© County Budget Review and Outlook Paper (CBROP) 2023

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## Foreword

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County Budget Review and Outlook Paper (CBROP) presents a review of economic and fiscal developments in the previous year, updated medium-term economic and financial forecasts since approval of the most recent County Fiscal Strategy Paper (CFSP) and indicative sector budget ceilings for the coming year.

CBROP 2023 has been prepared in accordance with Section 118 of the Public Finance Management Act, 2012. The section requires the County Treasury to prepare the paper in respect of each financial year and submit the same to the County Executive Committee (CEC) by 30<sup>th</sup> September of that year, with the CEC given fourteen days to consider the paper with a view to approving it with or without amendments. Section 118 further, requires the CEC to submit the approved CBROP to the County Assembly within seven days, then publish and publicize it as soon as is practicable.

CBROP plays a significant role in the entire budget making process. CBROP 2023 provides a review of fiscal performance of the previous financial year, updated macroeconomic developments and outlook with implications on the current and coming financial years. It forms the basis for budget revisions in the context of supplementary estimates and the broad fiscal considerations for the next budget and over the medium term. In addition, the paper provides indicative sector ceilings for the next County Fiscal Strategy Paper (CFSP 2024), and guide the budget for the next financial year and over the medium term.

This CBROP has been prepared against a backdrop of a resilient Kenyan economy in the face of severe multiple shocks that include the adverse effects of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. The economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021. Economic growth in the country is expected to remain strong and resilient over the medium term. The economy is expected to remain strong and grow 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).

FY 2022/23 budget portrayed a slightly depressed fiscal performance as the total revenue plus grant shrank by three percent and one percent compared with the target and previous financial year's performance respectively. Own source revenue grew by 14 percent but fell short of target by thirty percent, with the equitable share allocation increasing by nine percent in the same period. Further, total grants declined by 17 percent. During the period, the budget posted a total

absorption rate of 89 percent, with recurrent and development expenditures giving 98 percent and 71.3 (County Executive 76 percent and County Assembly 12.5 percent), respectively.

In the next financial year and over the medium term, the county expects a positive outlook premised on the positive national growth prospects, improved local revenue performance, and close monitoring of expenditure to improve expenditure productivity and absorption rates. The County Integrated Development Plan (CIDP) and the Governor's *Nguzo Kumi* will remain the overall framework in resource allocation with a view to transforming the lives of resident of Uasin Gishu County and improve service delivery. Further, the government will deliberately mainstream main cross cutting issues including gender, climate change and human rights in the development discourse of the county, with special consideration of the vulnerable, the youth, women and persons with disabilities (PWDs).

Finally, it is instructive that the County Departments and Agencies should purpose to adhere to the indicative ceilings and observe the timelines indicated in the Budget Circular for the next financial year's budget.

**Micah Kipkosgei Rogony**

**CECM – Finance & Economic Planning**

## **Acknowledgement**

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The County Budget Review and Outlook Paper (CBROP) is prepared pursuant to Section 118 of the Public Finance Management Act, 2012. The Act requires the County Treasury to prepare CBROP to be submitted to the County Executive Committee (CEC) by 30<sup>th</sup> September of the year. The paper provides a review of the recent economic developments and actual fiscal performance of the FY 2022/2023 in comparison to the budget appropriations for the same year. Further, it provides an overview of actual performance of the FY 2022/2023 and the effect on the County's compliance with the principles of fiscal responsibility and the financial objectives as provided for in the PFM Act 2012 section (118). The document will therefore guide preparation of the FY 2024/25 MTEF budget.

The preparation of the 2023 CBROP was a consultative among various departments which provided useful information required in preparing this document. In this regard, special gratitude goes to His Excellency the Governor and His Excellency the Deputy Governor for their general leadership in the development discourse of the County. We are indebted to them.

We owe special thanks to County Executive Committee Members, the Chief Officers, and the Economic Advisor for their leadership and guidance.

I acknowledge the contribution of the Economic Planning team for their tireless effort and commitment to ensuring the production of this document.

**CPA. Victorine Kapkiai**

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## **Abbreviations and Acronyms**

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ADP	:	Annual Development Plan
ATC	:	Agricultural Training College
CAIP	:	County Aggregated and Industrial Park
CBR	:	Central Bank Rate
CBROP	:	County Budget Review and Outlook Paper
CDA	:	County Departments and Agencies
CEC	:	County Executive Committee
CECM	:	County Executive Committee Member
CEDF	:	County Enterprise Development Fund
CFSP	:	County Fiscal Strategy Paper
CIDP	:	County Integrated Development Plan
ECDE	:	Early Childhood Development Education
FY	:	Financial Year
ICT	:	Information and Communication Technology
MPC	:	Monitory Policy Committee
MSME	:	Micro Small & Medium Enterprises
MTEF	:	Medium Term Expenditure Framework
OSR	:	Own Source Revenue
PFM	:	Public Finance Management
PWD	:	People with Disabilities
RRI	:	Rapid Result Initiative
VTC	:	Vocational Training Centers

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## **Facts About County Budget Review and Outlook Paper**

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1. Preparation of County budget Review and Outlook Paper (CBROP) is guided by Section 118 of the Public Finance Management Act, 2012. Section 118 (2) states that the County Treasury shall;
  - Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
  - Submit the paper to the County Executive Committee (CEC) by 30<sup>th</sup> September of that year.
2. Section 118 (2) of the Act prescribes what the County Budget Review and Outlook Paper need to analyze, thus:
  - i. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
  - ii. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
  - iii. Information on any changes in the forecasts compared with the CFSP; or 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 financial year; and
  - iv. 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, within fourteen days after submission, consider the CBROP with a view to approving it with or without amendments.
4. Not later than seven days after the CEC has approved the paper, the county treasury shall submit the paper to the County Assembly, then publish and publicize the same as soon as is practicable.
5. Section 107 (1) states that the County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
6. In managing the county government's public finances, Section 107 (2) states that the County Treasury shall enforce the following fiscal responsibility principles:
  - a) the county government's recurrent expenditure shall not exceed the county government's total revenue;

- b) over the medium term, a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
  - c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for finance in regulations and approved by the County Assembly;
  - d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
  - e) the county debt shall be maintained at a sustainable level as approved by county assembly;
  - f) the fiscal risks shall be managed prudently; and
  - g) a reasonable degree of predictability 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.
7. For the purposes of subsection (2) (d), section 107 (3) says that short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
  8. Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly, according to section 107 (4).
  9. Section 107 (5) intimates that the regulations may add to the list of fiscal responsibility principles set out in subsection (2)

## **Executive Summary**

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County Budget Review and Outlook Paper (CBROP) has been prepared pursuant to Section 118 of the Public Finance Management Act, 2012. The Act requires the County Treasury to prepare CBROP and submit the same to County Executive Committee by 30th September of each year for review and approval.

CBROP is a backward- and forward-looking document. It reviews fiscal performance of the County during the previous financial year, updated macroeconomic developments and how they impact on fiscal performance of the current and next financial years, and sets out indicative sector ceilings for next financial year and over the medium term. The paper therefore reviews fiscal performance of the County during FY 2022/23, and how the performance impacts on the financial objectives and fiscal responsibility principles articulated in the 2022 County Fiscal Strategy Paper (CFSP). The review of the fiscal performance of FY 2022/23, and the updated macroeconomic developments and outlook inform the revision of the current budget in the context of supplementary estimates and the broad fiscal considerations expected to define the budget of FY 2024/25 and over the medium term.

The 2023 CBROP has been prepared against a backdrop of a resilient Kenyan economy in the face of severe multiple shocks that included the adverse effects of climate change, rising commodity prices due to global supply chain disruption and the impact of Russia-Ukraine conflict. The national economy is, however, projected to remain strong and resilient over the medium term. It recorded a strong growth of 5.3 percent in the first quarter 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.

To build on this, the County government will appropriate its resources on growth potential and priority areas geared towards growing its economy and improving the lives and livelihoods of residents. Focus will be on affordable credit through upscaled *Inua Biashara* Fund and Cooperative Enterprise Development Fund (CEDF) to boost the MSME economy, establish County Agricultural Development Fund to provide loans to farmers and support agricultural enterprises, and unlock industrial potential of the county through joint-development of the County Aggregation and Industrial Park (CAIP) with the national government.

In FY 2022/23, the County registered a positive growth in Own Source Revenue (OSR) collection which grew by 14 percent compared with the previous year. OSR stood at Ksh

982,050,748 against a target of Ksh 1,400,471,851, and up from Ksh 858,349,786 in FY 2021/22. Equitable shareable allocation released to the County amounted to Ksh 8,068,858,318 compared to Ksh 7,423,349,652 in FY 2021/22, while total grant received amounted to Ksh 260,599,531. In the same period, expenditures amounted to Ksh 10,380,435,593 (Ksh 9,438,441,433 for County Executive and Ksh 941,994,160 for County Assembly) on development and recurrent programmes, comprising Ksh 7,161,669,414 of recurrent expenditure and Ksh 3,218,766,179 of development expenditures representing an overall absorption rate of 98 percent and 71.3 (County Executive 76 percent, County Assembly 12.5), respectively.

In the FY 2024/25, the County Government will continue with its policy of expenditure prioritization with a view to achieving *Nguzo Kumi* transformative development agenda which is anchored on ten key areas targeting provision of core services, creation of employment opportunities and improving the general welfare of the residents. Thus, total revenue is projected at Ksh 10,554,726,713. Of this, OSR is projected at Ksh 1,214,414,671 (12 percent of total revenues). This revenue performance will be underpinned by the on-going efforts in resource mobilization that include implementation of a new revenue system *Sisibo Pay* and boosted by stabilized economy occasioned by various government interventions at both the national and county level.

## **1.0 INTRODUCTION**

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This section outlines the objectives, significance and the structure of County Budget Review and Outlook Paper (CBROP).

### **1.1 Objectives of CBROP**

County Budget Review and Outlook Paper reviews the fiscal performance of the county during the most recent fiscal year (FY), in this case FY 2022/2023, and how it impacts on the financial objectives and fiscal responsibility principles contained in the County Fiscal Strategy Paper (CFSP) of that FY, that is CFSP 2022. The paper analyses the following:

- i. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- ii. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- iii. Information on any changes in the forecasts compared with the CFSP; or 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 financial year; and
- iv. 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.

### **1.2 Significance of CBROP**

CBROP provides a review of fiscal performance of the previous financial year (FY 2022/23), and updated macroeconomic developments and outlook which affect the current and next financial years' fiscal performance. It informs the budget revision in the context of supplementary estimates and the broad fiscal considerations for the next budget and over the medium term. Further, the paper provides indicative sector ceilings for the next County Fiscal Strategy Paper (CFSP 2024), and guide the budget for the next financial year and over the medium term.

### **1.3 Structure of CBROP**

CBROP 2023 is structured into five sections. Section One presents introduction. Section Two reviews the county's fiscal performance for the previous year under the sub-sections; The Overview, Fiscal Performance, and Implications of Fiscal Performance. Section Three reviews

recent economic developments and comprises the following sub-sections; Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework, and Risks to the Outlook. Section Four outlines resource allocation framework with indicative expenditure ceilings set for each department. It is divided into four sub-sections, thus; Adjustment to the Proposed Budget, the Medium-Term Expenditure Framework, Proposed Budget Framework, and Projected Fiscal Balance. Section Five presents conclusion while outlining the purpose and CBROP 2023.

## 2.0 REVIEW OF COUNTY FISCAL PERFORMANCE FOR THE FY 2022/23

This chapter highlights an overview, fiscal performance and its implication on financial objectives articulated in the CFSP 2022.

### 2.1 Overview of FY 2022/23 Budget

During the period under review, the County revised FY 2022/23 budget estimates through 1<sup>st</sup> and 2<sup>nd</sup> supplementary budgets to factor in emerging needs left out during the budgeting process.

The County's approved second supplementary budget for the FY 2022/23 was Ksh 11,823,658,569, comprising Ksh 4,514,708,287 (38.2 per cent) and Ksh 7,308,950,282 (61.8 per cent) allocation for development and recurrent programmes, respectively. This budget was to be financed by Ksh 8,068,858,318 (68.2 per cent) as the equitable share of revenue raised nationally, Ksh 258,281,181 (2.2 per cent) as additional allocations, unspent balance of Ksh 2,096,047,219 (17.7 per cent) from FY 2021/22, and collect Ksh 1,400,471,851 (11.8 per cent) as own-source revenue, as indicated in Table 2.1.

### 2.2 Fiscal Performance

The county recorded an improved fiscal performance in the FY 2022/23 compared to FY 2021/22 albeit below targets performance. Revenues totaled Ksh 10,656,025,852 (including Ksh 2,324,297,019 of unspent balance) while overall expenditures amounted to Ksh 10,380,435,593 comprising Ksh 9,438,441,433 for County Executive and Ksh 941,994,160 for County Assembly as indicated in Table 2.1.

Table 2.1 Summary of County Fiscal Performance

	FY 2021/2022	FY 2022/2023			
	Actual (a)	Approved (b)	Actual (c)	% Deviation (c-b/b)	% Growth (c-a/a)
Total Rev. & Grants	11,742,931,784	11,823,658,569	10,656,025,852	-10%	-9%
Unspent Bal from Prev. FY	3,148,609,117	2,096,047,219	2,324,297,019	11%	-26%
Revenue (Total)	8,594,322,667	9,727,611,350	9,311,508,597	-4%	8%
Equitable Share Allocation	7,423,349,652	8,068,858,318	8,068,858,318	0%	9%

	FY 2021/2022	FY 2022/2023			
	Actual (a)	Approved (b)	Actual (c)	% Deviation (c-b/b)	% Growth (c-a/a)
Local Revenue	858,349,786	1,400,471,851	982,050,748	-30%	14%
Grants (Total)	312,623,229	258,281,181	260,599,531	1%	-17%
<b>Total Expenditure</b>	<b>9,403,928,929</b>	<b>11,823,658,569</b>	<b>10,380,435,593<sup>1</sup></b>	<b>-12%</b>	<b>10%</b>
Recurrent	5,703,103,187	7,308,950,282	7,161,669,414	-2%	26%
Development	3,700,825,742	4,514,708,287	3,218,766,179	-29%	-13%
<b>Unspent Bal Current FY</b>			889,656,005		

### 2.2.1 Revenue Performance

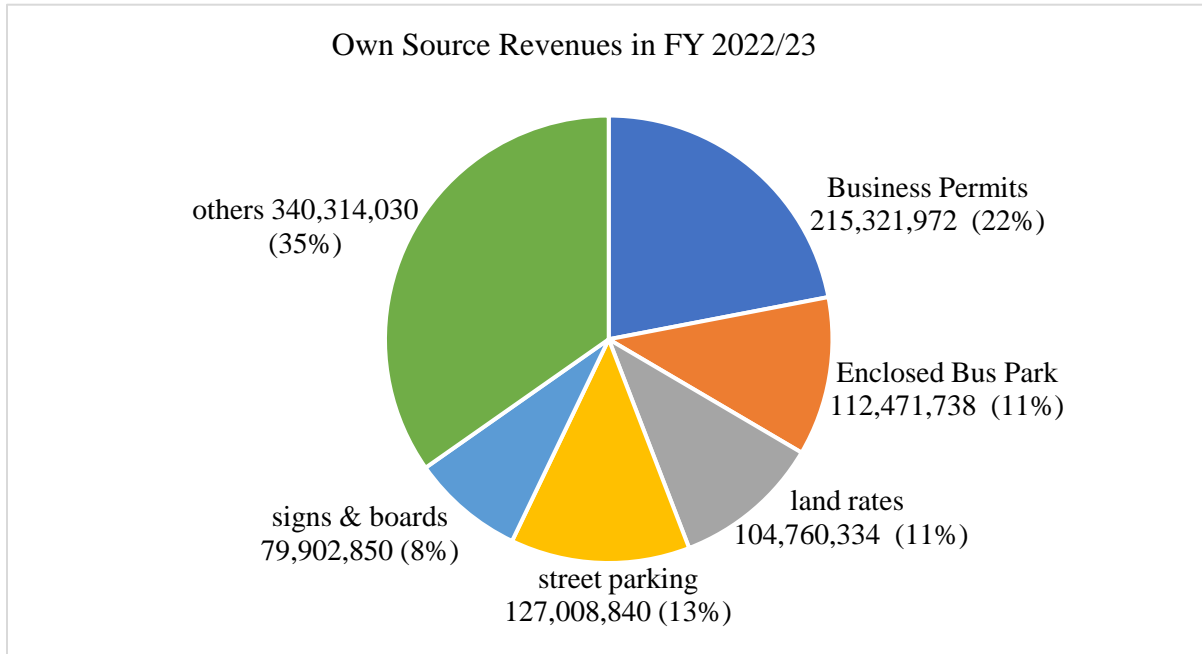
In FY 2022/23, the County received Ksh 8,068,858,318 as the equitable share of the revenue raised nationally, Ksh 260,599,531 as additional allocations, had an unspent balance of Ksh 2,324,297,019 from FY 2021/22, and raised Ksh 982,050,748 as own-source revenue. The total funds available for budget implementation during the period amounted to Ksh 11,635,805,616, as shown in Table 2.1.

During the period under review, OSR recorded a positive growth of 14 percent compared to a similar period in FY 2021/22 attributable to improvement in business environment and enhanced revenue measures by the county such as RRI exercises, enhanced compliance, among other interventions. The revenue streams which contributed the highest OSR receipts are shown in Figure 2.1.

<sup>1</sup> Cumulative Expenditures for both County Executive and County Assembly



Figure 2.1: Top Streams of Own Source Revenue in FY 2022/23



The top revenue stream of Ksh 215,321,972 was from business permits in the FY 2022/23, contributing to 22 per cent of the total OSR receipts during the reporting period followed by street parking and enclosed bus park at 13 and 11 percent, respectively.

### 2.2.2 Expenditure Performance

In FY 2022/23, overall expenditures amounted to Ksh 10,380,435,593 (Ksh 9,438,441,433 for County Executive and Ksh 941,994,160 for County Assembly) on development and recurrent programmes against a budgeted amount of Ksh 11,823,658,569. This represented an overall absorption of 87.8 percent and comprised of Ksh 7,161,669,414 and Ksh 3,218,766,179 on recurrent and development programmes, respectively. Expenditure on development programmes represented an absorption rate of 76 percent for the County Executive and 12.5 percent for the County Assembly and cumulatively 71.3 per cent. In contrast, recurrent expenditure represented 98 per cent of the annual recurrent expenditure budget.

The development expenditure targets were not fully met partly due to low absorption of funds by financed projects and delays in disbursement of funds to the counties by National Treasury, among other constraints.

### 2.2.3 Budget Absorption by Department

As indicated in Table 2.3, analysis of expenditure by department shows that the Department of Promotive and Preventive Health recorded the highest absorption rate of development budget at 100 per cent, followed by the Department of Co-operatives and Enterprise Development at 98 per cent. The County Assembly and the Department of Education and Vocational Training had the highest percentage of recurrent expenditure to budget at 100 per cent, while the Department of Energy, Environment, Climate Change and Natural Resources had the lowest at 61.1 per cent.

Table 2.2 Showing Absorption Rates by Departments

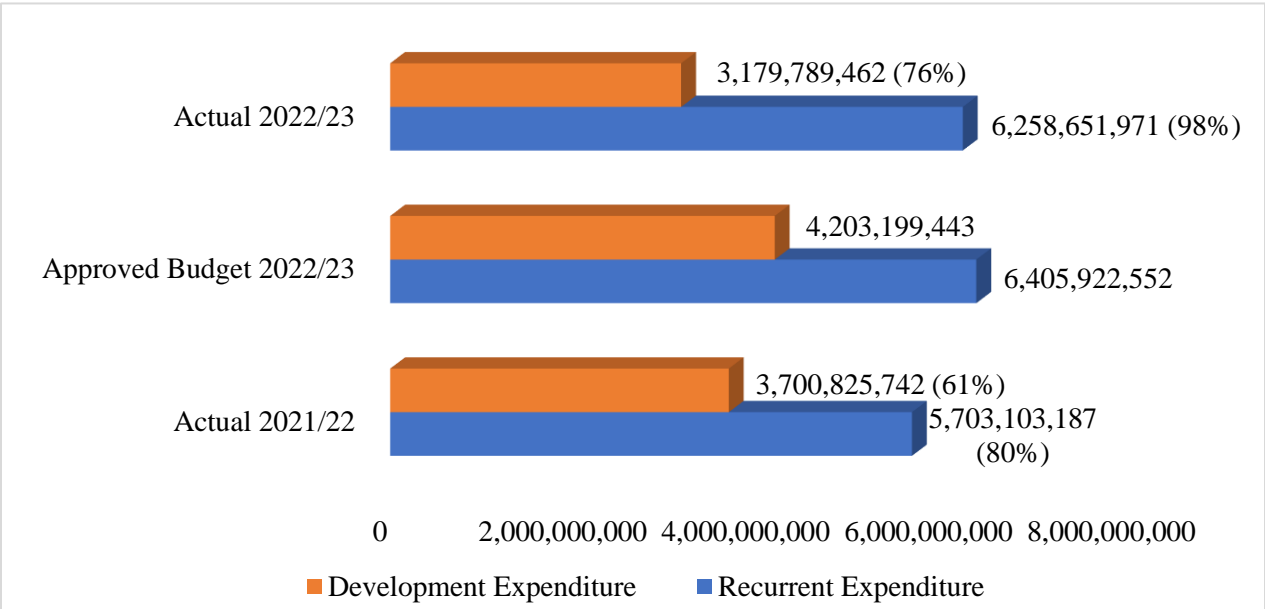
Department	Budget Allocation (Ksh Million)		FY 2022/23			
			Expenditure (Ksh Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev
Governor's Office	194	-	190.05	-	98	-
Finance	368.33	-	360.33	-	97.8	-
Public Service Management	813.5	10.42	789.92	7.94	97.1	76.2
ICT, E-Government and Innovation	56.28	97.51	53.55	50.41	95.2	51.7
Roads, Transport and Public Works	552.51	931.62	541.42	652.59	98	70
Lands and Housing	24.39	6.91	23.65	3.81	97	55.1
Water, Environment, Natural Resources, Tourism and Wildlife Management	138.05	80.37	126.86	49.95	91.9	62.1
Clinical Services	2,159.05	435.57	2,136.76	271.38	99	62.3
Agriculture and Agribusiness	241.73	265.87	237.32	256.61	98.2	96.5
Trade, Industry, Investment and Tourism	79.25	223.41	78.72	160.06	99.3	71.6
Education and Vocational Training	681.87	289.94	681.87	226.45	100	78.1
County Public Service Board	73.36	-	72.14	-	98.3	-
County Assembly	903.03	311.51	903.02	38.98	100	12.5
Economic Planning	149.51	-	143.26	-	95.8	-
Administration and Devolution	163.15	223.58	148.46	193.17	91	86.4
Youth and Sports Development	172.66	88.55	172.08	67.42	99.7	76.1
Co-operatives and Enterprise Development	53.07	70.79	52.15	69.38	98.3	98
Livestock Development and Fisheries	64.37	144.5	62.43	138.86	97	96.1
Physical Planning and Urban Development	19.64	-	19.07	-	97.1	-

Department	Budget Allocation (Ksh Million)		FY 2022/23			
			Expenditure (Ksh Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev
Eldoret Municipality	132.05	298.45	123.79	282.06	93.7	94.5
Promotive and Preventive Health	8	20.57	5.17	20.57	64.6	100
Energy, Environment, Climate Change and Natural Resources	8	88.71	4.89	60.03	61.1	67.7
Partnership, Liaison and Linkages	15.8	-	14.79	-	93.6	-
Gender, Social Protection and Culture	61.24	39.32	61.1	20.46	99.8	52
Housing and Urban Development	47.28	290.86	36.31	219.34	76.8	75.4
Lands and Physical Planning	43.15	193.07	41.65	119.67	96.5	62
Water, Irrigation and Sanitation	85.67	403.21	80.94	309.64	94.5	76.8
<b>TOTAL</b>	<b>7,308.95</b>	<b>4,514.71</b>	<b>7,161.67</b>	<b>3,218.77</b>	<b>98</b>	<b>71.3</b>

**2.2.4 Recurrent and Development Expenditure**

As illustrated in Figure 2.2, there was an overall improvement in absorption of funds in FY 2022/23 compared to a similar period in the previous year. The County Executive recorded an absorption rate of 98 percent on recurrent and 76 percent on development expenditures, representing an improvement of 18 percent and 15 percent, respectively, compared to the FY 2021/22.

Figure 2.2 Showing Absorption Levels by Recurrent and Development Votes



### **2.2.5 Expenditure by Economic Classification**

Analysis of expenditure by economic classification indicates that the County Executive spent Ksh 3,882,557,669 on employee compensation, Ksh 2,376,094,302 on operations and Maintenance, and Ksh 3,179,789,462 on development activities. Similarly, the County Assembly spent Ksh 339,924,000 on employee compensation, Ksh 563,093,443 on operations and Maintenance, and Ksh 38,976,717 on development activities, as shown in Table 2.3.

Table 2.3 Summary of FY 2022/23 Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (Ksh)			Expenditure (Ksh)			Absorption (%)		
	County Executive	County Assembly	Cumulative	County Executive	County Assembly	Cumulative	County Executive	County Assembly	Cumulative
<b>Total Recurrent</b>	<b>6,405,922,552</b>	<b>903,027,730</b>	<b>7,308,950,282</b>	<b>6,258,651,971</b>	<b>903,017,443</b>	<b>7,161,669,414</b>	<b>97.7%</b>	<b>100.0%</b>	<b>98.0%</b>
Compensation to Employees	3,609,400,030	339,925,460	3,949,325,490	3,882,557,669	339,924,000	<b>4,222,481,669</b>	107.6%	100.0%	106.9%
Operations and Maintenance	2,796,522,522	563,102,270	3,359,624,792	2,376,094,302	563,093,443	2,939,187,745	85.0%	100.0%	87.5%
Development Expenditure	4,203,199,443	311,508,844	4,514,708,287	3,179,789,462	38,976,717	3,218,766,179	75.7%	12.5%	71.3%
<b>Total Expenditure</b>	<b>10,609,121,995</b>	<b>1,214,536,574</b>	<b>11,823,658,569</b>	<b>9,438,441,433</b>	<b>941,994,160</b>	<b>10,380,435,593</b>	<b>89.0%</b>	<b>77.6%</b>	<b>87.8%</b>

### **2.3 Settlement of Pending Bills**

The County reported a stock of pending bills amounting to Ksh 708 million at the beginning of FY 2022/23, of which, pending bills amounting to Ksh 684 million were settled during the year, leaving an outstanding amount of Ksh 23.19 million. Further, the County accumulated pending bills amounting to Ksh 253.14 million in FY 2022/23; therefore, as of 30th June 2023, the outstanding amount was Ksh 276.33 million (inclusive of FY 2022/23 pending bills). This amount has however been further settled in the current year with Ksh 52 million remaining and is expected to be cleared before the end of the year.

### **2.4 Implication of FY 2023/24 Fiscal Performance**

The fiscal performance in FY 2022/23 has implications on financial objects outlined in the 2023 CFSP and the overall implementation of FY 2023/24 Budget. This is because the basis for fiscal projections for FY 2024/25 will change given the outcome of the FY 2022/23 and the first two months of the current FY. The sector ceilings for the medium-term were also based on the utilization levels of departments and strategic priorities of the county government among other factors.

### **3.0. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

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This section highlights the recent economic developments, county economic outlook and policies, medium-term fiscal framework, risks to the outlook, and proposed interventions to the risks.

#### **3.1 Recent Economic Developments**

This CBROP has been prepared against a backdrop of a resilient Kenyan economy in the face of severe multiple shocks that included the adverse effects of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. The economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021.

Kenya's economic performance is projected to remain strong and resilient over the medium term. The economy recorded a strong growth of 5.3 percent in the first quarter 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. The economy is expected to remain strong and 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).

Inflation remained above the Government target range of  $5\pm 2.5$  percent from June 2022 to June 2023. In order to anchor inflation expectations and bring down inflation within the target range, the Monetary Policy Committee (MPC) gradually raised the Central Bank Rate (CBR) from 7.50 percent in May 2022 to 10.50 percent in June 2023. The MPC retained the 10.50 percent in August 2023. Consequently, inflation declined significantly to 6.7 percent in August 2023, from a peak of 9.6 percent in October 2022. The decline largely reflects the easing of food prices and impact of monetary policy tightening

Reflecting the tight monetary policy stance, interest rates increased in the year to August 2023. The interbank rate increased to 12.5 percent in August 2023 compared to 5.4 percent in August 2022 while the 91-day Treasury Bills rate increased to 13.4 percent compared to 8.6 percent over the same period. The 182-day Treasury Bills rate increased to 13.4 percent in August 2023 from 9.5 percent in August 2022 while the 364-day also increased to 13.6 percent from 9.9 percent over the same period. The introduction of the interest rate corridor, in August 2023, is expected to align the interbank rate to the Central Bank Rate and thereby improve the transmission of the monetary policy.

The Kenyan foreign exchange market remained under pressure as global economic uncertainty regarding the ongoing Russian-Ukraine conflict as well as increase in interest rates in advanced economies in response to inflationary pressures weighed on the exchange rate. Specifically, the headwind from a strengthening dollar, boosted by rising US interest rates and exchange rate to the Kenya shilling weakened at a rate of 20.5 percent in the 12 months to August 2023 compared to 9.3 percent in the 12 months to August 2022. The Kenya shilling exchanged at Ksh143.9 in August 2023 compared to Ksh119.5 in August 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh157.1 in August 2023 compared to Ksh121.0 in August 2022 while against the Sterling Pound the Kenyan shilling weakened to exchange at Ksh182.9 compared to Ksh143.5, over the same period. The Kenyan shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

During the FY 2022/23, the county collected a total of Ksh 982,050,748 against a targeted amount of Ksh 1,400,471,851 translating to an achievement of 70 percent. However, this performance is an improvement from the previous financial year by 13 percent. In the same period, the county government received a total of Ksh 10,609,121,995. Actual development expenditure amounted to Ksh 3,179,789,462 against an approved budget of Ksh 4,203,199,443 which translates to an absorption rate of 76 percent. On the other hand, actual recurrent expenditure was Ksh 6,258,651,971 against the budgeted amount of Ksh 6,405,922,552 which translates to an absorption rate of 99 percent.

### **3.2 County Economic Outlook and Policies**

In the next financial year and over the medium term, the County government will appropriate its resources on growth potential and priority areas geared towards growing its economy and improving the lives and livelihoods of residents. In an attempt to address the effects rising interest rates in the country, the county government will seek to increase access to affordable credit through upscaled *Inua Biashara* Fund and Cooperative Enterprise Development Fund (CEDF) to boost the MSME economy. Further, the government will seek to establish County Agricultural Development Fund to provide loans to farmers and support agricultural enterprises. To unlock industrial potential of the county, the two levels of government are in the process of establishing County Aggregation



and Industrial Park (CAIP) in the county. This is expected to promote investment, create employment opportunities and boost export.

The county government supports the national government's initiatives to lower the cost of agricultural production through subsidies, supported by the expected favourable weather. This is expected to increase agricultural production and ease the effects of inflation. In the next financial year and over the medium term, the government will also expand the county's infrastructure to support its city status recently approved by the Standing Senate committee on devolution and Intergovernmental Relations.

In medium term, the county will prioritize resource mobilization and management to support development programmes across all sectors of its economy. The county will develop a resource mobilization strategy which will guide revenue collection in order to avoid loopholes and improve enforcement and compliance. The strategies put in place will be expected to improve revenue performance in the individual revenue streams especially those underperforming.

Finally, the County will strengthen collaboration, partnerships and networks with regional counties, National Government, private sector and development partners in addressing development challenges across all sectors affecting residents of Uasin Gishu.

### **3.3 Medium Term Fiscal Framework**

In the next financial year and over the medium term, the County pursues prudent fiscal policies aimed at achieving economic recovery. The county government will operate within a framework of balanced budget in the medium term with occasional short-term borrowing as may be necessary for cash flow management purposes. With inherent scarcity of resources, the government will focus on priority areas including water, health, agriculture and trade. The government will put strategies in place that are geared towards economic recovery, growth, employment and income, poverty reduction, improved business environment and empowering the youth, women and vulnerable groups.

County's fiscal performance over the medium term will be critical in the realization of the broad strategic priorities and policy goals. The County government will therefore seek to strengthen its resource mobilization and management endeavors. It will strengthen its local revenue collection efforts to enhance performance, while prioritizing expenditure productivity and applying the fiscal

responsibility principles. The government will also engage the National Government and other development partners for increased financing of development programmes and projects.

In the next financial year and over the medium term, the County government will put emphasis on expenditure management focusing on expenditure productivity. This will be achieved by ensuring that County resources are channeled to priority programmes and projects and ensuring that these resources are utilized for the intended purposes. The government will also continue to channel more resources to vulnerable groups including youth, women and persons with disabilities (PWDs) by implementing empowerment programmes such as *inua mama na kuku* and Youth in agribusiness.

### **3.4 Risks to the Outlook**

The County anticipates the following risks over the medium-term:

- Unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production;
- Below targets own source revenue performance;
- Low absorption of budgeted funds may delay envisaged socio-economic transformation;
- Increased public expenditure pressures, particularly wage bill, pending bills and liabilities; and other recurrent expenditures;
- Soaring commodity prices due high inflation rates; and
- Changing priorities by development partners.

### **3.5 Proposed Interventions to the Risks**

The County will minimize the impacts of these risks by:

- Adopting climate mitigation measures and embracing climate smart agriculture;
- Developing a resource mobilization strategy to increase revenue collection, minimize loopholes and enhance enforcement and compliance;
- Departments should adhere to procurement plans and annual work plans to ensure maximum absorption;
- Retaining recurrent and development expenditures within the prescribed limit of 65 and 35 percent respectively;

## **4.0 RESOURCE ALLOCATION FRAMEWORK**

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### **4.1 Implementation of the FY 2023/24 Budget**

Implementation of the FY 2023/24 Budget has begun well with indicators in the first two months pointing to meeting the end year target especially in revenue collection. Total revenues amounted to Ksh 94,059,141 in August 2023 against a target of Ksh 97,044,337 implying a performance rate of 97 percent. This is expected to pick up in the second half of the year to reflect improvement in business environment and enhanced revenue measures by the county.

Total expenditure for July and August 2023 was Ksh 835,485,689. However, there are expenditure pressures arising from FY 2022/23 unspent balances of Ksh 889,656,005 which may necessitate revision of the budget to cater for emerging expenditure pressures.

Total revenues for the FY 2023/24 are projected at Ksh 10,247,307,488 with own source revenues projected at Ksh 1,179,043,370. Total expenditures are projected at Ksh 10,247,307,488 with recurrent expenditures projected at Ksh 7,057,152,476 (69 percent of total budget) and development expenditures are projected at Ksh 3,190,155,012 (31 percent of total budget).

The below target in revenue collection and expenditure in the FY 2022/23 has had implications on the financial objectives outlined in the 2023 CFSP and the 2023/24 Budget. In particular, the revenue projections for FY 2023/24 took into account a lower projection base (on account of the Ksh 418.4 million OSR shortfall in FY 2022/23).

### **4.2 FY 2024/25 and Medium-Term Fiscal Policy**

The overall Medium-Term Fiscal Policy aims at supporting full and timely implementation of the “Nguzo Kumi” transformative agenda and the CIDP 2023 - 2027. This will be driven by continued reforms in revenue enhancement measures that is expected to increase OSR collections by 3 percent in FY 2024/25 and over 6 percent over the medium term.

On the other hand, the County Government will continue to rationalize expenditures by minimising non-core expenditures while improving efficiency in development projects implementation so as to contain expenditure growth. Thus, recurrent expenditures are expected to decline from 69 percent of Budget in FY 2023/24 to 67 percent in the medium term while development is projected at 33 percent of Budget over the medium term.

#### **4.2.1 FY 2024/25 Fiscal Projections**

In the FY 2024/25 total revenue is projected at Ksh 10,554,726,713. Of this, OSR is projected at Ksh 1,214,414,671 (12 percent of total revenues). This revenue performance will be underpinned by the on-going reforms in revenue administration that include implementation of a new revenue system *Sisibo Pay* and boosted by stabilized economy occasioned by various government interventions at both the national and county level.

On the other hand, the overall expenditure is projected at Ksh 10,554,726,713. Of this, recurrent expenditure will amount to Ksh 7,177,214,165 (68 percent of budget) while development expenditure will amount to Ksh 3,377,512,548 (32 percent of budget).

#### **4.3 FY 2024/25 and Medium-Term Budget Framework**

The County Government will continue with its policy of expenditure prioritization with a view to achieving *Nguzo Kumi* transformative development agenda as prioritized in the CIDP 2023 - 2027. This agenda is anchored on ten key areas targeting provision of core services, creation of employment opportunities and improving the general welfare of the residents. These include: Agriculture and food security; Health Services; ICT and e-Government, Youth and Sports; Trade, Industrialization, Cooperatives & Enterprise Development and Tourism; Education, Gender, Culture and Social Services; Infrastructure Development and Public Works; Water, Environment, Natural Resources and Climate change; Lands, Housing and Physical Planning; Public Service Management; and Municipality and Urban Development. Realization of these objectives will have implications in the budget ceilings provided in this CBROP.

In the 2024/25 and MTEF period, the county government will prioritize the following:

##### **4.3.1 Sector Priorities for FY 2024/25 and Medium-Term**

###### **I. Administration and Governance Sector**

The sector will prioritize implementation of the following key strategic interventions: enhance access to public services through the establishment of Service Delivery Centres at the wards; Construction and operationalization of Sub County and Ward Offices; enhance public service performance through implementation of performance management system and staff trainings; strengthen resource mobilization through partnerships and revenue strategies; and strengthen

public participation and citizen engagement by operationalizing existing frameworks and capacity building of Ward Project Identification Committees.

## **II. Infrastructure & ICT Sector**

The sector will prioritize improving access to water services and sanitation through extension of distribution pipelines; protection of springs; operationalization, rehabilitation and maintenance of water supplies; desilting of dams and water pans; and extension of sewer lines and construction of centralized sewer systems. It will also increase areas under irrigation and reclamation through development of irrigation policy and strategy to support irrigation services. Other priorities include establishment of Asphalt Construction Plant to support construction of roads bitumen standards; construction and rehabilitation of drainage systems; construction and equipping of fire station; construction of fire hydrants; installation of solar street lights and traffic signals; solid waste management through establishment of a recycling plant; growing of tree seedlings; establishment of ICT innovation and training centres; and ICT capacity building.

## **III. Health Sector**

The sector will establish a diagnostic and pathological centre at UG Hospital which incorporates a medical teleconferencing facility; prioritize investments towards achieving Universal Health Coverage by ensuring National Health Insurance fund coverage for all residents; investment in primary healthcare system through deployment of Community Health Promoters; capacity building of healthcare workforce; and completion of Sub County Hospitals and one level V hospital at Ziwa.

## **IV. Education and Social Protection**

The Sector will prioritize programmes towards improvement of education outcomes. In ECDE, the focus will be on equipping of ECDE facilities, upscaling the school feeding programme and rolling-out digital learning. Under VTC, the sector will target enrolling more students by restructuring the funding model of the County Education Revolving Fund, establishment of centres of excellence and recruitment of VTCs trainers. It will also prioritize establishment of a Hall of Fame, cultural sites, rehabilitation centres, home for the elderly, youth empower centres, and sport talent centres.

## **V. General Economic and Commercial Affairs Sector**

The sector's key objectives for the 2024/25 MTEF period include: enhance market access through development of online market platforms and construction of modern shops; enhance value addition and agro-processing; and improve the business environment and access to affordable finance for MSMEs. The sector will also aggregate agripreneurs/farmers and entrepreneurs through cooperatives and SACCOS to enhance local and international markets access and affordable finance. To promote tourism, the sector will establish an International Exhibition and Convention Centre for MICE activities, and complete the development of River Sosiani Nurture Trail.

## **VI. Agriculture Rural and Urban Development Sector**

The sector will prioritize capacity building through modernization of ATC for training of farmers and youths in agribusiness skills; enhance access to agricultural finance and insurance; increase the level of agricultural mechanization along the value chains; promotion of high-value crops; and entrench fish farming technologies. Under lands, the sector will strengthen spatial and physical planning and control to improve land use in the county; prepare valuation rolls; and establish a county housing corporation.

The following criteria will however serve as a guide for allocating resources to the above priorities:

- i. Linkage of programmes with the priorities of *Nguzo Kumi* transformative development agenda CIDP 2023 – 2027;
- ii. Linkage of the programme with the priorities of Bottom-Up Economic Transformation Agenda and Medium-Term Plan IV of the Vision 2030;
- iii. Linkage of programmes that support mitigation and adaptation of climate change;
- iv. Completion of ongoing projects, viable stalled projects and payment of verified pending bills;
- v. Degree to which a programme addresses job creation and poverty reduction;
- vi. Degree to which a programme addresses the core mandate of the CDAs;
- vii. Cost effectiveness, efficiency and sustainability of the programme; and
- viii. Requirements for furtherance constitution and in particular the Fourth Schedule on devolved functions.

Reflecting on the above, the Medium-Term Expenditure Framework provided in Table 4.1 will guide resource allocation into the medium term.

Table 4.1: Summary of Indicative Sector Ceilings for the FY 2024/25 – 2026/27 MTEF

Sector	MDAs		Total Expenditure Kshs.				% Share of Total Expenditure			
			Estimates 2023/24	C-BROP Ceiling 2024/2025	Projections		Estimates 2023/24	Ceilings 2024/25	Projections	
					2025/2026	2026/2027			2025/26	2026/27
<b>Administration &amp; Governance</b>	Governor's Office	Sub-Totals	103,334,200	126,488,499	130,283,154	134,191,649	1.01%	1.20%	1.20%	1.20%
	Finance	Sub-Totals	366,185,907	329,110,934	338,984,262	349,153,790	3.57%	3.12%	3.12%	3.12%
	Economic Planning	Sub-Totals	103,941,517	117,471,943	120,996,101	124,625,984	1.01%	1.11%	1.11%	1.11%
	Public Service Management	Sub-Totals	651,185,901	522,693,784	538,374,598	554,525,836	6.35%	4.95%	4.95%	4.95%
	Administration and Devolution	Sub-Totals	199,941,844	210,730,370	217,052,281	223,563,850	1.95%	2.00%	2.00%	2.00%
	County Public Service Board	Sub-Totals	64,789,377	70,745,936	72,868,314	75,054,363	0.63%	0.67%	0.67%	0.67%
	Partnership, Liaison and	Sub-Totals	59,450,000	53,724,235	55,335,962	56,996,041	0.58%	0.51%	0.51%	0.51%
	County Attorney	Sub-Totals	10,725,857	78,428,491	80,781,345	83,204,786				
County Assembly	Sub-Totals	846,524,510	849,337,056	874,817,168	901,061,683	8.26%	8.05%	8.05%	8.05%	
<b>Agriculture, Rural and Urban Development</b>	Agriculture & Agribusiness	Sub-Totals	731,657,218	786,847,690	810,453,121	834,766,714	7.14%	7.45%	7.45%	7.45%
	Livestock Development &	Sub-Totals	239,737,806	200,181,667	206,187,117	212,372,730	2.34%	1.90%	1.90%	1.90%
	Housing and Urban	Sub-Totals	311,989,063	76,124,971	78,408,720	80,760,982	3.04%	0.72%	0.72%	0.72%
	Lands and Physical Planning	Sub-Totals	209,560,929	323,397,076	333,098,989	343,091,958	2.05%	3.06%	3.06%	3.06%
	Eldoret Municipality	Sub-Totals	234,402,824	286,801,176	295,405,212	304,267,368	2.29%	2.72%	2.72%	2.72%
<b>General Economic &amp; Commercial</b>	Co-op & Enterprise Dev	Sub-Totals	120,141,587	104,411,815	107,544,170	110,770,495	1.17%	0.99%	0.99%	0.99%
	Trade, Industry & Investment And Tourism	Sub-Totals	395,238,929	154,614,863	159,253,309	164,030,908	3.86%	1.46%	1.46%	1.46%
<b>Infrastructure &amp; ICT</b>	Roads, Transport and Public	Sub-Totals	958,209,713	744,613,328	766,951,728	789,960,279	9.35%	7.05%	7.05%	7.05%
	Energy, Environment, Climate Change and Natural Resources	Sub-Totals	169,821,008	132,398,038	136,369,979	140,461,078	1.66%	1.25%	1.25%	1.25%
	ICT, E-Government and	Sub-Totals	105,338,170	109,788,798	113,082,462	116,474,936	1.03%	1.04%	1.04%	1.04%
	Water, Irrigation and Sanitation	Sub-Totals	700,675,898	598,158,377	616,103,128	634,586,222	6.84%	5.67%	5.67%	5.67%
<b>Health Services</b>	Clinical Services	Sub-Totals	2,427,627,554	1,783,051,012	1,836,542,542	1,891,638,818	23.69%	16.89%	16.89%	16.89%
	Promotive and Preventive Health	Sub-Totals	78,662,204	624,576,122	643,313,406	662,612,808	0.77%	5.92%	5.92%	5.92%
<b>Education and Social Protection</b>	Education and Vocational	Sub-Totals	815,132,053	573,809,071	591,023,343	608,754,043	7.95%	5.44%	5.44%	5.44%
	Gender, Social Protection and Culture		75,580,252	165,707,942	170,679,181	175,799,556	0.74%	1.57%	1.57%	1.57%
	Youth and Sports	Sub-Totals	267,453,167	180,508,499	185,923,754	191,501,466	2.61%	1.71%	1.71%	1.71%
<b>Ward Fund</b>	Ward Projects			1,351,005,019						
	<b>Grand Total</b>		<b>10,247,307,488</b>	<b>10,554,726,713</b>	<b>10,871,368,514</b>	<b>11,197,509,569</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 5.0 CONCLUSION

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The 2023 CBROP has been developed against a backdrop of a resilient Kenyan economy in the face of severe multiple shocks that included the adverse effects of climate change compounded with lingering effects of Covid-19, global supply chain disruptions occasioned by the impacts of Russia-Ukraine conflict. Overly, the year's economic growth deepened to 4.8 percent in 2022 from 7.6 percent in the 2021. However, with the improving operating business environment and favourable weather conditions, the economy is expected to remain strong and expand by 5.5 per cent in 2023 and 5.7 per cent in 2024.

The County recorded an improved fiscal performance in the period under review compared to a similar period in the FY 2021/22. OSR recorded a positive growth of 14 percent attributable to improved business environment and enhanced revenue measures by the County government. The performance, however, fell short of the target by 30 per cent. On the other hand, overall expenditures on development programmes represented an absorption rate of 71.3 per cent and recurrent expenditure represented 98 per cent of the annual recurrent expenditure budget.

In the next FY 2024/25, the government will continue with its policy of expenditure prioritization with a view to achieving *Nguzo Kumi* transformative agenda as outlined in the CIDP 2023 – 2027 and subsequent Annual Development Plans (ADPs).

In conclusion, the budget making process for FY 2024/25 and over the medium term will call for the County Departments and Agencies to adhere to the indicative ceilings provided in this document.