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# REPUBLIC OF KENYA



## THE COUNTY TREASURY

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# GARISSA COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

SEPTEMBER 2022

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County Executive Committee Member, Finance and Economic Planning

The Garissa County Treasury

P.O Box 1377-70100,

Garissa, Kenya

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## **FOREWORD**

The Garissa County Budget review and Outlook Paper (CBROP 2022), marks the end CIDP two (CIDP 2018-2022) implementation framework .The document has been prepared pursuant to section 118 of the public finance management (PFM) Act 2012 which requires the county government to prepare a budget review and outlook paper each financial year, and Submit to the County executive committee by 30<sup>th</sup> September.

The CBROP provides an analysis of the details of the actual fiscal performance of the county for the financial year 2021-2022 while comparing it with the budget appropriation for that year, the updated economic and financial forecasts with adequate information to show changes from projections outlined in the latest county fiscal strategy paper. Further, it set provisional ceilings for the coming financial and thereby permitting the department to prepare their budget proposal for the coming the next financial year.

The CBROP being a key document that links up policy, planning and budgeting, will continue to play a critical role in the preparation of budgets and management of public resources in a devolved system and as such this paper will set out the broad fiscal parameters for the preparation next financial year's budget.

It is therefore my anticipation that this paper enhances financial discipline and fiscal responsibilities within the county financial management framework as provided in the public finance management (PFM) Act 2012.

**Hon. Issa dubow Oyow**

**County Executive Committee Member**

**Finance, Economic Planning and Revenue Management**

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## **ACKNOWLEDGEMENT**

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The County Budget review and Outlook Paper (CBROP), marks the beginning of journey of preparing the 2023/2024 budget. The policy prepared in accordance with the Public Finance Management Act, 2012 Article 118(1) (a).It provides a reviews of the recent economic developments and actual fiscal performance of the FY 2017/2018 in comparison to budget appropriations for the same year.

The preparation of this document was a concerted and Collaborative effort by staff of the directorate of Finance, Economic Planning and Revenue Management under the leadership and guidance of the County Executive member of Finance.

A core team from the budget unit spent significant amount of time beyond official working hours to consolidate and fine tune this document. During the preparation of this paper, we received inputs from the following units; County Revenue management, Human Resources and Accounts. I take this opportunity to sincerely thank all for their dedication, sacrifice and commitment to public service.

**Mr. Adan Harun**

**Chief Officer Finance**

## **ABBREVIATIONS AND ACRONYMS**

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<b>ATC</b>	Agricultural Training Centre
<b>CA</b>	County Assembly
<b>CBROP</b>	County Budget Review and Outlook Paper
<b>CFSP</b>	County Fiscal Strategy Paper
<b>CIDP</b>	County Integrated Development Plan
<b>CPI</b>	Consumer Price Index
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>IFMIS</b>	Integrated Financial Management Information System
<b>MTEF</b>	Medium Term Expenditure Framework
<b>PGH</b>	Provincial General Hospital
<b>PFMA</b>	Public Finance Management Act

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## **PREAMBLE**

### **Legal Background**

The Garissa County Budget Review and Outlook Paper was prepared in accordance with section 118 of the Public Finance Management Act, 2012 which states that the county shall:

- Prepare a County Budget Review and Outlook Paper (CBROP) in respect of the county for each financial year; and
- Submit the paper to County executive committee for approval by 30<sup>th</sup> September of that year.

The CBROP shall include;

- 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 any changes in the forecasts compared with the CFSP or 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) The reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviations and the time estimated for doing so.
2. The County Executive Committee shall consider the CBROP with a view to approving it, with or without amendments within fourteen days after its submission.
  3. Not later than seven days after the CBROP has been approved by County Executive Committee, the County Treasury shall:
    - a) Arrange for the CBROP to be laid before the County Assembly; and
    - b) Publish and publicize the paper as soon as practicable.

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## **Fiscal Responsibility Principles in the Public Financial Management Act**

Section 107 of the Public Finance Management (PFM) Act 2012 sets out the fiscal responsibility principles to ensure prudent and transparent management of county resources. The PFM Act states that:

- i. The county government's recurrent expenditure shall not exceed the county government's total revenue;
- ii. Over the medium term a minimum of thirty per cent of the county government's budget shall be allocated to the development expenditure;
- iii. 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 approved by the County Assembly;
- iv. Over the medium term, the county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- v. The county debt shall be maintained at a sustainable level as approved by the County Assembly (CA);
- vi. Fiscal risks shall be managed prudently; and
- vii. A reasonable degree of the 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.

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## **1 INTRODUCTION**

### **Background**

**The 2022 CBROP provides a review of the fiscal performance for the financial year 2021/22 including adherence to the objectives and principles outlined in the 2022 County Fiscal strategy paper (CFSP) and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2022 CBROP will guide development of the 2023 CFSP that will summarize the various projects and initiatives that will be undertaken 2023-2024 budget.**

. Specifically, the CBROP provides:

- i. Updated economic and financial forecasts in relation to changes from the projections in the most recent CFSP;
- ii. Details of the actual fiscal performance in the previous year compared to appropriation for that particular year;
- iii. Any changes in the forecasts compared with the CFSP
- iv. Indication on how the actual fiscal performance for the previous FY may have affected compliance with fiscal responsibility principles or the financial objectives in the CFSP for that FY; and
- v. Reasons for any deviations from financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

### **Significance of CBROP**

The CBROP is a key document which links up policy, planning and budgeting. It is embedded on the Kenya's Vision 2030 through the third Medium Term Plan (MTP) and the Third Garissa County Integrated Development Plan (CIDP).

## **2.0 REVIEW OF FISCAL PERFORMANCE IN THE FY 2021/2022**

### **Overview**

The implementation of the budget for FY 2021/2022 was fairly well despite declined in local revenue revenue collection compared to the targets. Cumulative County revenue received amounted to Ksh 8.86 billion. Total receipt from national equitable share of revenue comprised of Ksh.7.29 billion (92 per cent of total receipts). Others transfers included Ksh.384 million being proceeds of domestic and foreign grants, Balance brought forward from 2020-2021 financial year of ksh 1112 million and local revenue of ksh 73.5 million representing 49 percent of local revenue collection target.

During the period under review, the county spent Ksh.8.86 billion against a target of Ksh.10.44 billion representing an absorption rate of 85 per cent. Of the amount spent during the period, recurrent



expenditure for the period represents 75.5 per cent of the actual budget while development expenditure represents 24.5 per cent of the annual development budget.

## 2.1 FY 2021/22 Fiscal Performance

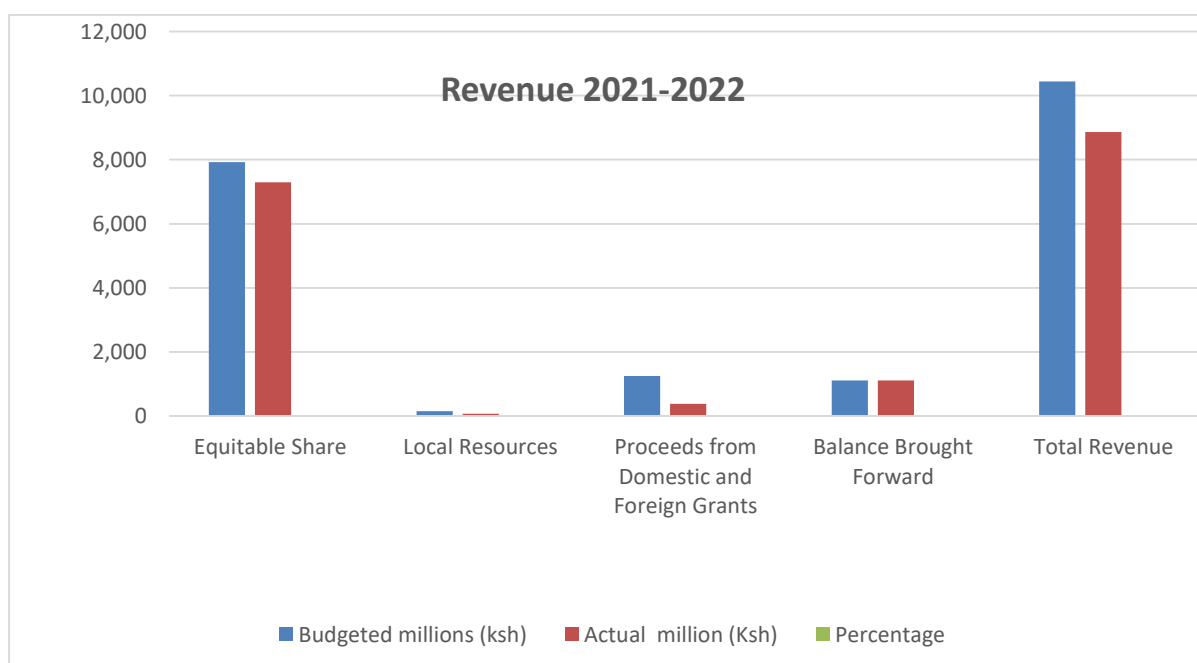
### 2.1.1 Revenue Performance

By the end of the FY 2021/22, the total exchequer release, other transfers and local revenue collection amounted to Ksh.8.863 billion against a target of Ksh.10.440 billion representing 85 percent performance. This includes Ksh 1.111 billion carried forward from 2020-2021 financial year and own source revenue of 73.5 percent representing 49 percent of the own source target .

**Table 2.1 Summary of County Fiscal Performance**

Source: County Treasury

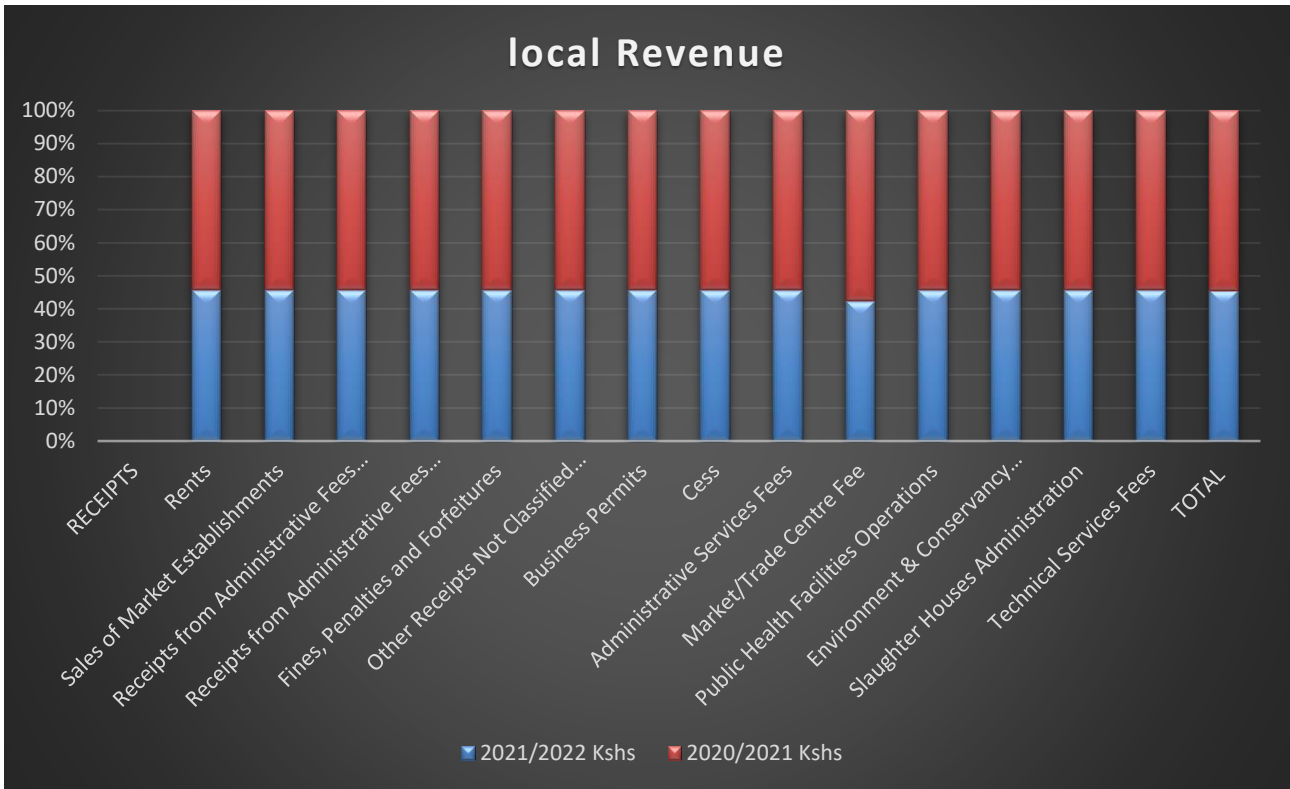
REVENUE	Budgeted millions (ksh)	Actual million (Ksh)	Percentage
Equitable Share	7,927	7,293	92%
Local Resources	150	73.5	49%
Proceeds from Domestic and Foreign Grants	1251	384	31%
Balance Brought Forward	1112	1112	100.00%
<b>Total Revenue</b>	<b>10,440</b>	<b>8,863</b>	<b>85%</b>
<b>Salary</b>	<b>4,797</b>	<b>4,763</b>	<b>99%</b>
O&M/ Others	1,361	998	73.34%
Development Executive	3,278	2,157	65.80%
County assembly salaries and operations	1004	944.9	94%
<b>Total Expenditure</b>	<b>10,440</b>	<b>8,863</b>	<b>85%</b>



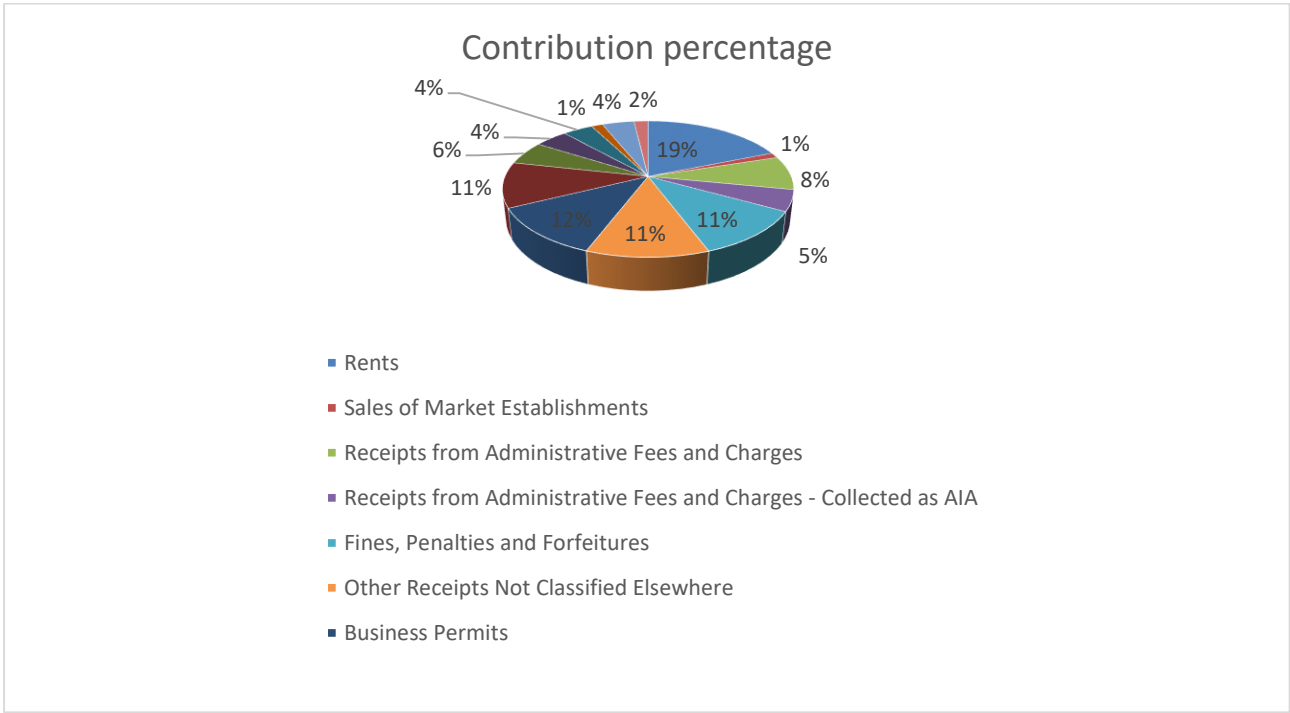
**Table 2.2 Local Revenue Revenue Performance per Stream**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>RECEIPTS</b>		
Rents	13,908,727	16,537,947
Sales of Market Establishments	935,109	1,111,876
Receipts from Administrative Fees and Charges	5,918,708	7,037,544
Receipts from Administrative Fees and Charges - Collected as AIA	3,693,642	4,391,865
Fines, Penalties and Forfeitures	8,289,970	9,857,054
Other Receipts Not Classified Elsewhere	8,483,402	10,087,052
Business Permits	8,768,955	10,426,584
Cess	7,967,713	9,473,880
Administrative Services Fees	4,144,985	4,928,527
Market/Trade Centre Fee	3,226,431	4,380,913
Public Health Facilities Operations	2,947,545	3,504,730
Environment & Conservancy Administration	1,105,329	1,314,274
Slaughter Houses Administration	3,125,323	3,716,115
Technical Services Fees	1,381,662	1,642,842
<b>TOTAL</b>	<b>73,897,500</b>	<b>88,411,205</b>

**Source: County Revenue Management Department**



In the FY 2021/22, observation on revenue performance per stream shows that revenue from rent and rates as leading source contributing 19 percent of the total collection followed by business permits Marram and gypsum charges and fines and penalties with 11 percent revenue contribution each. The lowest source of revenue during the period under review were technical services and Environmental administration fess



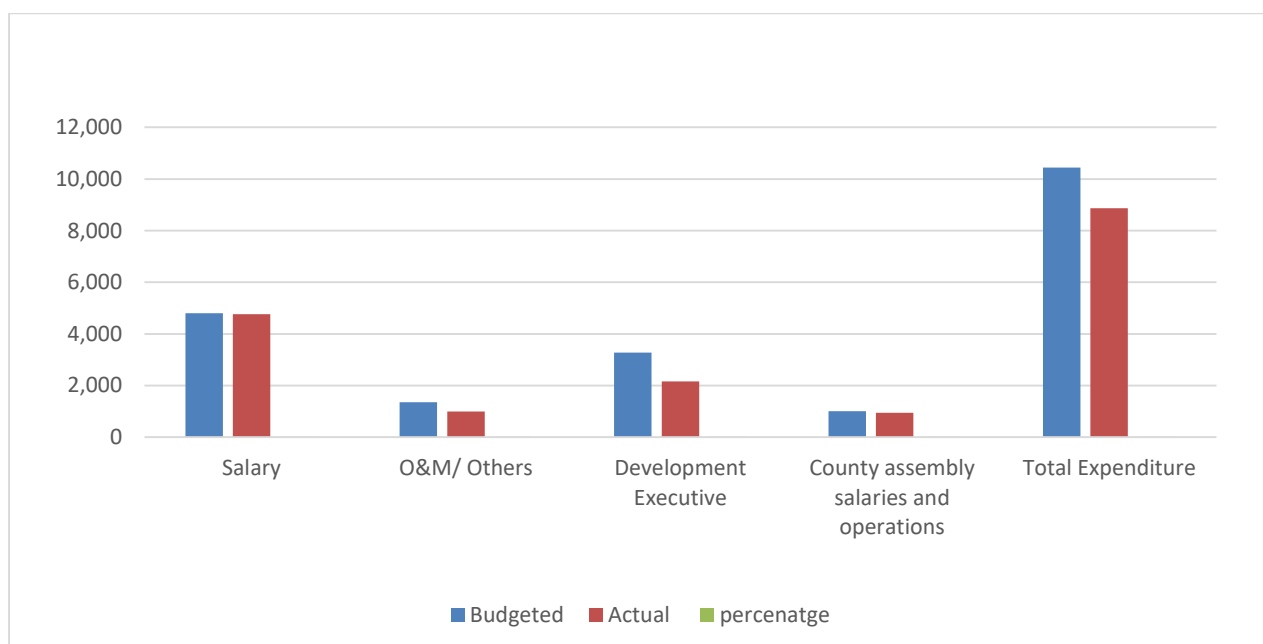
## 2.1.2 Expenditure Performance

During the Financial Year 2021/2022, the total expenditure amounted to Ksh. 8.86 billion against a budget of Ksh.10.440 billion which represents 85% of the target and under absorption of Ksh.1.58 billion from appropriated budget.

Recurrent expenditure amounted to Ksh.6.7 billion compared to the actual of 8.86 billion representing a good absorption rate of 76 per cent. Of the overall expenditure. while development amounted to Ksh.2.157 billion representing 24 percent of the overall expenditure.

Expenditure	Budgeted	Actual	percentage
Salary	4,797	4,763	99%
O&M/ Others	1,361	998	73.34%
Development Executive	3,278	2,157	65.80%
County assembly salaries and operations	1004	944.9	94%
<b>Total Expenditure</b>	<b>10,440</b>	<b>8,863</b>	<b>85%</b>

Figure 2.3 Shows Expenditure



## 2.1.3 Implications of FY 2021/2022 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives

The fiscal performance in the FY 2021/2022 has affected the financial objectives set out in the county fiscal strategy paper in the following ways;

- The revenue collections for the financial year fell short of Ksh.150 million targets by 51 per cent. The subsequent under collection of revenue affected county performance leading to

- accumulation of huge pending bills. The county government will institute measures to increase revenue collections so as to enhance spending on development projects thus ensuring achievement of balanced budgets on one of the measurers is automation of revenue collection
- Over the medium term, the county allocation for development was 30 per cent of the total budget an indication of adherence to the minimum of 30 per cent requirement stipulated by PFM Act 2012. However, during implementation, the county development expenditure fell to 24 per cent of the county total expenditure for the period. This attributed to uncertainty relating to release of funds by the national treasury coupled with slow absorption of the development budget by departments and poor own source collection of revenue. Moving forward and in the medium term, the county will focus on ensuring that the requirements set out in PFM Act 2012 will be achieved.
  - The County government’s actual recurrent expenditure is within the recurrent budget an indication of County government’s compliance with the fiscal responsibility principles.
  - The under-spending in both recurrent and development votes for the FY 2021-2022 has implications on the base to be used to project expenditure in the FY 2023/24 and in the medium term. Therefore, appropriate adjustments have to been effected in the context of this policy document.

These implications will also inform 2023 CFSP projections. Over the medium term, the county government will stick to fiscal responsibility principles and objectives as specified in section 107 of PFM Act of 2012.

## 2.2 Overall budget performance and sectoral performance

The county has outlined various sectoral performance targets which has be appraised and reported accordingly The following are key sectoral strategic objectives and their achievements. development objectives of each sectors and attendant indicators were identified for reasons of tracking progress and performance measurement: Below are progress on attaining the stated objectives:

### Flagship Projects

The County Government of Garissa implemented a number of development projects . The following is an outlay of the flagship project prioritized by the county.

Flagship	Strategic Objectives	Achievements
Universal Health Care	Improved health care to the Residents of Garissa County	Construction of Garissa County Cancer Centre at the Referral Hospital for treatment of cancer patients. Recruitment of 200 Health care workers for different cadres. Provision of Enhanced Medical Cover for the staff of the County through National Health Insurance Fund (NHIF).
Urban Development	To Provide high standard of social services and provision of civic amenities in a	Re-carpeting and Upgrading of Garissa CBD Roads. Construction and Upgrading Of Waberi Access Roads to Bitumen Standards.

	cost effective manner to the inhabitants of Garissa County.	<p>Construction and Upgrading Of Galbet Access Roads to Bitumen Standards.</p> <p>Construction of Qoraxey Modern Market in Garissa Township.</p> <p>Construction of Storm water Drainage and Pedestrian walkways within Garissa Township.</p>
Improving productivity and output in the agricultural sector	Promote food security	<p>101 groups in 6 wards supported with Farm inputs under Cattle and Camel milk, Tomato and Meat goat Value chains by KCSAP</p> <p>4 producer organizations support to recruit and sensitize over 10,000 farmers in Tomato, cattle, camel and Meat goat value chains by KCSAP</p> <p>2 Water pans under Water for livestock benefitting Over 126,56 pastoralists by KCSAP</p> <p>Over 1500 beekeepers benefited from Langstroth hives, 20 bee keeping suits and harvesting gears by KCSAP</p> <p>Over 100 Hectors of pasture range area reseeded with Cenchrus and Eragrostis grass seeds by KCSAP</p> <p>Over 6540 Farmers and pastoralists trained on livestock and crop modern technologies, innovations and management practices by KCSAP</p>

## Agriculture

Strategic Priorities	Achievements
Strengthening institutional capacity	<p>Developed Enterprise Development Plans.</p> <p>Developed community action plans.</p> <p>Development of SIVCAP.</p> <p>Development of Climate smart Agricultural Investment plan CSAIP.</p>

Strategic Priorities	Achievements
Improving productivity and output in the agricultural sector	<p>1500 acres under tomato production producing 1.4 million kgs of tomato for sale.</p> <p>100 hectares of fodder produced under range.</p> <p>700,600 litres of camel valued at 60 million value added milk sold.</p> <p>Over 1 million animals vaccinated under the county strategic vaccination by KCSAP.</p>
Creating enabling environment for agricultural development	<p>Capacity building of 43 extension staff in 4 sub counties by KCSAP and KALRO.</p> <p>Logistical support for 68 livestock and agriculture staff in terms of transport and lunch allowed for six months – KCSAP.</p> <p>Provided training for 24 lead farmers in six wards on modern agricultural practices by KCSAP and KALRO.</p>
Mainstreaming climate change and other cross cutting issues in agriculture and rural development.	<p>26 Vulnerable and marginalised groups supported under Diversification of livestock enterprises; beekeeping, poultry, grocery kiosks and local butcheries. By KCSAP.</p>

### Lands, Housing and Urban Developments.

Strategic Priorities	Achievements
To Promote and Regulate the provision of refuse collection and solid waste management services.	<p>Repair and Maintenance of Six Waste collection trucks to ensure proper garbage collection.</p> <p>Hire of extra Waste Collection trucks to supplement the existing ones.</p>
Construction and Maintenance of Urban Roads and associated infrastructure.	<p>Re-carpeting and Upgrading of Garissa CBD Roads.</p> <p>Construction and Upgrading Of Waberi Access Roads to Bitumen Standards.</p> <p>Construction and Upgrading Of Galbet Access Roads to Bitumen Standards.</p> <p>Construction of Qoraxey Market in Garissa Township</p>

Strategic Priorities	Achievements
Construction and maintenance of walkways and other non-motorized transport infrastructure.	Construction of Storm water Drainage and Pedestrian walkways within Garissa Township.

**Education**

Strategic Priorities	Achievements
To provide quality and effective systems for ECD.	<p>Construction of new ECD Centre and Renovation of existing ECD centres.</p> <p>Provisional of learning and teaching materials.</p>
To provide quality and effective systems for Vocational Training.	<p>Provision of learning and teaching materials.</p> <p>Employment of teachers.</p>

**Health**

Strategic Priorities	Achievements
To Promote Disease Surveillance and Control.	<p>Acquisition and distribution of COVID-19 prevention and control items including PPEs, Masks, Hand washing facilities and Sanitizers.</p> <p>Conduct active case search using ODK for AFP surveillance at all health facilities on a monthly basis.</p> <p>Capacity building of 100 workers on new guidelines and HIV 90-90-90 strategy</p> <p>Carryout local radio awareness spots in each quarter.</p> <p>For TB Control Interventions we have carried out monthly active case finding in 30 high volume facilities.</p>



Strategic Priorities	Achievements
Increased Environmental Health, Water and Sanitation Interventions.	Procurement and distribution of 33 set of waste segregation Bins.  Quarterly purchase of chemicals and treatment of water.  Carry out water sample testing.
Promote Curative and Rehabilitative Health Services.	Renovation of 21 health centres and 20 Dispensaries.  Quarterly Purchase of Pharm and Non Pharm for 72 health facilities.  Purchase and distribution of lab reagents to 74 health facilities.
Increased Preventive and Promotive Health care Services.	Provide 7000 MAMA Kits.  Conduct 160 integrated outreaches in the county.  Train 25 HCWs (Nurses, Clinical officers, Nutritionist) on MIYCN

## Water

Strategic Priorities	Achievements
Development of surface water storage and groundwater source for multi-purpose water uses	Drilling and equipping of borehole at Daley, Shebtaad, Libahlow and Harajabs. Solarisation of boreholes at Abdisamad, Lago, Shantaabaq, Abdiluey and Bulla hud.
Expansion of water supply services	Extension of pipeline at Bulla rahma in Balambala and Alijarere in Masalani.
Rehabilitation, maintenance and operation of water supplies	Rehabilitation of 16 boreholes across the county.
strengthening institutional capacity and accountability	Capacity building of technical staff on solarisation at Strathmore university  Capacity building of managerial staff on water governance and leadership at JKUAT university

Garissa County Government has managed to implement various developmental projects across the county. The following is an outlay of major projects in FY 2021-2022 and their output and outcome core sectors in the county. development objectives of each sectors and attendant indicators were identified for reasons of tracking progress and performance measurement: Below are the output and outcome indicators specific sectors .

Sector	Outputs	Outcome
Agriculture, Livestock	<p>25 groups supplied with, Tomato seeds, shed nets, wheel barrows, agrochemicals and fertilizers by KCSAP</p> <p>50 groups were supplied with milk cans, solar powered freezers, Motorcycles for ferrying milk, chaff cutters, milk sale shades and milk parlous.</p> <p>86 groups benefitted from over 500 meat breeding goats, improved breeding chickens, Modern beekeeping equipment and 200 kgs fodder production seeds</p> <p>2 Water pans in Dujis and Dertu (55,000m<sup>3</sup>) to support water for livestock</p> <p>Over 1 million animals vaccinated under the county strategic vaccination by KCSAP</p>	Increased Agriculture Productivity
Water	<p>Drilling and equipping of a borehole in Daley-</p> <p>Extension of pipeline to bulla Rahma in Balambala town</p> <p>Rehabilitation of Dujis borehole-</p> <p>Drilling and equipping of borehole at Shebtaad, Libahlow and Harajabs-WSTF</p> <p>Solarisation of Lago, Abdi lugey, Shantaabaq, Abdisamad and Bulla Hud boreholes-</p> <p>Extension of pipeline to Alijarere in Masalani-</p> <p>Capacity building of staff.</p>	Improved access to water.
Health	<p>Acquisition and distribution of COVID 19 prevention and control items including PPEs, Masks, Hand washing facilities and Sanitizers.</p> <p>Construction and Renovation of Garissa County Covid-19 Isolation Centre and Equipping with Necessary equipment's needed for the treatments of Covid-19 Patients.</p> <p>Procurement of Assorted pharmaceuticals and Non Pharmaceuticals for various Sub county Hospitals.</p> <p>Renovation of 21 health centres and 20 Dispensaries.</p>	Improved Healthcare Services.

	<p>Recruitment of 200 Health care workers for different cadres.</p> <p>Procurement of One hardtop 4x4 HILUX vehicle at County level for Management and Coordination of Health Services in the County.</p> <p>Construction of staff quarters and renovation of existing ones in the 7 sub county hospitals.</p> <p>Construction of Garissa County Cancer Centre at the Referral Hospital for treatment of cancer patients.</p>	
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### 3 RECENT ECONOMIC DEVELOPMENT

#### Overview

The performance of the county was largely dependent on the National economic performance as well as sound formulation of sound economic policies by the county.

#### 3.1.1 Global and Regional Economic Developments

This CBROP has been prepared against a background of global economic slowdown reflecting the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures in China; higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions. As a result, the IMF global growth is projected to slow down to 3.2 percent in 2022 from 6.1 percent in 2021.

Advanced economies are projected to slow down to 2.5 percent in 2022 from 5.2 percent in 2021 reflecting weaker-than-expected growth in the United States and the Euro area. Growth in the United States slowed down due to significantly less momentum in private consumption while the slowdown in growth in the euro area reflected spill overs from the war in Ukraine as well as the assumption of tighter financial conditions. For emerging market and developing economies, growth is also projected to slow down to 3.6 percent in 2022 from 6.8 percent in 2021 reflecting mainly the sharp slowdown of China's economy and the moderation in India's economic growth.

#### 3.1.2 Domestic Economic Developments

The Kenyan economy demonstrated remarkable resilience and recovery to the COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (Figure 6). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021 (Table 13). The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance.

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Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021 (Table 13). The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector's performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector's contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021 (Fi

### **3.1.3 Inflation Rate**

The year-on-year inflation rate increased to 8.5 percent in August 2022 (above the 7.5 percent upper bound) from 6.6 percent in August 2021 mainly due to higher food and fuel prices (Figure 8). This increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the waiver of import duties and 33 levies on white maize and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.6 percent in August 2022 compared to the 5.7 percent recorded in August 2021.

Food inflation remain the main driver of overall year-on-year inflation in August 2022, contributing 5.9 percentage points, an increase, compared to a contribution of 3.9 percentage points in August 2021 (Figure 9). The increase was mainly attributed to dry weather conditions and supply constraints that resulted in a rise in prices of key food items particularly maize flour (loose), sugar, maize grain (loose), carrots, white rice, Irish potatoes and onions. 62.

Fuel inflation remained generally stable contributing to 1.6 percentage points to year-on-year overall inflation in August 2022 from a contribution of 1.5 percentage points in August 2021. This was mainly due to the effect of Government measures to stabilize fuel prices and lower electricity tariffs. However, there was notable increase in the prices of kerosene/paraffin, petrol and diesel in August 2022 compared to August 2021

### **3.1.4 Kenya Shilling Exchange Rate**

he foreign exchange market has largely remained stable despite the tight global financial conditions and the high demand for the US Dollar in the international market. The Kenya Shilling to the US Dollar exchanged at Ksh 119.4 in August 2022 compared to Ksh 109.2 in August 2021. Over the same period, the Kenyan Shilling strengthened against other major international currencies. The Euro exchanged at Ksh 121.0 in August 2022 compared to Ksh. 128.6 in August 2021 while the Sterling Pound exchanged at Ksh 143.5 compared to Ksh 150.9 over the same period.

In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 9.3 percent against the US Dollar in the year to August 2022 . The depreciation rate of the Kenya Shilling was lower than that of Namibian 35 Dollar, Botswana pula, South African Rand and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports

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### **3.1.5 Interest Rates**

Short-term interest rates remained fairly low and stable supported by ample liquidity in the money market. The Central Bank Rate was raised from 7.0 percent to 7.5 percent on 30th May 2022. The tightening of the monetary policy stance was to anchor inflation expectations due to the elevated risks to the inflation outlook as a result of increased global commodity prices and supply chain disruptions. The interbank rate increased to 5.4 percent in August 2022 compared 3.1 percent in August 2021 (Figure 13). 68. Interest rates on the Treasury bills remained relatively low (below 10 percent) in August 2022. The 91-day Treasury Bills rate was at 8.6 percent in August 2022 compared to 6.6 percent in August 2021. Over the same period, the 182-day Treasury Bills rate increased to 9.5 percent from 7.1 percent while the 364-day also increased to 9.9 percent from 7.4 percent.

### **3.1.6 Medium Term Fiscal Framework**

Over the medium term, the county cognisant of local revenue collections shortfall will be keen on operating within a framework of balanced budget so as to ensure achievement of financial and economic objectives with a view of meeting its set priorities.

The government's fiscal policy objectives in the medium term will focus on directing resources to key priority and potential growth areas including Infrastructure, Agriculture, Health, Water and Education while also ensuring sustainable resource usage to appropriate level.

Revenue mobilization measures will be strengthened to enhance local revenue performance measures to enhance this include

- Automation-which includes making use of ICT for collection and monitoring cash receipts.
- Mapping of county revenue resources in order to identify untapped and under collected revenue sources in the County.
- Digitization of all the county mutations to allow prompt management of property liable to property tax.
- Physical mapping of business premises for monitoring of billed premises to ensure increased processing rate; and
- Automation of parking fee collection to enhance revenue collection and administration efficiency amongst other measures.

On the expenditure, the county shall adopt prudent rationalization to improve efficiency and effective utilization of resource. The top three expenditure items include development; salaries and wages; and operations and maintenance. In the medium term, the government expects to carry out austerity measures to maintain the recurrent expenditure, especially the ballooning wage bill, to manageable level in a bid to ensure adherence to fiscal responsibility principles set out in the PFM Act 2012.

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### **3.1.7 Risks to the Economic Outlook**

This macroeconomic outlook is not without risks. Risks from The recent geopolitical crisis relating to impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, higher-than-expected inflation worldwide triggered by higher global oil and food prices and the impact of the global monetary policy that has created tighter financial conditions.

Domestically, the economy will continue to be exposed to risks arising from adverse weather conditions until the mitigating measures of food security under “The Big Four” Plan are put in place. Higher Inflation may push goods and services upward leading to risks could emanate from public expenditure pressures especially recurrent expenditures.

The Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability.

## **4 RESOURCE ALLOCATION FRAMEWORK**

### **4.1 Amendment to the 2022/2023 MTEF Budget**

Adjustments to the FY 2022/2023 budget will generally take into account the updated economic and financial forecasts that will impact the revenue especially those to be remitted by the National government as well as any other unforeseen expenditure and emerging priorities. . The county will also be conscious of the actual performance of expenditure and absorption capacity in the remainder of the financial year as this will certainly inform the necessary change in the annual budget. Measures including but not limited to expansion of tax base and sealing of loopholes for financial leakages will also be put in place to enhanced local revenue collection which has remained relatively low over the last couple of years. Resources earmarked for development purposes will be utilized for development projects and will not be expended as recurrent.

In order to ensure adequate usage of public resources, resource allocation and utilization in the coming financial years in the medium term will be guided by;

- i. On-going projects;
- ii. County Integrated Development Plan (CIDP 2023-2028);
- iii. PFMA, 2012;
- iv. Medium Term Plan IV (2021-2025)

### **4.2 Medium-Term Expenditure Framework (MTEF)**

On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and attainment of set out objectives. In particular, expenditure pressures specifically those relating to recurrent expenditure: high wage bills and operation and maintenance will closely be monitored over the medium term. Continued compliance with PFM Act, 2012 and the PFM (County Governments) Regulations 2015, is expected to accelerate reforms in expenditure management.

Specifically, the county government has prioritized key strategic interventions across all the sectors as a way of accelerating economic and social transformation to improve quality of life of its residents. The main areas of interventions cover food security, improved access to quality health care, access to clean water and engagement of additional ECD teacher and construction of a model ECD canters for provision of basic quality education to improve mobility by opening up of rural access roads, empowering youth and women through provision of start-up capital for the youth and mothers in initiatives such as the revolving funds project as well as enhancing efficiency in revenue collection and administration.

Reflecting the above medium-term expenditure framework, the table below provides the tentative projected baseline ceilings for the 2018/19-2020/2021 MTEF budget.

**Table 4.1 Total Sector Ceilings for the MTEF Period 2023-2024**

Departments	Total Allocations 2021/2022	Recurrent	Development	2022/2023	2023/2024
Agriculture, Livestock & Cooperatives	732,015,350	177,830,955	554,184,395	805,216,885	885,738,574
Gender ,Social Services & Sports	141,739,687	71,739,687	70,000,000	155,913,656	171,505,021
Roads and Transport	293,323,600	43,323,600	250,000,000	322,655,960	354,921,556
Education & Labour	702,691,274	623,791,380	78,899,894	772,960,401	850,256,442
Environment , Energy & Natural Resources	143,148,025	63,148,025	80,000,000	157,462,828	173,209,110
Lands ,Housing and Urban Development	398,630,555	256,589,162	142,041,393	438,493,611	482,342,972
Finance & Economic Planning	1,063,295,75 1	963,295,751	100,000,000	1,169,625,326	1,286,587,859
Health & Sanitation	3,258,592,11 6	2,745,564,83 9	513,027,277	3,584,451,328	3,942,896,460
Trade, Enterprise Development and Tourism	190,000,255	90,000,255	100,000,000	209,000,281	229,900,309
Water & Irrigation Services	1,062,834,61 3	200,556,361	862,278,252	1,169,118,074	1,286,029,882
Executive Services	423,798,645	423,798,645		466,178,510	512,796,360
County Public Service Board	37,072,000	37,072,000	0	40,779,200	44,857,120
Assembly	84,694,000	84,694,000	0	93,163,400	102,479,740



Municipal Boards	786,402,040	786,402,040		865,042,244	951,546,468
<b>TOTAL</b>	<b>9,318,237,911</b>	<b>6,567,806,700</b>	<b>2,750,431,211</b>	<b>10,250,061,702</b>	<b>11,275,067,872</b>

Source: CFSP 2021

### 4.3 Proposed 2023/2024 Budget Framework

The 2022/2024 budget framework is set against the background of the updated medium-term macro-fiscal framework as set out in the constitution 2010, the PFM Act 2012 and the County Government Act 2012.

Therefore, preparation of the 2022/2024 budget is informed by the third County Integrated Development Plan, Annual Development Plan, departmental Strategic plans, County Fiscal Strategy Paper and other circulars originating from the controller of budget, Commission on Revenue Allocation and the County Assembly.

### 4.4 Revenue Projections

In the FY 2023/2024, The County government aims to raise its current FY target from Ksh 150 million to Ksh.250 million . To achieve this target, the county intends build staff capacity and move towards sealing revenue leakages by automating revenue collections systems . Further, the county anticipates in equitable share from National government and also tap on the opportunities with various donors by having close working relationship.

### 4.5 Expenditure Forecasts

The expenditure will comply with ceilings set out above and the county government will over the medium term ensure compliance with the fiscal responsibility principles as outlined in the PFM Act 2012. The county government is expected to enhance expenditure prudence y in the proposed budget and manage the runaway wage bill to be within the required limit.

### 4.6 Projected Fiscal Balance (Deficit)

The overall budget for FY 2023/2024 is balanced and hence expected to be fully financed, though it should be highlighted that this can fluctuate depending on the performance of local revenue collections as well as the grants pledged by development partners. In view of this fluctuations and subsequent revenue shortfalls, any changes in cumulative expected revenue that may impact anticipated expenditure will be addressed through supplementary budget(s) accordingly.



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## **5 CONCLUSION AND WAY FORWARD**

The County budget review and outlook being a key policy documents meant to instil financial discipline and fiscal responsibilities within the county government's financial management framework will guide the county in the budget making process within the Medium Term expenditure framework. The document details the previous year's actual fiscal performance compared to appropriation for the same year and the updated economic and financial forecast. It also details how actual financial performance for the previous financial year may have affected compliance with the responsibility principles. Further, the document set indicative sectorial ceiling for FY 2023/2024 in line with key sector strategic objectives and priorities as set out in the second county integrated development plan and governor's manifesto.

Going forward, all the sector working groups are therefore required to make reference to tentative sector ceiling provided herein. The next County Fiscal Strategy Paper due by 28<sup>th</sup> February 2023 shall firm up the baseline expenditure ceilings proposed in this CBROP document. The proposed recurrent and development expenditure the coming financial year will also be aligned to county transformative agenda and priorities set out in the CIDP 3, ADP and sector strategic objectives and also ensure compliance with the fiscal responsibility principles as entailed in PFM Act 2012.