REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

COUNTY FISCAL STRATEGY PAPER, 2022

ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

FEBRUARY, 2022

FOREWORD

The CFSP 2022, is prepared against a context of anticipated global recovery after a decline in 2020 and 2021 prompted by the negative effects of the COVID-19 pandemic which adversely affected the businesses and overall economic performance as well. The global economy was projected to grow by 5.9 percent in 2021, from a contraction of 3.1 percent in 2020. However, economic projections vary across the countries with the emerging markets and upcoming businesses expected to pick up slowly given different country policy responses to the pandemic.

The country's economy picked up strongly in the second quarter of 2021, with real GDP growing 10.1 percent supported by easing of COVID-19 containment measures. Economic growth was projected at 6.0 percent in 2021 from the contraction of 0.3 percent in 2020. This translates to a growth of 5.9 percent in FY 2021/22 from 2.9 percent in FY 2020/21. The economic recovery reflects improved business environment after easing of COVID-19 restrictions and is supported by the prevailing stable macroeconomic environment, ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the implementation of the third Economic Stimulus Programme.

Further, to reinforce this growth outlook, the 2022 CFSP outlines the policy measures that will continue to stimulate robust and sustainable economic recovery. The policies are anchored on the CIDP 2018-2022 and ADP 2022-2023 and focuses on creating a conducive environment for businesses and industrial recovery, job creation, and safeguarding livelihoods. In this reverence, the County Government will hasten implementation of projects and programmes that ensure a more inclusive growth and nurture economic stability.

Revenue performance in the FY 2020/21 was relatively good. This strong performance is expected to continue in the FY 2021/22 buoyed by the easing of Covid-19 restrictions and will form the basis for achieving revenue targets for the FY 2022/23 and medium-term budget.

The County Government will come up with measures geared towards strengthening revenue mobilization and reinforce the county fiscal strategic plan. This coupled with expenditure prioritization will ensure the fiscal deficit remains at manageable levels. The County Government will continue implementation of cost–cutting measures and alignment of resources to programmes in the CIDP to accelerate growth, employment creation and poverty reduction. In this regard, detailed budgets of all county departments and entities have been scrutinized to limit growth of recurrent expenditures, and ensure completion of ongoing projects so that the citizens can benefit from such public investments.

I would like to sincerely thank H.E the Governor and the entire County Executive for administering the formulation of this document. Finally, I would wish to thank the general public who provided useful thoughts and comments that contributed in redesigning the policy as we concluded the preparation of this document.

Although tough times lies ahead, we can create the desired change despite the scarcity of resources. As the County Government we shall continue to observe prudency as we also explore other sources of funding of the county programmes.

ROBERT THUO MWANGI
C.E.C.M - FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The 2022 County Fiscal Strategy Paper (CFSP) is prepared in compliance with the provisions of section 117 of the Public Finance Management Act 2012. It outlines the current state of the economy, setting out the macro-fiscal outlook over the medium term and specifies the strategic priorities and policy goals together with a summary of county spending plans as the basis for preparation of the budget for the FY 2022/2023. This publication is intended to improve the public understanding on county's public finances and hence guide public debate on economic planning and development

As we finalize the county budget for the FY 2022/2023 and the medium term, I wish to emphasize that we are operating under tight resource constraints with the economy yet to recover from the adverse effects of the Covid-19 Pandemic and with a cloud of uncertainty of other potent variants of the Covid-19 virus appearing. On the other hand, the County Government is confronted with significant expenditure demands including financing the Economic Recovery Strategy and the CIDP, protecting livelihoods and improving the overall economic performance. Appropriate prioritization of expenditure is therefore necessary to ensure focus is on critical sectors with the highest positive impact on the well-being of the citizens. In this regard, the county Government will continue to prudently manage the public resources over the 2022/2023-2024/2025 Medium Term Expenditure Framework (MTEF) period.

While developing the budget proposals for the medium-term, the County Treasury undertook a critical scrutiny of budget execution reports of all county department and spending units in a view of curtailing growth of recurrent budget. In allocation of resources priority will be accorded to completion of ongoing projects especially those which are supportive of accelerating inclusive growth and sustainable development.

The preparation of the 2022 CFSP was a collaborative effort among various county departments/entities and we are grateful for their timely inputs. We are also grateful to the county residents whose participation in the process of budget preparation provided invaluable input to this 2022 CFSP.

Special thanks goes to the County Executive Member for Finance and Economic Planning for steering the entire process of preparation of this policy document. I also wish to appreciate officers from all county departments and spending units for their immense contribution and input in the development of this County Fiscal Strategy Paper (CFSP). Finally, I am grateful to the core team from the Economic Planning, Budgeting, Monitoring and Evaluation unit who worked tirelessly to put together inputs from different departments, stakeholders and the public to ensure the document was timely while maintaining high quality standards.

FRANCIS MARANGA KIRIRA
CHIEF OFFICER - ECONOMIC PLANNING, BUDGETING, M&E

LIST OF ABBREVIATIONS

ABDP	Aquaculture Business Development Programme
ADP	Annual Development Plan
ASDSP	Agriculture Sector Development Support Programme
BPS	Budget Policy Statement
CARA	County Allocation of Revenue Act
CECM	County Executive Committee Member
CDC	Centre for Disease Control
CHS	Centre for Health Solutions
CHVs	Community Health Volunteers
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CREAW	Centre for Rights Education and Awareness
DANIDA	Danish International Development Agency
EDF	Enterprise Development Fund
EIA	Environmental Impact Assessment
GDP	Gross Domestic Product
GIS	Geographical Information System
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KCSAP	Kenya Climate Smart Agricultural Project
KDSP	Kenya Devolution Support Program
KEMSA	Kenya Medical Supplies Agency
KEPSA	Kenya Private Sector Alliance
KIBT	Kenya Institute of Business Training
KISP	Kenya Infrastructure Support Program
KUSP	Kenya Urban Support Program
MAWASCO	Mathira Water and Sanitation Company
MSMEs	Micro Small and Medium sized Enterprises
MTP	Medium Term Plan
MTEF	Medium Term Expenditure Framework
NCPWD	National Council for Persons with Disabilities.
NACADA	National Authority for the Campaign Against Alcohol and Drug Abuse
NEMA	National Environment Management Authority
NHIF	National Hospital Insurance Fund
NITA	National Industrial Training Authority
PFM	Public Finance Management
SGR	Standard Gauge Railway
THS	Transforming Health Systems
TWWDA	Tana Water Works Development Authority
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage

TABLE OF CONTENTS

List of Tables and Figures

Legal Basis for the Publication of the County Fiscal Strategy Paper

The County Fiscal Strategy Paper is published in accordance with Section 117 of the Public Finance Management Act, 2012. The law states that:

1) The County Treasury shall prepare and submit to County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by 28th February of each year.
2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing their budget both for the coming financial year and over the medium term.
4) The county treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.
5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of -

(a)the commission of revenue allocation;

(b) the public;

(c)the interested persons or groups;

(d) Any other forum that is established by legislation.

6) Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.
7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

Fiscal Responsibility Principles for the National and County Governments

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. The PFM act, 2012, (Section 15) states that:

1) Over the medium term, a minimum of 30 percent of the national and county budgets shall be allocated to development expenditure
2) The national government's expenditure on wages and benefits for public officers shall not exceed a percentage of the national government revenue as prescribed by the regulations.
3) 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.
4) Over the medium term, the national and county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
5) Public debt and obligations shall be maintained at a sustainable level as approved by Parliament for the National Government and the county assemblies for the County Governments.
6) Fiscal risks shall be managed prudently; and
7) 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.

ABOUT THE COUNTY FISCAL STRATEGY PAPER

The County Fiscal Strategy Paper (CFSP) is a county government policy document that sets out the broad strategic priorities and policy goals that will guide the county departments and entities in preparing their budgets, both for the following financial year and over the medium term. It looks at how the past and the present settings can inform the future.

In the paper, there is an indication on how adherence to the fiscal responsibility principles, prudency and transparency in management of public resources will be achieved in line with the Constitution and the Public Finance Management (PFM) Act, 2012 are underlined.

Section 117 of the PFM Act, 2012, provides that the County Treasury shall prepare and submit to the County Executive Committee the CFSP for approval. Subsequently, the approved CFSP is submitted to the County Assembly, by the 28th of February each year. The County Assembly shall, not later than 14 days after the CFSP is submitted, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. The County Executive Committee Member for Finance shall take into account resolutions passed by County Assembly in finalizing the budget for the FY 2022/23.

The County Fiscal Strategy Paper contains:

(a) an assessment of the current economic situation including macroeconomic forecasts;
(b) the financial outlook with respect to local revenue and expenditures for the next financial year and over the medium term;
(c) the proposed expenditure ceilings for the departments and entities, including the County Assembly.
(d) the fiscal responsibility principles and financial objectives over the medium-term including total pending bills; and
(e) Statement of Specific Fiscal Risks.

The preparation of the CFSP was a consultative and all-inclusive process that involved engagement of all the stakeholders, taking into consideration the views of: County Governments departments; the public; and other interested person.

I. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

1.0 Overview

1. In years 2020 and 2021, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and its containment measures, which not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. The economy contracted by 0.3 percent in 2020 compared to a growth of 5.0 percent in 2019. The economy was expected to rebound to 6.0 percent in 2021, due to a stronger global demand and recovery in service and manufacturing sectors.

2. The economy continues to register macroeconomic stability with low and stable inflation and interest rates, and a competitive exchange rate that support exports. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end of 2017. The year-on-year inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven by increased food and fuel prices.

3. The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to uncertainty due to the COVID-19 pandemic. The Kenya Shilling to the US Dollar exchanged at Kshs 110.9 in October 2021 compared to Kshs 108.6 in October 2020. The current account deficit is estimated at 5.5 percent of GDP in the 12 months to September 2021. The deficit reflected higher imports of goods and services relative to 2020. The current account deficit was projected to average 5.2 percent of GDP in 2021.

1.1 Recent Economic Developments

1.1.1 Global and Regional Economic Developments

4. Global economic growth in 2021 is projected at 5.9 percent from a contraction of 3.1 percent in 2020**.** However, most of the emerging markets and developing economies are projected to experience a more uneven recovery from the COVID-19 pandemic compared to their counterparts. This is largely on account of uneven access to COVID-19 vaccine, which is therefore likely to impact negatively on the full resumption of economic activities in these economies.

5. The advanced economies were projected to recover and grow by 5.2 percent in 2021 from a contraction of 4.5 percent in 2020. This projected recovery, particularly in the United States, reflects the anticipated legislation of additional fiscal support in the second half of 2021 and broader vaccinations coverage across the globe.

6. Economic growth in the Sub-Saharan Africa region was projected at 3.7 percent in 2021 from a contraction of 1.7 percent in 2020 due to improved exports and commodity prices, and the rollout of vaccination programmes. This growth will also be supported by a recovery in both private consumption and investment as economies re-open.

1.1.2 Domestic Economic Developments

6. Kenya's annual real GDP growth rates were revised and rebased in 2020 where the base year was changed from 2009 to 2016. The revised growth rates were relatively lower than in the previous estimates, largely on account of an expanded base, change of benchmark data, data sources as well as revision of time series indicators.

7. Due to the adverse impact of COVID-19 pandemic and the resultant containment measures, the Kenya's economy contracted by 0.3 percent in 2020 from a growth of 5.0 percent in 2019. The government's priority was therefore anchored on the need to safeguard the lives and livelihoods of Kenyans while at the same time cushioning the economy from the effects of COVID-19 pandemic. The health crisis required the introduction of temporal restrictive measures to curb the spread of the virus which resulted to negative impacts on some key sectors of the economy. Many businesses especially those related to tourism and educational activities closed down during the second quarter of 2020.

8. In the first and second quarters of 2021, activities in Agriculture, Forestry and Fishing sector recorded a slowdown. The sector contracted by 0.9 percent in the second quarter of 2021 compared to a growth of 4.9 percent in the corresponding quarter of 2020. This was mainly on account of less than expected rainfall during the period with a significant decline in tea and coffee production. However, the sector's performance was cushioned from a steeper decline by a notable improvement in the production of milk, horticultural products and sugarcane.

9. In the Industry sector, the performance improved to a growth of 7.9 percent in the second quarter of 2021 compared to a contraction of 0.5 percent in the second quarter of 2020. This was mainly due to improved performance of the Manufacturing, Electricity and Water supply sectors. The increase in electricity generation was notable from all sources except geothermal.

10. Notably, the manufacturing sector grew by 9.6 percent in the second quarter of 2021 compared to a contraction of 4.7 percent in the same period of 2020. This was supported by an increase in the manufacture of food (6.7 percent) and non-food products (12.2 percent). The improved production of non-food products was evident in the assembly of motor vehicle (10.0 percent) and manufacture of galvanized iron sheets (34.5 percent) and, paper and paper products (13.5 percent).

11. The Construction sector relatively declined to a growth of 6.5 percent in the second quarter of 2021 compared to 8.2 percent in the second quarter of 2020. However, cement consumption increased by 29.3 percent in the second quarter of 2021, pointing to sustenance of performance in economic activities in the sector.

12. The activities in the services sector improved significantly in 2021 due to the easing of the containment measures and the 2020 base effect. The sector grew by 15.7 percent in the second quarter of 2021, compared to a contraction of 6.7 percent in the second quarter of 2020. The contraction in 2020 was due to government containment measures put in place to combat the spread of the COVID-19 pandemic.

13. Accommodation and restaurant sector grew by 9.1 percent in the second quarter of 2021 compared to a contraction of 56.8 percent in the second quarter of 2020. This was evident in the improvement of the number of visitor arrivals and hotel operations in the review period following relaxation of most of the restrictions related to the COVID-19 pandemic.

14. Transportation and storage sector grew by 16.9 percent in the second quarter of 2021 compared to a contraction of 16.8 percent in the second quarter of 2020. The accelerated growth was as a result of lifting of restrictions on domestic and international movement which were in place in the second quarter of 2020. Freight movement, passenger transport and the number of visitors arrival through Standard Gauge Railway (SGR) increased in the second quarter of 2021 compared to the second quarter of 2020.

1.1.3 Inflation Rate

15. Year-on-year overall inflation rate has remained low, stable and within the policy target range of 5+/-2.5 percent since the end 2017. The rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 mainly driven by food and fuel prices. However, the inflation rate remained within the target range moderated by muted demand pressures

16. The contribution of core inflation to overall inflation has been low and stable, consistent with the muted demand pressures in the economy on account of prudent monetary policy. The contribution of core inflation to overall inflation increased to 0.9 percentage points in October 2021 from 0.7 percentage points in October 2020, reflecting a pick-up in economic activity and the effects of the implemented tax measures

17. Kenya's year-on year inflation rate compares favorably with the rest of Sub-Saharan Africa countries. In September 2021, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria and Zambia.

1.1.4 Kenya Shilling Exchange Rate

18. Despite the tight global financial conditions attributed to uncertainty with regard to the COVID-19 pandemic, the foreign exchange market has largely remained stable. The Kenya Shilling to the US Dollar exchanged at Ksh 110.9 in October 2021 compared to Ksh 108.6 in the same period in October 2020.

19. In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable, weakening by 2.0 percent against the US Dollar in the year to October 2021**.** This depreciation of the Kenya Shilling was lower than that of Rwanda Franc, Nigeria Naira, Mauritius Rupee, Burundi

Franc and Ghana Cedi. The stability in the Kenya Shilling was due to increased remittances, adequate foreign exchange reserves and favorable horticultural exports.

1.1.5 Interest Rates

20. Short-term interest rates remained fairly low and stable. The Central Bank Rate was retained at 7.0 percent in the September 2021 to signal lower lending rates in order to support credit access by borrowers especially the Small and Medium Enterprises distressed by COVID-19 pandemic. The money market was relatively liquid in October 2021. The interbank rate remained low but increased slightly to 5.3 percent in October 2021 from 2.7 percent in October 2020.

21. Interest rates on the Treasury bills remained relatively stable in October 2021. The 91-day Treasury Bills rate was at 7.0 percent in October 2021 compared to 6.5 percent in October 2020. Over the same period, the 182-day Treasury Bills rate increased to 7.4 percent from 6.9 percent while the 364-day Treasury Bills rate also increased to 8.1 percent from 7.8 percent.

22. The improved liquidity in the money market has resulted in stable commercial bank rates. The average lending rate remained stable at 12.1 percent in September 2021 compared to 11.8 percent in September 2020 while the average deposit rate declined from 6.4 percent to 6.3 percent over the same period. This led to an increase in the average interest rate spread by 0.5 percentage points over the review period.

1.1.6 Money and Credit

23. Broad money supply weakened to a growth of 8.7 percent in the year to September 2021 compared to a growth of 10.7 percent in the year to September 2020.

24. Private sector credit improved to a growth of 7.7 percent in the 12 months to September 2021 compared to a growth of 7.6 percent in the year to September 2020. All economic sectors, except Mining and Quarrying, registered positive credit growth rates reflecting improved demand as economic activities picked up in the first three quarters of 2021. Strong credit growth was mainly observed in Consumer durables (17.6 percent); Finance and Insurance (11.7 percent); Transport and Communication (10.9 percent); Manufacturing (9.8 percent) and Business services (7.6 percent).

25. Additionally, the Credit Guarantee Scheme for the Micro, Small and Medium Enterprises (MSMEs) that was launched in October 2020, continues to de-risk lending by commercial banks and is critical to increasing credit flow to the sector.

1.1.7 Balance of payments

26. The overall balance of payment position declined to a deficit of USD 1,499.8 million (1.4 percent of GDP) in September 2021 from a surplus of USD 1,457.5 million (1.5 percent of GDP) in September 2020. This was mainly due to a decline in receipts from services despite an improvement in the capital and financial accounts.

27. The current account remained fairly stable in the year to September 2021. The current account deficit was at USD 5,989.3 million (5.5 percent of GDP) in September 2021 compared to USD 4,938.2 million (5.0 percent of GDP) in September 2020. This was mainly due to improvement in the net primary income and net secondary income balance.

28. The balance in the merchandise account reduced by USD 1,449.0 million to a deficit of USD 10,459.5 million in September 2021 on account of increased payments on imports despite an improvement in the export earnings. In September 2021, exports grew by 8.2 percent primarily driven by increased receipts from export of horticulture and manufactured goods. On the other hand, imports of goods increased by 12.9 percent in September 2021 mainly reflecting increases in imports of oil and other intermediate goods.

29. The capital account balance improved by USD 283.1 million registering a surplus of USD 438.2 million in September 2021. The net financial inflows also increased to USD 6,359.4 million in September 2021 compared to USD 3,907.7 million in September 2020. This was due to increased external debt in the form of other investments, portfolio investments and financial derivatives. Direct investments recorded net financial outflows during the same period.

1.1.8 Foreign Exchange Reserves

30. The banking system's foreign exchange holdings remained strong at USD 14,089.1 million in September 2021 from USD 12,585.0 million in September 2020. The official foreign exchange reserves held by the Central Bank increased to USD 9,632.2 million (5.8 months of import cover) in September 2021 compared to USD 8,765.1 million (5.4 months of import cover) in September 2020.

31. This fulfilled the requirement to maintain reserves at minimum of 4.0 months of import cover to provide adequate buffer against short term shocks in the foreign exchange market. Commercial banks holdings increased to USD 4,457.0 million in September 2021 from USD 3,819.9 million in September 2020.

1.1.9 Capital Markets Development

32. The capital markets activities improved in October 2021 compared to October 2020, with equity share prices increasing as demonstrated by the NSE 20 Share Index. The NSE 20 Share Index stood at 1,961 points by end of October 2021, an increase compared to 1,784 points by end of October 2020. Market capitalization also increased to Ksh 2,777 billion from Ksh 2,150 billion over the same period, indicating increased trading activities.

1.2 Fiscal performance

1.2.1 FY 2021/22 Budget

33. In the first half of the FY 2021/22, budget implementation was affected by delay in approval of the disbursement schedule for the conditional grants which are mainly donor funded and constituting a substantial percentage of the development budget. However, the situation is slowly improving after the preparation of the supplementary budget that allocated funds for settlements of the already complete ongoing projects that could not be settled within the original budget.

34. The County Treasury prepared a supplementary budget, which was subsequently approved by the County Assembly in the month of December 2021. The supplementary budget focused on expenditure rationalization and prioritization to ensure that investments are directed to areas which will provide optimal benefits to the citizens of Nyeri.

35. The implementation of projects and programs for the financial year 2021/22 started slowly due to finalization of the ongoing projects that rolled over from the financial year 2020/21. Only a few projects have been implemented in the first half of this financial year and most of them will be executed from third quarter going forward.

36. The County Government will prioritize the payment of pending commitments and roll over projects and programmes. Further, we will strengthen monitoring of projects and programmes both at the departmental and county level to guarantee value for money and optimal benefit accrue to target population. The County Treasury allocated adequate funds to cater for the commitments in all county departments in the approved supplementary budget for the current financial year.

37. The County Assembly approved the first supplementary budget for the FY 2021/22 in December 2021 to realign it with the County Allocation of Revenue Act, 2021 and allocate the balance accruing from the FY 2020/21. The total approved supplementary budget estimates for the financial year is Kshs. 8,751,328,181 comprising of Kshs 6,086,664,070 for recurrent and Kshs 2,664,664,111 for development. These expenditures are financed by the locally collected revenue, the equitable share, conditional grants and transfers from other government entities as shown below;

Table 1: Sources of Revenue for the Supplementary Budget FY 2021/22

	Revenue Source	**Revised Budget as per CARA 2020/21**
Equitable Share	**Equitable Share**	**6,228,728,555**
Conditional Grants	Kenya Devolution Support Program - Level 2 (KDSP)	184,795,683
	Kenya Informal Settlement Programme	60,000,000
	DANIDA	11,991,375
	Transforming Health Systems for Universal Health Care (THS -UCP)	48,739,220

	CDC- HIV Programme	24,664,718
	Kenya Climate Smart Agriculture Project (KCSAP)	352,822,250
	Agriculture Sector Development Support Programme (ASDSP)	29,070,952
		712,084,198
Local Revenue	Own Source Revenue	1,000,000,000
Balance brought forward	**Balance brought forward**	
	Equitable Share	487,507,753
	Kenya Devolution Support Program - Level I (KDSP)	65,696,184
	Kenya Devolution Support Program - Level 2 (KDSP)	30,456,894
	Kenya urban Support Program (KUSP-UDG)	80,162,735
	Transforming Health Systems for Universal Health Care (THS -UCP)	12,742,525
	Kenya Climate Smart Agriculture Project (KCSAP)	23,138
	Kenya Road Board-Roads Levy	55,275,159
	Youth Polytechnic Capitation	26,551,144
	Kenya urban Support Program (KUSP-UIG)	17,215,256
	Universal Health Care Covid Grant	34,884,640
Approved Total Revenue	**Approved Total Revenue**	**8,751,328,181**

Source: Department of Finance and Economic Planning, 2021

1.2.2 Revenue Performance

38. By end of December 2021, cumulative revenue receipts amounted to Kshs. 2,460,359,868, comprising of Kshs 2,062,050,422 from the national sources and Kshs 398,309,446 as local revenue. The amount of local revenue collected during the first half of the FY 2021/22 was Kshs 398,309,446 as compared to Kshs 317,796,614 over the same period in the FY 2020/2021 which indicates an increase of 25.33 percent. The main sources of county own source revenue are market fees, cess, hospital and sanitation levies, parking fees, single business permit, liquor license and land rates.

Table 2: Cumulative Revenue Out-turn, July – December 2021

REVENUE SOURCE	AMOUNT RECEIVED AS AT 31.12.2021
Equitable Share	2,055,480,422
Kenya Devolution Support Program - Level 2 (KDSP)	0.00
Kenya Informal Settlement Programme	0.00
DANIDA	0.00
Transforming Health Systems for Universal Health Care (THS -UCP)	0.00
CDC- HIV Programme	6,570,000
Kenya Climate Smart Agriculture Project (KCSAP)	0.00
Agriculture Sector Development Support Programme (ASDSP)	0.00
Total Exchequer	2,062,050,422
Local Revenue	398,309,446.00
Balance brought forward from FY 2020/21	810,515,428.00
TOTAL REVENUE	**3,270,875,296.00**

Source: Department of Finance and Economic Planning, 2021

1.2.3 Expenditure Performance

39. Recurrent expenditure for the first half of FY 2021/22 was Kshs. 2,466,127,403 representing 40.52% of the approved supplementary budget. The department of Agriculture, Livestock and Fisheries had the highest absorption at 73.26 percent while Office of the County Attorney absorbed the least at 0%.

Table 3: Recurrent Expenditure - July To December, 2021

Head/Department	Approved Estimates	Cumulative Expenditure	Percentage Absorption
County Assembly	734,500,292	308,427,405	41.99
Office of the Governor and Deputy Governor	152,083,962	56,093,276	36.88
Office of the County Secretary	328,699,168	52,145,426	15.86
Finance and Economic Planning	998,244,510	404,699,532	40.54
Lands, Physical Planning, Housing and Urbanization	59,379,640	16,330,060	27.50
Health Services	2,615,080,164	1,207,910,916	46.19
Gender, Youth and Social Services	65,164,024	25,826,657	39.63
County Public Service and Solid Waste Management	113,185,107	50,476,896	44.60
Agriculture, Livestock and Fisheries	244,766,843	116,814,570	47.72
Trade, Culture, Tourism and Co-Operative Development	58,245,025	22,005,359	37.78
Education and Sports	441,445,927	118,912,979	26.94
Water, Irrigation, Environment & Climate Change	75,931,854	34,930,694	46.00
County Public service Board	43,548,187	16,634,262	38.20
Transport, Public Works, Infrastructure and Energy	115,155,887	34,919,371	30.32
Office of the county Attorney	41,233,480	0	0.00
TOTAL	**6,086,664,070**	**2,466,127,403**	**40.52**

40. Development expenditure for the first half of FY 2021/22 was Kshs. 225,382,383 representing 8.46 percent of the approved supplementary budget. The department of Finance and Economic Planning led in absorption at 26.36 percent. Most of the departments had not started absorbing their budgets by end of this period. This can be attributed to the delay in rolling out of the projects for the current financial year while prioritizing the completion of the ongoing projects accruing from the FY 2020/2 whose payment could only be done after the approval of supplementary budget to appropriate the balance brought forward and allocate to specific votes.

Table 4: Development Expenditure- July to December 2021

Department/Entity	Printed Estimate	Actual Expenditure	Percentage Absorption
County Assembly	50,000,000	0	0.00
Office of the Governor and Deputy Governor	5,000,000	0	0.00
Office of the County Secretary	24,500,000	0	0.00
Finance and Economic Planning	273,252,577	72,018,146	26.36
Lands, Physical Planning, Housing and Urbanization	347,077,991	58,495,102	16.85
Health Services	354,745,918	4,254,447	1.20
Gender, Youth and Social Services	68,650,000	0	0.00
County Public Service and Sanitation Management	69,000,000	6,414,400	9.30
Agriculture, Livestock and Fisheries	487,816,340	3,425,338	0.70
Trade, Culture, Tourism and Co-Operative Development	76,976,955	2,258,854	2.93
Education and Sports	83,150,000	2,405,356	2.89

Water, Irrigation, Environment & Climate Change	142,769,171	3,942,170	2.76
County Public service Board	5,000,000	0	0.00
Transport, Public Works, Infrastructure and Energy	676,725,159	72,168,570	10.66
TOTAL	**2,664,664,111**	**225,382,383**	**8.46**

Going forward, the county will hasten the implementation of projects and settlement of the already completed ones to ensure increased absorption of funds and guarantee benefit to the intended beneficiaries.

1.3 Fiscal Policy

41. Budget implementation in the first half of FY 2021/22 was relatively good. Revenues collected increased during the said period as compared to same period in FY 2020/21 due to rapid business recovery from the adverse effects of Covid-19 pandemic. Revenues are expected to improve during the remaining part of the financial year following the reopening of the economy and the conducive business environment.

42. Overall recurrent expenditures were within programme targets largely attributed to payment of personal emoluments. However, development expenditure targets were not fully met partly due to delay in disbursement of funds by the National Treasury.

Revenue Performance

43. By end of the first half of FY2021/2022, the total local revenue collected was Kshs. 398,309,446 compared to KShs. 317,796,614 collected during the same period in FY 2020/2021. This represent a 20.2% growth which is attributed to the improved business environment following the reopening of the economy and ease on measures put in place to contain the spread of the Covid-19 pandemic. Further, the establishment of the County Health Services Fund greatly improved the efficiency in collection of fees and charges at level 4 and 5 hospitals

44. During the same period, the amount received from the exchequer was Kshs. 2,062,050,422 which was far much below the targeted amount thereby hampering implementation of projects and programmes earmarked for the period.

Expenditure Performance

45. Total expenditure for the period ending December 2021 was Kshs 2,691,509,786 which was below the projection. Recurrent spending amounted to Kshs 2,466,127,403 while development expenditure amounted to KShs 225,382,383.

46. The absorption rates for recurrent and development expenditures were 40.52% and 8.46% respectively. This is largely attributed to delay disbursement of funds from the exchequer as well as change of priority projects during the supplementary budget.

47. In the medium term, the county government will continue with its prioritization policy on expenditures which will support achievement of the transformative development agenda which is anchored on;

- provision of core services
- ensuring equity and minimizing costs through the elimination of duplication and inefficiencies
- creation of employment opportunities and
- improving the general welfare of the people.

48. This will limit growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and it will ensure debt is maintained within sustainable levels.

49. The Government continues to implement initiatives to boost local revenue performance and enhance compliance. These revenue supporting initiatives will over the medium to long term help in revenue recovery and drive revenue performance. The initiatives include:

- Issuance of waivers on penalty and interests on land rates;
- Strengthening audit function;
- Compliance level reviews with a focus on enforcement risk framework to support execution;
- Continuous Capacity building of revenue collection staff.
- Out of court settlement of revenue collection litigations.

1.4 Economic Outlook

Global Growth Outlook

50. The global economic recovery continues to strengthen, largely supported by gradual reopening of economies, relaxation of Covid-19 restrictions particularly in the major economies, ongoing rollout of vaccines, and strong policy measures. As such, global economy is projected to grow at 5.9 percent in 2021, moderating to 4.9 percent in 2022 from the contraction of 3.1 percent in 2020. Global growth is expected to moderate to 3.3 percent over the medium term reflecting further policy support. The emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant losses in the medium-term.

51. The Sub-Saharan African region has not been spared the negative effects of the pandemic with the growth estimated to have contracted by 1.7 percent in 2020. Consistent with forecast in other regions, economic growth in the region is expected to recover to 3.7 percent in 2021 and 3.8 percent in 2022 supported by improved exports and commodity prices along with a recovery in both private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.

52. Consistent with forecast in the other regions, economic growth in the Sub-Saharan Africa region is expected to recover to 3.1 percent in 2021 as most of the economies in the region improves from the adverse effects of the Covid-19 Pandemic.

Domestic Growth Outlook

53. Like the rest of the world, the domestic economy was not spared from the adverse impact of the pandemic and estimated to have contracted to 0.3 percent in 2020. The economy is expected to rebound to 6.0 percent in 2021, attributed a pick-up of activities after the reopening of the economy.

54. In terms of fiscal years, the economy is projected to expand by 2.9 percent in the FY 2020/21, 5.9 percent in FY 2021/22 and 6.1 percent in FY 2025/26. This outlook will be reinforced by the prevailing stable macroeconomic environment and the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and Economic Recovery Strategy. Weather conditions are expected to be favorable supporting agricultural output. As a result, export of goods and services will expand as global demand normalizes. These factors will push up consumer demand and increase both public and private sector investment reinforcing the projected growth.

55. The Government is currently focusing on the implementation of the Economic Recovery Strategies that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy which is also aligned to the "Big Four" Agenda will promote inclusive growth and transform the lives of Kenyans.

1.5 Risk to the Economic Outlook

56. There are risks to this macroeconomic outlook originating from domestic as well as external sources. On the domestic front, the emergence of new Covid-19 variants that may require broader restoration of containment measures, in the country and its trading partners, could lead to renewed disruptions to trade and tourism. Other risks relate to lower agricultural output due to potential hostile weather conditions and continued desert locust invasion in the northern region of the country, which could potentially reduce production of food crops and animal feeds. Additionally, increased public expenditure pressures, particularly wage and other recurrent expenditures, would put a strain to the fiscal space.

57. The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support faster reduction in fiscal deficit and debt accumulation. Additionally, potential lower oil prices in the international market would result in improved terms of trade.

58. On the external side, risks will depend on how the world responds to the health crisis, including whether the new Covid-19 strains are responsive to vaccines. Moreover, growth would be weaker than projected if logistical hurdles in procuring and distributing vaccines especially in emerging market and developing economies will be slow. The delays would allow the new variants to spread, with possibly higher risks of infections among the unvaccinated populations. World economies will be shaped by policies taken to limit persistent economic disruptions, the evolution of financial conditions and commodity prices especially oil in the international market and the adjustment capacity of the economies.

59. On the advantage, better global cooperation on vaccines could help prevent renewed waves of infection and the emergence of new variants, end the health crisis sooner than assumed, and allow for faster normalization of activity, particularly among emerging market and developing economies. The County Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.

II: ACCELERATING ECONOMIC RECOVERY FOR IMPROVED LIVELIHOOD

Overview

60. The COVID-19 pandemic has overstated the importance and the urgency to develop policies to reinforce economic resilience and cushion Kenyans and businesses from the adverse effects that result from economic tremors. Since the pandemic started, the County Government took decisive actions to respond to the adverse effects of the pandemic.

61. The CFSP 2022 enunciates prioritizing economic policies and fiscal reforms as well as departmental expenditure programs to be implemented under the MTEF for FY 2023/24 - 2025/26 that will lead to sustainable development. This will create an enabling environment that will hasten economic recovery and return the economy back to long term growth for improved living standards. In this regard, the County Government will undertake the following strategic interventions:

- Roll out the Economic Recovery Strategy for sustainable growth;
- Hasten implementation of the “Big Four” Agenda;
- Maintain economic stability to foster a secure and conducive business environment;
- Expand development of critical infrastructure in the country such as roads, energy and water to improve affordability of doing business and ease movement of people and goods as well as promote competitiveness;
- Improve access to early childhood education and strengthen health care systems;
- Support businesses through the Enterprise Development Fund;

- Facilitate in strengthening systems in order to enhance service delivery; and
- Implement various structural reforms to enhance the efficiency of public service delivery while at the same time ensuring accountability for better fiscal stability, improved fiscal discipline and minimized corruption.

a. Harnessing the "Big Four" Agenda for Job Creation

62. The "Big Four" Agenda was initiated four years ago by the National Government to foster socio-economic development and provide solutions to the various problems facing Kenyans. Since initiation, the Government has continued to implement programmes under each pillar of the "Big Four" Agenda, by formulating enabling policies and enhancing resource allocation. These efforts have borne fruits in improving livelihoods through creation of jobs and poverty reduction.

2.2 Conducive Business Environment for Employment Creation

63. Implementation of appropriate policies coupled with enhanced investments in the agriculture sector has led to creation of a conducive business environment for economic growth, creation of jobs and improved livelihoods.

64. The County government undertook initiatives to support Micro, Small and Medium Enterprises (MSMEs) and Traders. Further, the county granted several waivers to enable businesses cope with the slow business activities during the pandemic period.

65. Access to affordable credit is indeed among the major challenges that micro and small enterprises face. To support the sector, Enterprise Development Fund (EDF) Board has ensured that the loans are affordable to the majority. Currently the loan interest rate is at an affordable rate of 5% per annum on reducing balance. This is in an effort to support businesses from the adverse economic effects of Covid 19 pandemic.

66. Moreover, the fund has enabled creation of employment through business expansion and technology acquisition, asset finance and has promoted self-employment. So far, 126 enterprises have benefited with loans worth Kshs. 40,247,150. With the market friendly interest rates, it is anticipated that more citizens will benefit in the medium term. Similarly; EDF has invested in financial literacy for its beneficiaries as well as created a platform for shared learning and business linkages.

2.3 Business Regulatory Reforms

67. On the legal and legislative framework in the management of co-operative societies as a key vehicle for social economic-empowerment for shared prosperity, the county government has trained over 900 co-operative management committee members. The county has also partnered with national government in the implementation of the coffee revitalization program whose objective is to increase coffee production, modernization of coffee factories and digitization of coffee societies to improve efficiency. These efforts have resulted in the digitization of 36 factories.

2.4 Infrastructure Development for Inclusive Growth

2.4.1 Expansion of the Road Network and Energy

68. To improve road network and connectivity for ease of transport of goods and services, the county government has upgraded 393 Kilometers of earth roads to gravel standards, 643km of road has been maintained through grading and spot gravelling, 17 previously impassable roads have been opened up and 0.7KM of tarmac road constructed. Further, 8 box culverts bridges were constructed to improve connectivity between neighborhoods and villages. This was done at a cost of approximately Kshs. 600 Million.

69. To ensure there is power connectivity and provide conducive business environment, the County Government has installed 485 street lights, 152 flood lights all at a cost of Kshs. 101 million. In our efforts of promoting use of alternative sources of energy, 17 biogas plants were installed in Aguthi Gaaki Ward at a cost of Kshs 4.5 million.

2.5 Stimulating Tourism Recovery, Sports, Culture, and Arts

70. The Tourism and hospitality sector was the most affected by Covid-19 pandemic with most hotels closing down and up to now some have not fully become operational. To incentivize the tourism sector, the county government has put measures in place by reducing the costs of business permits, offering free Covid-19 tests and vaccination which is one of the critical MOH guidelines for the industries personnel. This is intended to motivate entrepreneurs to resume their businesses. To spur growth of the sector, the County Government in partnership with the National Government and other agencies is at the initial stages of developing an ultra-modern theatre at the County Cultural Centre.

71. Further, to develop and sustain our heritage, the County installed the Wangari Maathai Monument at the Nyeri Heroes Park to honor our departed heroin who is renowned for environmental conservation efforts. The County Government also installed the Field Marshall Dedan Kimathi Monument at Kahigaini Site (Dedan Kimathi Ward) in an effort to celebrate the Mau Mau heroes and heroines, the park was named 'MAU MAU HEROES PARK'.

72. The County Government is committed to enacting the necessary legislations to stimulate the industry in the its efforts of promoting tourism for increased economic growth in FY 2022/2023. Towards this the government will develop local tourism development and promotion policy as well as a County cultural and heritage policy.

2.6 Enhanced Budgetary Allocations to Strengthen Health Care System

73. The Government has prioritized health to be the most focal and critical service sector in in the county. The department was rated highly in Covid-19 vaccination program by attaining second position, nationally, through massive campaigns that included public barazas, social media, radio and television stations among others. We have up scaled and accelerated Covid-19 vaccination. A total number of 245,905(representing 48.2% of the target population) persons have been fully vaccinated as of 18th February, 2022.

74. The County is experiencing a 'double burden' of disease that entails a lasting communicable disease with an increased burden of non-communicable conditions including diabetes, cancers, hypertension and cardiovascular diseases. The County Government has made significant strides to ensure critical services are available at time of need and especially for the Covid-19 complications. It has fully operationalized the High Dependency Unit at the Nyeri County Referral Hospital and established an Emergency Operation Centre which goes a long way to provide critical care.

75. In addition**,** the County has a well-established Community Health system with 2,510 Community Health Volunteers (CHV) who were very instrumental in the registration of indigents for NHIF coverage. Working through the CHVs, a total of 18,984 persons were identified for inclusion into the UHC indigent scheme.

76. Through the many efforts, the county has achieved high scores in the critical indicators in our service delivery which includes: 93% of our children are fully immunized with an Ante Natal Coverage of 62% and 95% Skilled Deliveries. On the HIV patient coverage of ARVs we have done extremely well at 101%. Further, the county has achieved an impressive HIV viral suppression rate of 91%.

77. Further, in an attempt to address the resource gaps experienced perennially, there was heightened effort to engage the national government and the donor community for enhanced collaboration and partnerships. Towards this, the department of health services applied and won competitively a Center for Disease Control (CDC) grant of USD 180,597 to implement HIV/AIDS programs in the county.

78. In order to enhance health service delivery, the county government recently recruited 61 nurses and promoted 254 health care workers. In addition, six doctors have reported back after postgraduate training having qualified in various specialties and sub-specialties.

79. The county government also managed to enact the Nyeri County Health Services Fund Act 2021 and its attendant regulations envisage to solve the issue of lack of essentials in all our health facilities. This legislation will ring fence health money generated in our facilities and the same collections will be retained there as a fund to run the services including those at the primary level. The County HIV/AIDS Implementation Plan (2021-2025), Nyeri County Nutrition Action Plan

(2020-2025), Nyeri County Emergency Medical Care Plan 2020/21 – 2024/25 and the Nyeri County UHC Health Financing Strategy 2020 -2023 have also been developed.

80. The county health department continuously procured and supplied health commodities to all 127 County Government health facilities with a fill rate of over 72%. The department procured and distributed medical drugs and other medical supplies worth Kshs 284,943,358 (UHC allocation, Kshs, 85,000,000 and County allocation Kshs 199,943,358) during the financial year 2020/2021.To date, the County has drawn commodities worth Kshs. 288 Million.

81. On health infrastructure development, the construction of the 175-bed capacity level 4 hospital in Narumoru is in the last phase of completion. This will play a pivotal role in providing referral services in Kieni East and West Sub Counties. Once a morgue, a kitchen and a laundry are constructed the facility will be operationalized for public use. During the year, bulk oxygen plants and piping systems were installed at Karatina and Mt Kenya hospitals.

2.7 Food and Nutrition Security

82. Agriculture continues to be the backbone of our economy in the County and plays a critical role in the realization of the big four agenda on food security. The County Government allocated Kshs. 371.9 Million to the agriculture sector in the financial year 2020-21.

83. During the period, the County Government under the Kenya Climate Smart Agriculture Project, supported packaging of climate change resilient technologies through funding of producer cooperative societies where Mukurwe-ini Wakulima Diary received Kshs 21m, Kieni Dairy Products Limited (KDPL) and Sabeke Cooperative received Kshs 11m each while Natural Ways Supplements that makes Banana Flour in Mukurwe-ini received Kshs. 3.7m to enhance their production. Mukeni Poultry Cooperative, Mwikuria Grains and Nyeri South Banana Producers Cooperative received 1 Million each. The Project also gave grants to Micro Projects in 6 wards across the County worth KES 157 Million to 182 Groups. Over 7,000 direct beneficiaries have undergone various trainings on production technologies on the priority value chains i.e. Irish potatoes, Cow Milk, Indigenous Chicken, Beans and Tissue Culture bananas.

84. Further, farmers have increased their productivity through trainings and adoption of innovative technologies. One group in Gatarakwa Ward have individuals who are now producing an average yield of 50 bags of 50kgs per quarter acre of Irish potato from a paltry 10 bags of 50kgs earlier on. Milk production has also increased from 5 to15 litres per cow per day thanks to adoption of new innovations.

85. To support dairy value addition, the department of Agriculture, Livestock and Fisheries completed phase-1 of constructing of a cooler housing for Kairuthi dairy worth Kshs 4m and a milk pasteurizer at a cost of Kshs 8m. In addition, twenty-five 50 litres milk cans were distributed to a dairy self-help group in Mweiga Ward worth Kshs 0.3m. Further, 46 dairy goats worth Kshs1m were procured and distributed to the county farmers and are expected to boost production and consequently the farmers' income. To mitigate against livestock diseases, 85,942 animals were vaccinated during the period under review across the county.

86. The department continued to offer free Artificial Insemination services to dairy farmers in the county and a total of 15,538 dairy cows were inseminated. The county government intend to complete the milk pasteurizer house at Kairuthi dairy in othaya and promote milk value addition cottage industries by purchasing milk-packaging materials for Slopes dairy in Mathira East Sub County.

87. The county, through the Agriculture Sector Development Support Programme (ASDSP II), was able to support Cow milk, indigenous chicken and Irish potato value chains to achieve commercialization level. During the FY 2020/21, Kshs 23.3m was utilized to capacity build the value chain actors and to purchase innovation equipment such as feed mixture for feed formulation, Incubators, Black soldier Fly Starter Kit and Irish Potato Apical cutting machine. These interventions are primarily geared towards food security and creation of wealth for the rural population.

88. In addition, the county government undertook a coffee rehabilitation program that supplied 250 tonnes of organic fertilizers and 25,000 coffee seedlings to farmers in Kirimukuyu Ward at a cost of Kshs 3m. Through this programme, the county government also procured and distributed lime and Myccorhiza Fungi to coffee farmers through their respective Coffee Factories at a cost of Kshs.14m. This will go a long way in increasing coffee productivity in the county.

89. In an endeavor to increase fish production in the county, the department distributed 220 fish feeds worth Kshs1.1m. The department have consequently allocated Kshs 5.6m to support aquaculture development in the county through such initiatives as procurement and distribution of fingerlings, fish feeds and purchase of a motorized boat. The department continued to support aquaculture through holding fish-fair events and nutrition promotion in the county. The events include the inclusion of fish as part of the meal in the community hence increases nutrition status.

90. In the previous financial year, a total of more than 34 tonnes of fish were harvested in 1960 fish ponds and 38 public dams all sold and consumed in Nyeri adding an approximately Kshs 22.9 m to the pockets of Nyeri fish farmers. We thank Aquaculture Business Development Program (ABDP) for its long term partnership with the government in these initiatives. Further, this initiative helps the county mitigate against NCDs by improving the community's eating habits.

2.8 Engaged Citizenry

91. The county government is committed to ensure a harmonious working relationship with the County Assembly of Nyeri to safeguard the aspirations of the citizens. There has been consistent engagement and inclusion of the members of the public in decision making to guarantee ownership of the projects and programmes being carried out. This has made the preparation and approval of county budgets timely and in tandem with the PFM Act 2012 and all other relevant laws. The

County Government will continue to ensure that its planning, budgeting and reporting systems are in conformity with the best practices in financial reporting.

2.9 Public Service Management

92. The County Government of Nyeri has a total of four thousand and fifty-two (4,052) employees. The employees fall under three categories: employees devolved from the National Government, those inherited from the defunct Local Authorities and employees engaged by the County Public Service Board. The county government has been running the County Payroll by the 10th of every month thereby enabling the employees to be paid in good time and thus becoming a key motivator to the staff.

93. To enhance efficiency, the county government has undertaken an exercise to ensure all staff have acquired payroll numbers so as to discard the manual payroll. The County further has ensured that its staff members have a medical cover and a work-injury and group life cover as well as making sure that the County Public Service strictly adheres to the Public Officers Ethics Act.

94. In recognition of the need to adhere to the public finance regulation on having personnel emoluments not exceed 35% of the County budgets as well as enhance staff motivation, the County implemented a voluntary early retirement programme. This programme was geared towards encouraging willing officers to retire voluntarily, a measure that ultimately will have a positive effect towards reducing the county wage bill.

95. Further, officers who had served one complete contract will have their terms translated to permanent and pensionable terms in an effort of assuring job security and enhance staff satisfaction and engagement. This translation of terms will also have a far-reaching positive effect on the reduction of the County wage bill. The saving is informed by the fact that the County will not incur the cost of paying gratuity at the rate of 31% of their basic pay, but will only pay 15% as contribution to the employees' pension.

96. To enhance the management of the County Public Service, the County embarked on adoption of ICT in its processes. This includes digitization of staff records and ensuring staff clearance forms are available in the website among others. This was supported by the Kenya Devolution Support Programme (KDSP) through which the department procured the equipment necessary for the digitization exercise that has now been fully operationalized. To date, we have managed to digitize about 100% of the staff files.

2.10 Empowering Youth and Women for Employment Creation

97. The County Government is committed to building the capacity of our youth. There are two unique programs that have been very successful; the one-year internship program and the three months' industrial attachment. Nyeri County has had three successful cohorts of interns under this program. The County Government has far had a total of 518 interns and absorbed 49 interns from the 1st and 2nd cohort into the County Public Service in various departments. More to that, a total of 1,350 students from different learning institutions have benefited through the industrial attachments.

98. The County Government engaged the third cohort of 192 interns in the FY 2020-21, after successfully mentoring 151 in the first cohort of the FY 2018-19 and 185 in the second cohort in the FY 2019-20. The success of this program has been confirmed by the number of interns who have secured employment before completing the one-year cycle, both with the County Government and other organizations.

99. Currently, the County Government is hosting the fourth cohort of interns and good number of attaches from various training Institutions. Each year, the government strives to engage 200 youth for a one-year internship program in all areas of county operations, who are competitively selected through the County Public Service Board, and are then attached to a mentor.

100. The intern earns a stipend of Kshs. 10,000, for certificate holders, Kshs. 11,000, for diploma holders and Kshs. 12,000, for degree holders to enable them meet their basic needs. The County Government is looking forward to continuing with the program, and call upon other organizations, both public and private to initiate similar programs in order to meet the demand.

101. The County Government, also initiated the Boda Boda loans scheme to improve self-employment to the youth through which 14 Boda-bodas and 2 Tuk-tuks were acquired. The County Government is committed to ensuring continuous availability of these funds in an effort to foster business growth and self-employment

2.11 Enhancing social protection for the vulnerable groups

102. The County Government through the Youth, Gender and Social Services department has made significant investments to ensure that the state of the county disaster preparedness is the best since devolution started. This was done through purchase of two modern fire engines and construction of two (2) new fire stations at Othaya and Kiawara bringing the total number of fire stations in the county to four. Through these initiatives the county was able to swiftly respond to 236 fire incidences in the county and assisted 200 families with basic items such as iron sheets, blankets and food in order to assist them rebuild their lives during the period under review. There is need to continue creating awareness on disaster prevention, management and safety at all levels.

103. Through the ward specific program, the County Government purchased empowerment equipment's which were distributed to 244 special groups across 17 wards in the county. The equipment includes: car washing machines, posho mills, chaff cutters, laundry machines, tents, chairs, public address systems among others. The equipment's will empower the groups in generating income and stem the rural urban migration.

104. Further, through Kuza Kazi Youth Empowerment programme, which is a collaboration between the county government and the Coca Cola Company through Almasi Beverages, 150 youths benefitted with merchandize worth Kshs. 2.6m to enable them start businesses.

105. The county government constructed two (2) new modern social halls at (Kariki and Muruguru) which can accommodate 500 people per sitting and also renovated Chinga and Mweiga Community halls. Further, in partnership with NACADA, the county constructed a modern drugs and substance abuse treatment and rehabilitation center at Ihururu at a cost of Kshs. 50 million that includes the furnishing of the building and two staff houses. This will help in rehabilitation of our citizens that have fallen into the trap of drugs and substance abuse.

106. The county government has also continued to engage the private sector in mobilization and sensitizing the youth such as KEPSA on youth employability and soft skills. Further, in partnership with the National Council for Persons with disability (NCPWD) and Walkabout foundation the county has provided assistive devices for the persons living with disability.

107. The county government has also collaborated with Center for Rights Education and Awareness (CREAW) to create awareness and sensitize the community against Gender Based Violence and distribution of sanitary towels for vulnerable girls and young mothers. In partnership with Center for Health Solutions (CHS) we have trained Gender Based Violence technical working group.

2.12 Quality and Relevant Education

108. In an effort to enhance early child education, the county has constructed 34 new and renovated 21 ECDE classrooms to improve learning environment. It has also built 35 new toilet blocks in all the wards as well as procuring and distributing instructional and learning materials to all public ECDE centers. Through Elimu Bursary Funds, the county government has so far disbursed Kshs 270m to 60,000 beneficiaries. On the Governor's Scholarship Bursary programme, a total of 180 students benefited with full scholarship.

109. The Government has continued to give special attention to TVETs in line with the national government agenda of equipping our youth with technical skills where it has invested in enhancing the infrastructure as well as in tools and equipment.

110. To amplify the importance of education, in agriculture, evidence suggests that there are positive effects of education on productivity among farmers using modern technologies, but less impact is expected among those using traditional methods.

2.13 Environmental Conservation and Water Supply

111. To avoid over reliance on rain fed agriculture and ensure food security, the county government is committed to continue investing in water and irrigation programmes. Further, the county government embarked on a journey of ensuring the dream of sustainable access to clean, safe and adequate water is realized. This can only be achieved by promoting, conserving, protecting the environment and improving access to water for sustainable development.

112. The county government have therefore ensured uninterrupted water supply for consumption and irrigation, through pipelines construction and storage facilities, rehabilitation, drilling and equipping of boreholes as well as rehabilitation of dams. Similarly, to ensure adequate water for irrigation and watering animals during the dry season, the department has sustained constant supply by constructing 39 water masonry tanks with a capacity ranging from 100m3 to 225m3 and purchasing 207 plastic tanks each of 1000 liters. To ensure equity in water supply, these tanks are distributed in all the eight sub counties which has enabled 25,000 households to access clean water for domestic use.

113. The water department in collaboration with various stakeholders has planted 112,000 tree seedlings in various public institutions, riparian zones and on-farm. We have further developed the Nyeri County Forest Conservation and Management Act and Policy, 2021. We have also ensured that Environmental and Social Impact Assessments (EIAs) for all departmental projects are carried out before implementation.

114. Water distribution and supply to the county has been enhanced by the support of private and development partners. The collaboration with both Tana Water Works Development Authority and Kenya Climate Smart Agriculture (KCSAP) has bridged the financing gaps to achieve the intended objectives.

115. The water department in the financial year 2021/2022 has planned to complete the ongoing programmes which are; equipping of 7 boreholes with pumps, solar, tanks, installing tanks and pipelines to 23 community water and Irrigation projects. Further the department will support water service providers namely Tewasco and Narowasco to expand water distribution and drilling of 3 new boreholes.

2.14 Spatial Planning and Housing

116. The county government acknowledges land as an important factor of production especially in a rural based economy. The government has put in place a robust program in the last four years to ensure that each citizen's dream of having their land security documents of ownership is realized.

117. Further, we have developed a 10-year GIS based County Spatial Plan which provides the development path by identifying the economic and social drivers in the county. The county government has also prepared Local Physical Development Plans for 17 colonial villages which are ready for implementation.

118. On infrastructure development, the county government has completed the 1st phase of the Asian Quarters Transport Termini through The Kenya Urban Support Programme funding at a cost of Ksh.540 million. Upon completion, the project will not only de-congest the Nyeri CBD but also ensure a source of livelihood for small scale traders.

119. Further, 32 km of road within Nyeri Municipality have been upgraded and 1 bridge constructed at a total cost of Kshs. 50m. We have operationalized a GIS Lab and surveyed 10 public facilities and at the same time opened up over 50 access roads. In the current financial year 2021/2022, we plan to upgrade Mukurwe-ini and Narumoru to Town status, construction of a boundary walls and development of walkways within and around the Asian Quarters at a cost of Kshs. 86 m and upgrading 23 km of roads within the Municipality at a cost of Ksh.28.5m.

2.15 Sustainable Management of Land for Social-Economic Development

120. The County government has played a great role in resolution of boundary disputes, demarcation and alignment of boundaries. In view of this, the county government in collaboration with the Kenya Informal Settlement Project (KISIP 1) and National Land Commission processed over 700 title deeds for Miiri, Gitero, Ihwagi, Kiaruhiu, Mweiga, Kiamwathi, Giakaibei and Njoguini settlements.

2.16 Implementing the Post-Covid-19 Economic Recovery Strategy

121. During the FY 2020/21 despite the effects of Covid-19 on the economy, the County Government attained a revenue collection of Kshs 886 million from its sources which was a major achievement. However, this was Kshs.114m short of our own projection of Kshs 1 Billion.

122. The sector that was mostly affected by the Covid-19 pandemic was tourism and hospitality, whereby most hotels closed down. To incentivize the tourism sector, the County Government lessen the cost of doing business by reducing the costs of business permits and offering free covid-19 tests and vaccination. This is intended to motivate entrepreneurs to resume their businesses. The County Government in partnership with the national government and other agencies is at the initial stages of developing an ultra-modern theatre at the County Cultural Centre.

123. Over the last few years, the reliance on formal jobs employment has deteriorated leaving the informal sector as the main provider of economic engagements to the graduates and technicians graduating from the training institutions. The county has put in place measures to promote and support business growth and innovation in key sectors and strengthened supply chains within the County.

124. The Covid-19 crisis offered an opportunity to address the county's structural issues and identified areas with potential for economic growth so as to participate in national and global value chains. These are:

i) Agro - processing for value addition where important areas of focus includes; Irish potatoes, coffee, tea, beef, dairy, leather, textile production and processing, and horticulture.
ii) The textile and wearing apparel sectors can be enhanced to provide PPEs for use within the county and potentially for the export market. The county is also in the process of establishing a leather industry at Rukira Youth Polytechnic.
iii) Mining and extraction activities of clay, sand, aggregate, gravel and natural building stones.

125. Efforts to strengthen the private sector, targeted at improving the business environment in the County include:

i) Initiating and strengthening self-sustaining funds dedicated and easily accessible to Micro and Mediums Enterprises in the County; promoting tailor made financial literacy programmes for Micro and Medium Enterprises and establishing a framework for micro-leasing for the Micro, Small and Medium Enterprises.

ii) Provision of machines and safety gear to improve the working environment of artisans within the county. In addition, enhancement and promotion of local manufacturing of affordable tools and machinery for the Micro, Small and Medium Enterprises including reverse engineering and mainstreaming the needs of People with Disabilities has been ongoing.

iii) Providing access to affordable energy in collaboration with the national government and other stakeholders.

iv) Collaboration with relevant stakeholders and institutions such as Kenya Institute of Business Training (KIBT) and National Industrial Training Authority (NITA) to provide entrepreneurial and technical training, apprenticeship and certification programmes to MSEs.

v) Developing appropriate road infrastructure especially the county roads while collaborating with the private sector through Public Private Partnerships' to get financing of the projects

2.17 Sanitation and Solid Waste management

126. Sanitation and solid Waste Management has posed a challenge over a long period due to rapid population growth resulting to rural -urban migration. There has also been a notable change in trends of characteristics of waste requiring innovative measures in management. In the provision of sanitation services, the County has increased its waste management trucks through procurement of two trucks, one side loader truck and two skip mounted loaders. This adds to the previous five trucks procured in FY 2019-20. This increased the fleet to eleven and a total number of twenty-seven skip containers.

127. The County Government is in the process of partnering with the private sector in management of organic waste through installation of bio digesters. The system imitates a cyclic ecology that is a zero-waste economy. Organic waste is converted into valuable commodities such as biogas, organic fertilizers, manure and pesticides. The system will eliminate emission of methane gas which is a greenhouse gas with catastrophic impacts on the environment.

128. In the last financial year, the county budgeted for projects that will enhance waste management practices. The projects includes erecting of flood light masts at Karindundu and Gikeu dumpsites, construction of waste sorting sheds, construction of a gatehouse and ablution blocks, completion of a perimeter wall at Gikeu dumpsite and connecting of a-three phase electricity at Gikeu dumpsite. Other than that, the County Government has constructed perimeter walls in Gikeu and Karindundu dumpsites and one proposed transfer station at Blue Valley, Nyeri Town. The County is currently in the process of procuring land for the proposed sanitary landfill.

2.18 Deepening Public Financial Management Reforms

129. Prudent public financial management is critical for the achievement of the county's development aspiration as detailed in the CIDP and aligned to national government's "Big Four" Agenda. Progress has been made in improving the efficiency of institutions and resource management including rolling out of additional IFMIS Modules. The county government will continue building the capacity of its technical officers so that they can competently undertake the public financial management reforms including operationalization of e-procurement platform.

130. Building on the progress made, the County Government will strengthen the institutional capacity of the County Treasury in undertaking its PFM roles, tighten implementation of frameworks governing public procurement, continue ensuring the use of e-Procurement platform in all its operations and promote timely audit of use of public resources.

131. The County Government will also strengthen expenditure control and improve the efficiency of public spending through expenditure prioritization, implementation of cost-cutting measures and prioritize completion of ongoing projects. Portfolio of donor funded projects will be restructured and re-aligned with the County Government priority programme in an effort to promote efficiency in service delivery.

III. BUDGET FY 2022/2023 AND THE MEDIUM TERM FRAMEWORK

3.1 Fiscal Framework Summary

132. The FY 2022/2023 Budget framework builds on the county's effort to support economic recovery and mitigate against the adverse effects of the Covid-19 pandemic. The County will also continue with the fiscal consolidation plan by rationalizing expenditures and enhancing revenue mobilization. In this regard, all county departments will be encouraged to adopt efficiency in allocation of resources to reduce non-priority spending. This will enhance efficiency in both revenue administration and utilizations.

133. The fiscal framework for the FY2022/2023 budget is based on the National and County Government's development priorities considering the macroeconomic factors as set out in Chapter I and Chapter II. The county will continue enhancing prudence in utilization of resources to guarantee sustainable economic growth and development.

134. These policies will enhance smooth implementation of the projects and programs as well as promoting economic activities in the county. The fiscal framework will also ensure resources allocated for development activities are aligned to the county priorities for optimal benefit to the county citizenly.

3.1.1 Revenue Projections

135. In the FY 2022/23 Own Source Revenue is projected at Kshs 1 billion similar to the projection in FY 2021/2022. This revenue is expected to be enhanced by the Finance Act, 2021 and an expanded enforcement team. The County will continue to leverage on the automated revenue management system, NyeriPay, to improve revenue performance.

3.1.2 Expenditure Projections

123. The Annual Development Plan 202/23 outlines priority development programmes and projects that were identified for implementation during the FY 2022/23. The projects and programmes are aimed at providing solutions to the development challenges facing the county in order to achieve its vision of "A wealthy County with happy, healthy and secure people". These projects and programmes will guide in preparation of the budget estimates for the same period.

3.1.3 Deficit Financing

136. The county expenditures will be restrained to guarantee debt sustainability and intergenerational equity in line with the Constitution of Kenya, 2010, Section 107 of the PFM Act, 2012 and Regulation 25 of the PFM (County Governments) Regulations, 2015. The law sets out the Fiscal Responsibility Principles which the County Governments have to adhere to and enforced through the County Treasury.

137. In the Financial Year 2022/23, we will have a balanced budget where only pending bills and possible carry overs from FY 2021/2022 will be settled through the vote on budgetary reserves. This may result from shortfall in the current projected revenue collection and late disbursement of funds by the National Treasury forcing the County Treasury to seek ways of addressing the outcomes of the deficit.

138. The County Treasury remains devoted in strengthening the fiscal policy to reduce possibilities of deficit. This will be achieved through strengthening revenue mobilization, widening revenue base, conducting revenue potential study, containing unproductive expenditures and leakages during the medium term period.

3.1.4 Key Priorities for the 2022/2023 Medium Term Budget

139. The aspirations of Nyeri people are outlined in the CIDP (2018-2022) and the Annual Development Plan (2022/23). In order to achieve these aspirations, the achievements of the years 2018-2021 annual development plans will be used as building blocks as the County Government transits to the next five-year planning period. The County Government through the Medium-Term Framework of 2022/23 – 2024/25 will implement priority programmes under the Annual Development Plan (2022/23) to accelerate economic recovery and enhance service delivery.

140. The above will be achieved through strong linkages between policy, budgeting, implementation and monitoring of planned outcomes. The County Government will strive to ensure that public spending remains affordable within a sustainable framework. In this regard, public spending will be directed towards the most critical needs of the county with the aim of achieving quality outputs and outcomes with optimum utilization of resources. Further, the County Government will ensure departments requests for resources take into account the resource constraints in light of the fiscal consolidation policy.

3.1.5 Allocation Baseline Ceilings

141. The baseline estimates mirror the current departmental and entities spending levels in their programmes. In the recurrent expenditures, non-discretionary expenditures take first charge. These include payment of salaries/wages and gratuity for employees, medical and motor vehicle insurance covers, water and electricity bills among others.

142. Development expenditures have been allocated out on the basis of the flagship projects in the CIDP 2018-2022, ADP 2022-2023 and public views collected during public participation on CFSP. The following criteria was used in apportioning development budget:

- ***On-going projects:*** emphasis should be given to completion of on-going capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- ***Donor funds:*** priority will be given to adequate allocations for donor funds (Conditional grants) and counter funding by the County Government.
- ***Post-Covid 19 Recovery***: Further, Consideration will be given to interventions supporting Post-Covid 19 recovery.
- ***Strategic policy interventions****:* on this, priority should be given to policy interventions covering the entire county on matters of social equity and environmental conservation.

3.1.6 Criteria for resource allocation.

143. In finalization of the Medium-Term Frame work Budget FYs 2022/2023 – 2024/2025, there will be thorough scrutiny to curtail spending on non-productive areas and ensure resources are directed to priority projects and programmes. Any additional resources will be used to fund key county strategic priorities which includes;

- Projects and Programmes identified during the public participation forums for the FY 2022/2023 budget and subsequent ones over the medium term.
- Areas aimed at improving food security, improving infrastructure and other social economic enablers of development as outlined in the CIDP 2018-2022.
- Initiatives focusing on economic recovery and enhancement of job creation especially for the youth.

IV. DEPARTMENTAL ALLOCATION OF RESOURCES

4.0 Introduction

144. The Constitution of Kenya 2010 and the PFM Act 2012 demands that choice of projects and programmes to be implemented in a specific financial year be done through collection and consideration of views of the public and other stakeholders. The preparation of this County Fiscal Strategy Paper, 2022 takes into account the above requirements. The public participation forums provided a platform for project prioritization considering the scarcity of resources against the many competing needs.

145. The County Integrated Development Plan (2018-2022) and the Annual Development Plan FY 2022/23 outlines the County Government's transformative agenda and are the basis for preparation of this document. However, it is important to note that significant changes have occurred in E-procurement and IFMIS processes. These changes demand continuous capacity building of the technical personnel to equip them with necessary skills to implement and efficiently operate with the system updates and changes for optimal service delivery.

146. There is also need for continuous training and capacity building in budget making process, resource allocation, and prioritization of projects. Further, there is need to identify and train staff at departmental levels on monitoring, evaluation and reporting on budget and projects implementation. This is a continuous activity being undertaken by the department of Finance and Economic Planning and greatly supported by KDSP.

4.1 Departmental Budgeting

147. The FY 2022/23 budget for the County will be prepared in line with the Public Finance Management Act, 2012 and its attendant regulations of 2015. In this regard, he County Executive Committee Member in charge of Finance and Economic Planning will issue guidelines to the county departments and spending units on the preparation of FY 2022/23 budget with specific ceilings as adopted by the County Assembly. The departments are expected to prepare their budgets within the approved ceilings. Each department is expected to plan, formulate, execute and report on their budgets.

4.2 Resources available

148. In line with the government's commitment to spend within its means and adhere to the austerity measures instituted by the National Treasury, the County Treasury projects a total budget of Kshs 7,790,197,229 for the 2022/23 primarily based on National Government transfers as provided for in the Budget Policy Statement, 2022. This translates into a 10.98 per cent decline as compared with the FY 2021/22 revised estimates. This downward trend can partly be attributed to the inclusion of balance brought forward from the FY 2020/21 and reduction in allocation for conditional grants. The five conditional allocations are: -KSCAP, ASDSP, THS, DANINDA and KISIP.

4.3 External Sources

149. This will comprise the equitable share of revenue raised nationally and loans & grants from the National Government entities and donors. It will also include transfers from National Government Ministries and Agencies channeled through the County Revenue Fund (CRF).

150. In financial year 2022/23, the county expects to receive Kshs 6,228,728,555 as equitable share from the consolidated fund as proposed in the Budget Policy Statement, 2022. In addition, the County Government expects to receive loans & grants from the national government as envisaged in Article 202(2) of the Constitution. The anticipated amount is Kshs. 561,468,674 from loans and grants.

4.4 Internal Sources

151. These are the own source of revenues from specific county revenue raising measures through imposition of land rates, parking fees, entertainment taxes, as well as any other tax and user fees and charges as authorized to impose. In the FY 2022/23 budget the local revenue is projected at Kshs 1 Billion, the same amount estimated in the FY 2021/2022.

4.5 Allocation of Revenue among Departments

152. Departmental allocation for recurrent and development spending during FY 2021/22 is provided in table 5 below;

Table 5: Approved Supplementary Budget Allocations by County Departments and Units, July 2021 – June 2022

DEPARTMENT	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL	% OF TOTAL
Executive Office of the County Governor	152,083,962	2.50	5,000,000	0.19	157,083,962	1.79
Office of the County Secretary	328,699,168	5.40	24,500,000	0.92	353,199,168	4.04
Finance and Economic Planning	998,244,510	16.40	273,252,577	10.25	1,271,497,087	14.53
Lands, Housing, Physical Planning and Urbanization	59,379,640	0.98	347,077,991	13.03	406,457,631	4.64
Health Services	2,615,080,164	42.96	354,745,918	13.31	2,969,826,082	33.94
Gender Youth and Social Services	65,164,024	1.07	68,650,000	2.58	133,814,024	1.53
County Public Service and Solid Waste Management	113,185,107	1.86	69,000,000	2.59	182,185,107	2.08
Agriculture, Livestock and Fisheries	244,766,843	4.02	487,816,340	18.31	732,583,183	8.37
Trade, Culture, Tourism and Co-operative Development	58,245,025	0.96	76,976,955	2.89	135,221,980	1.55
Education and Sports	441,445,927	7.25	83,150,000	3.12	524,595,927	5.99
Water, Environment and Climate Change	75,931,854	1.25	142,769,171	5.36	218,701,025	2.50
County Assembly	734,500,292	12.07	50,000,000	1.88	784,500,292	8.96
County Public Service Board	43,548,187	0.72	5,000,000	0.19	48,548,187	0.55

DEPARTMENT	RECURRENT	% OF TOTAL	DEVELOPMENT	% OF TOTAL	TOTAL	% OF TOTAL
Transport, Public Works, Infrastructure and Energy	115,155,887	1.89	676,725,159	25.40	791,881,046	9.05
Office of the County Attorney	41,233,480	0.68	0	0.00	41,233,480	0.47
TOTAL	**6,086,664,070**	**100.00**	**2,664,664,111**	**100.00**	**8,751,328,181**	**100.00**

Source: Department of Finance and Economic Planning, 2022

4.6 Fiscal Discipline

153. Section 107 (2) (b) of the PFMA, 2012 provides that County Governments should allocate a minimum of 30 percent of their budget over the medium-term to development expenditure. Our county complied with this legal requirement and allocated at least 30 percent of their approved budget to development in FY 2021/2022.

154. PFM Act, 2012 also requires that a county government budget be balanced. This has been the case for the all the county budgets to date. Prudent measures have always been taken to reduce appropriations and increase revenues with minimal effects on public service delivery. This dictates a tight balancing act to ensure ideal allocation of the available funds to the most deserving priorities and ensure that prudence in spending is enhanced within the context of the PFM Act, 2012.

155. The County Government endeavor to continue expanding the revenue base and opening up more revenue streams. This, combined with other strategies, will reduce over-reliance on external sources of revenues from the National Government and development partners thereby releasing more resources to capital projects and programmes.

4.7 Equity in Allocation of Resources

156. The CFSP 2022 has been designed to continue addressing the specific challenges brought about by compression of the economy, ADP 2022/2023 and the realities of the FY 2021/2022 actual revenue collections and expenditures. This will be done through focusing on critical infrastructural development and human capital such as education and health as a means of promoting long-term economic growth and scale up investments in the county's priority areas. Critical consideration continues to be given to underdevelopment areas in resource allocation to ensure overall fairness.

V. 2022/23 EXPENDITURE FRAMEWORK

5.0 Resource Envelope

157. The resource envelope that is applied for the setting of departmental ceilings and allocations is based on the fiscal and budget framework outlined in Section IV and was based on the proposed county allocations as indicated in the Budget Policy Statement, 2022 for national sources. In this resource envelope, the equitable share from national government is expected to finance nearly 85 percent of the total county budget for FY 2022/2023.

158. The percentage of income received from the National Government as equitable share is projected by the formulae determined by the Commission on Revenue Allocation (CRA). However, it is important to note the ratio of equitable share relative to the OSR for FY 2022/23 remains high. In this regard, it is imperative for the County Government to be more committed in developing strategies to improve the performance of local revenue over the medium term. In financing the FY 2022/23 budget, the county's own revenue collection is projected to be 12.8 percent of the total budget.

159. The difference between the budgetary estimates and the equitable share will be funded through the county own generated revenue, loans and grants. The County will also strengthen its resolve to increase its local revenue collection as an approach to meet the expanding and strained budgetary needs. Further, the county will continue engaging and partnering with the private sector and development partners to fund some of the development activities during the financial year FY 2022/23.

160. The County Government envisions a balanced budget that will be fully funded by the resource envelop in order of priority as outlined in this document. The resource basket will therefore be sourced from the revenue collected from local sources, equitable share, loans and grants.

5.1 Spending Priorities

161. The County has developed the second-generation County Integrated Development Plan (CIDP) for the period 2018-2022 and Annual Development Plan 2021-2022 in which the county residents were involved in an all inclusive consultative forums to identify and prioritize strategic development programmes. These programmes are also guided by the Medium-Term Plan (MTP) III of the Kenya vision 2030, and the "Big Four" agenda. The following criteria was used in appropriating of capital projects:

- **Ongoing projects:** Emphasis was given to completion of ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity, and employment creation.
- **Roll over projects:** These are projects earmarked to be undertaken in the financial year 2021/22 but they didn't start due to various challenges faced during financial year.
- **Counterpart funds***:* priority was also given to adequate allocations for donor counterpart funds which is the portion that the Government must finance in support of the projects financed by development partners;
- **Post-Covid 19 Recovery;** Consideration was further given to interventions supporting Post-Covid 19 recovery.
- **County flagships:** These are projects that are considered to have a huge impact or a multiplier effect cutting across multiple wards and departments and that require a significant proportion of the county appropriation.

- **County newly proposed projects:** Proposals from the public participation and the departments were also considered in the determining of the departmental allocations.
- **Strategic policy thrusts and interventions:** Further priority was given to policy intervention covering the entire county for social equity and environmental conservation.

162. The above projects and policy interventions as contained in the planning documents have high impact on poverty reduction, investment, equity, employment and wealth creation. In addition, the Constitution and the PFM Act, 2012 requires the national and county governments to promote budgetary transparency, accountability and effective financial management of their respective jurisdictions. Therefore, inefficient and wasteful public expenditure will continue being eliminated at all costs in order to promote trust in public spending.

163. In finalizing the preparation of the 2022/23 MTEF budget, the County Government will continue to undertake austerity measures aimed at minimizing expenditure on the non-productive areas and programmes and ensuring that resources are allocated optimally to priority programmes that have immense impact accruing to the intended beneficiaries.

5.2 2021/22 Expenditure Estimates

164. In the process of budget implementation, there were several challenges that emerged during the first half of the FY 2021/22. They included the stalemate in approval of Conditional Grants Disbursements Framework between the National Assembly and the Senate and subsequent delay in disbursement of funds. This had a greater effect on absorption of funds affecting implementation of planned programmes and projects that are donor supported.

165. Further, there were changes in the introduction of a new PPDA 2015 regulations in the procurement process. In addition, the introduction of the ward specific projects and programme is also posing a challenge where the projects identified for implementation keeps mutating and continuous shifting of priorities thus delaying implementation.

166.

5.3 Medium-Term Expenditure Estimates

167. The table below shows the projected baseline ceilings for the FY 2022/23 budget estimates classified by county departments and spending units.

Table 6: Proposed Budgetary Allocations for Financial Year 2022-2023

	2021/2022 BUDGET						2022/2023 BUDGET		
	APPROVED BUDGET			REVISED BUDGET			PROPOSED CEILINGS		
Department/Entity/Unit	RECURRENT	DEVELOPMENT	TOTAL(Kshs)	RECURRENT	DEVELOPMENT	TOTAL (Kshs)	RECURRENT	DEVELOPMENT	TOTAL(Kshs)
Office of the Governor and Deputy Governor	143,083,962	20,000,000	163,083,962	152,083,962	5,000,000	157,083,962	112,083,962	20,000,000	132,083,962
Office of the County Secretary	300,199,168	40,000,000	340,199,168	328,699,168	24,500,000	353,199,168	263,694,168	40,000,000	303,694,168

Finance and Economic Planning	840,221,954	242,795,683	1,083,017,637	998,244,510	273,252,577	1,271,497,087	827,122,902	74,274,445	901,397,347
Lands, Physical Planning, Housing and Urbanization	59,379,640	436,900,000	496,279,640	59,379,640	347,077,991	406,457,631	49,379,640	187,000,000	236,379,640
Health Services	2,575,080,164	294,854,035	2,869,934,199	2,615,080,164	354,745,918	2,969,826,082	2,526,257,676	191,739,220	2,717,996,896
Gender, Youth and Social Services	56,164,024	56,200,000	112,364,024	65,164,024	68,650,000	133,814,024	58,164,024	75,000,000	133,164,024
County Public Service and Solid Waste Management	109,385,107	74,000,000	183,385,107	113,185,107	69,000,000	182,185,107	109,385,107	81,500,000	190,885,107
Agriculture, Livestock and Fisheries	244,766,843	488,780,826	733,547,669	244,766,843	487,816,340	732,583,183	244,442,843	490,045,454	734,488,297
Trade, Culture, Tourism and Co-Operative Development	50,245,025	94,026,955	144,271,980	58,245,025	76,976,955	135,221,980	50,245,025	152,426,956	202,671,981
Education and Sports	410,894,783	63,100,000	473,994,783	441,445,927	83,150,000	524,595,927	273,394,783	58,500,000	331,894,783
Water, Irrigation, Environment & Climate Change	75,724,101	132,869,171	208,593,272	75,931,854	142,769,171	218,701,025	75,724,101	182,119,171	257,843,272
County Assembly	706,085,232	50,000,000	756,085,232	734,500,292	50,000,000	784,500,292	717,305,285	50,000,000	767,305,285
County Public service Board	39,548,187	5,000,000	44,548,187	43,548,187	5,000,000	48,548,187	36,048,187	5,000,000	41,048,187
Transport, Public Works, Infrastructure and Energy	73,155,887	501,800,000	574,955,887	115,155,887	676,725,159	791,881,046	99,155,887	729,453,923	828,609,810
Office of the County Attorney	10,733,480	0	10,733,480	41,233,480	0	41,233,480	10,734,471	0	10,734,471
Total	**5,694,667,557**	**2,500,326,670**	**8,194,994,227**	**6,086,664,070**	**2,664,664,111**	**8,751,328,181**	**5,453,138,061**	**2,337,059,169**	**7,790,197,230**

Source: Department of Finance and Economic Planning, 2022

5.4 Baseline ceilings

5.4.1 Recurrent expenditure projections

168. The total recurrent budget for FY 2022/2023 will be Kshs 5.453 billion as compared to Kshs 5.695 billion in FY 2021/22 revised Budget estimates, representing a significant decrease by 0.242B. The recurrent estimates account for approximately 70% of the total county budget which consist of all non-discretionary expenditures such as payment of statutory obligations, namely, wages, salaries, pension, payee and utilities, taking first charge.

169. The county wage bill is worrying as it has risen to 49.4 percent of the total budget thereby leaving very little amount for other operations and maintenance especially after considering the utility bills. The allocation for operations and maintenance is also further compounded by the 30 percent requirement for development and the allocations for conditional grants.

5.4.2 Development expenditure projections

170. On the other hand, 30% percent of the total budget estimate is reserved for funding planned development projects and programmes in line with the PFM Act, 2012. The development expenditure is shared out on the basis of the county priorities as outlined in the CIDP (2018-2022) and the Annual Development Plan for FY 2022/23, consideration of ongoing projects and programmes, the views of the public and other stakeholders and the county flagship projects.

VI. CONCLUSION

171. In conclusion, the County Treasury will continue working closely with the National Treasury, the Office of the Controller of Budget and other relevant agencies to enhance performance of its functions. Further, the County Government will continue to build the capacity of its personnel to ensure that it adheres to the fiscal responsibility principles to guarantee value for money and prudence in management of public resources.

172. The ceilings set in this strategy paper will guide in the formulation of the FY 2022/2023 county budget. In addition, this document is prepared at a time when the County is in the process of recovering from the effects of the global Covid-19 pandemic and its control measures that altered routine operations and led to closure of businesses and diminished living standards. This means that the resources are constrained to meet the competing needs. Therefore, it is necessary for all county entities and spending units to allocate the available resources in order of priority to exterminate possible wastage so as to achieve maximum social and economic benefits to the citizens of Nyeri.

ANNEX I: OWN REVENUE SOURCES COLLECTED IN THE FIRST HALF OF THE FY 2021/2022

Revenue Stream/Source	Approved Target FY 2021/2022 (Kshs)	Achievement by end of 2nd Quarter 2021/2022(Kshs)	Percentage Performance 2021/2022
Liquor License	48,000,000	9,193,417	19.15
Agricultural Mechanization Station	531,894	65,000	12.22
Wambugu Agricultural Training Centre	2,848,016	3,031,844	106.45
Veterinary Charges	8,639,724	2,821,437	32.66
Slaughtering Fees	2,459,424	822,310	33.44
Nyeri Slaughter House	500,000	260,000	52.00
Kiganjo Slaughter House	130,000	60,000	46.15
Sale of Fertilizer/lime	712,000	316,200	44.41
Gura Fishing Camp/fisheries revenue	44,000	2,300	5.23
Coffee Permit	798,690	160,800	20.13
Market Entrance/Stalls/Shop Rents	48,000,000	21,239,967	44.25
Weights and Measures	3,100,000	2,046,560	66.02
Co-operative Audit	1,922,642	128,300	6.67
Hospital Services*	300,000,000	180,916,762	60.31
Public Health	12,000,000	4,900,611	40.84
Burial Fees	180,600	64,800	35.88
Commision 3%/Agency Fee (Fees from KHC, Insurance Firms, e.t.c.)	6,000,000	2,921,817	48.70
Business Permits	115,000,000	14,274,845	12.41
Ambulant Hawkers Licences (Other than BSS Permits)	1,561,180	637,470	40.83
Miscellaneous	100,000	10,355	10.36
Document Search Fee/Dublicate receipts	767,246	40,000	5.21
Impounding Charges/Court Fines, penalties, and forfeitures	2,000,000	1,121,545	56.08
Application Fee	17,000,000	2,161,100	12.71
Parking clamping/ Penalties/Offences fees	2,000,000	907,310	45.37
Sale of Old Office Equipment and Furniture (Aseets)	-	-	-
Central Kenya show annual permit	100,000	-	0.00
Right-of-Way / Way-Leave Fee (KPLC, Telkom, e.t.c.)	6,299,646	1,485,790	23.59
Cess (Quarry, Produce, Kaolin, e.t.c.)	69,000,000	26,703,430	38.70
Street Parking Fees	37,000,000	14,781,516	39.95
Enclosed Bus Park	76,660,978	39,257,041	51.21
Fire-Fighting Services	16,597,137	1,898,500	11.44
Land Rates/ Other Property Charges	62,222,839	9,703,808	15.60
Ground Rent - Current Year / Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees	6,855,931	1,214,127	17.71
Ground Rent - Other Years	4,464,192	937,088	20.99
Hire of Plant & Machinery	-	-	-
Plot Transfer Fee/Business Subletting / Transfer Fee	967,360	330,000	34.11
Housing Estates Monthly Rent	34,000,000	12,732,444	37.45
Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation,	6,352,539	3,486,926	54.89

Revenue Stream/Source	Approved Target FY 2021/2022 (Kshs)	Achievement by end of 2nd Quarter 2021/2022(Kshs)	Percentage Performance 2021/2022
survey, Occupation Cert, boundary dispute e.t.c.)			
Sign Boards & Advertisement Fee	29,000,000	8,055,969	27.78
Buildings Plan Approval Fee	13,160,762	11,688,658	88.81
Buildings Inspection Fee	7,598,250	3,637,500	47.87
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	2,296,000	911,400	39.70
Sales of Council's Minutes / Bylaws	558,500	258,100	46.21
Debts Clearance Certificate Fee	1,902,000	815,500	42.88
Hire of Grounds (Kamukunji,Whispers park) / Social Hall Hire	910,000	838,943	92.19
Food Ration (KRT) Nursery School	140,000	110,400	78.86
Food Ration (Kingongo) Nursery School	160,690	164,350	102.28
Food Ration (Nyakinyua) Nursery School	155,760	224,200	143.94
Stadium Hire(Ruringu,Karatina etc)	102,000	15,000	14.71
Public Toilets/Use of public toilets	150,000	50,485	33.66
Refuse Collection Fee/Tipping charges/Garbage Dumping Fee/waste disposal charges	49,000,000	10,798,020	22.04
Noise Regulation/Pollution	50,000	105,500	211.00
TOTAL LOCAL SOURCES	**1,000,000,000**	**398,309,446**	**39.83**

Source: Directorate of Revenue, 2022

ANNEX II: SOURCES OF BUDGET FUNDING IN FY 2022/2023

No.	Description	Total in Kshs
1.	Equitable Share	6,228,728,555
2.	Loans and Grants	561,468,674
3	Estimated Local Revenue	1,000,000,000
	Estimated total amount for budgeting	**7,790,197,229**

ANNEX III: HIGHLIGHTS OF THE PUBLIC PARTICIPATION ON PREPARATION OF THE CFSP, 2022 AND THE MTEF BUDGET 2022/2023-2024/2025

GENERAL CONCERNS AND OBSERVATIONS

1. There should be even distribution of flagships projects across the county.
2. Despite the great work done on improvement of roads-network across the county, roads connecting two or more wards and sub-counties were left out due to lack of ownership. There is therefore need to consider such roads in future.
3. Ongoing and incomplete projects should be given first priority in budgeting to avoid the possibility of stalled projects and white elephants.
4. There is need to allocate funds, by the Department of Health Services, to cater for increased cases of mental health issues as well as creating awareness to the affected persons.
5. County projects should guarantee youth empowerment. This includes mentorship programmes to keep away the young people from engagement in drug and substance abuse.

PRIORITY PROJECTS AND SPECIFIC REQUESTS

1. Agriculture and Irrigation

❖ **Milk Collection Center:** There is need to operationalize the already established milk collection centers to ensure service delivery and stir economy in our community.

❖ **Cattle Dip:** There is also need to repair and upgrade cattle dips to enhance pest control and vaccination of livestock in the county and increase production.

❖ **A.I. Services:** Though the Nyeri county government has been providing A.I. services to Dairy farmers, the service needs to be upscale to reach out to those areas which are yet to benefit.

❖ **Tree Planting:** To ensure environmental conservation and improvement in the County, there is need to be provided with seeds and tree seedlings for planting preferably through the organized groups.

2. Water, Sewerage and Sanitation services, Environment and Natural Resources.

❖ **Water Projects:** The various water projects across the county need to be operationalized so as to get value for the invested money and as well benefit the community.

❖ It's also prudent to maintain the water tanks at various water project and establish functional sewerage system in all towns to ensure clean and secure environment.

3. Health Sector

❖ There is a request for equipping and functioning of Maternity wing, construction of waiting bay, provision of drugs and as well operationalization of the health facilities to operate 24 hours to cater for cases that might be required round the clock.

❖ There is need to change the Asbestos roofing to iron sheets in our facilities to ensure better use of the collected water and reduce the health hazards associated with the asbestos.

❖ Water infrastructure in the health facilities should be improved so as to improve sanitation and hygiene.

- ❖ Establishment of Level IV hospital in all sub counties remain a big goal that need to accomplished.

4. **Transport and Infrastructure**
    - ❖ **Culvert:** Construction of Culvert is crucial for all county roads for better drainage and enhance sustainability of the roads.
    - ❖ **Foot bridge**: Construction of foot bridges should continue to enhance accessibility across the county.
    - ❖ Murraming and gravelling of roads should be enhanced.
    - ❖ Installation of streetlights to enhance security across the county.
    - ❖ **Fencing**: In order to reduce human and wildlife conflict, there is a request for installation of an electric fence along Mt. Kenya forest Belt.
5. **Education and Sports:**
    - ❖ Construction and renovation of E.C.D.E. Toilets
    - ❖ Continued support for the Vocational center (Technical Institute) across the county.
    - ❖ Equipment of E.C.D.E Centers across the County.
6. **Gender, Youth and Social Services**
    - ❖ **Social Amenities**: To stir growth and development, we request consideration of playgrounds and youth empowerment centers.

NB: When it comes to Labor provision, we request that those carrying out projects in the area to consider skills that are readily available in the area for community empowerment.