REPUBLIC OF KENYA

COUNTY GOVERNMENT OF THARAKA NITHI

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2021

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2021 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012 which requires the county government to prepare a budget review and outlook paper for each financial year; and submit it to the County Executive Committee by 30th September.

The CBROP 2021 reviews fiscal performance of the county for the FY 2020/21 against the budget appropriation. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2021 and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles and the county financial objectives for that year. It further gives reasons for any deviation from the county financial objectives in the latest fiscal strategy paper together with proposals to address the deviations.

The updated economic and financial outlook presented in this paper sets out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups and the departments in preparing their budgets.

Following the guidelines by the National Treasury on the preparation of the 2022/23 – 2024/25 Medium Term Budget, the budget for FY 2022/23 is being prepared under a revised budget calendar that considers the preparations for the 2022 General Elections. The county government agencies are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization and appropriation of the FY 2022/23 Budget by March 2022.

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County Executive Committee Member,
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ABBREVIATIONS AND ACRONYMS

AHADI	Agile and Harmonized Assistance to Devolved Institutions
AIE	Authority to Incur Expenditure
CARA	County Allocation on Revenue Act
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CGTN	County Government of Tharaka Nithi
CIDP	County Integrated Development Plan
COMESA	Common Market for East and Central Africa
CORe	County Own Revenue
CRA	Commission on Revenue Allocation
EAC	East African Community
ECDE	Early Child Development Education
FY	Financial Year
GDP	Gross Domestic Product
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
KMTC	Kenya Medical Training College
KPLC	Kenya Power and Lighting Company
LAE	Last Annual Estimate
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments
PFM	Public Finance Management
PPP	Public Private Partnership
PWD	People with Disabilities
SWG	Sector Working Group
USAID	United States Agency for International Development

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LEGAL BASIS FOR PREPARATION OF CBROP

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

1) A county Treasury shall;

a. Prepare a CBROP in respect of the County for each year; and

b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

2) In preparing its CBROP, the County Treasury shall specify;

a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year

b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)

c. Information on:

(i) Any changes in the forecasts compared with the CFSP; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and

d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENT

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that:

1) The County Government's recurrent expenditure shall not exceed the County Government's total revenue;
2) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
3) The County Government's expenditure on wages 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 – 35 percent;
4) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
5) The County debt shall be maintained at a sustainable level as approved by County Assembly;
6) The 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.

SECTION I: INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) is prepared in line Section 118 of the Public Finance Management (PFM) Act, 2012 and Chapter Five (5) of the County Budget Operations Manual, 2014 that gives guidelines on content and format of CBROP. The document provides actual fiscal performance for the FY 2020/21, macro-economic projections and the sector ceilings for the FY 2022/23 and the medium term budget. The document also provides an overview of how the actual performance of the FY 2020/21 complied with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act, as well as information showing changes from the projections outlined in County Fiscal Strategy Paper (CFSP) 2021.

1.1 Objective of CBROP

The objective of CBROP is to provide a review of the previous year fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in CFSP 2022.

Specifically, the CBROP provides:

(i) Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);

(ii) Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;

(iii) Any changes in the forecasts compared with the CFSP;

(iv) Indication on how actual financial performance for the previous financial year complied with the fiscal responsibility principles, or the financial objectives in the CFSP; and

(v) Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2 Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered to as provided in section 107 of the PFM Act 2012. In addition, the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Lastly, the paper is expected to provide indicative sector ceilings for the FY 2022/23 budget and in the medium term to guide Sector Workings groups (SWGs) before being finalized in the CFSP 2022.

1.3 Structure

This paper has four other sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, the Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections: Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within its means. It establishes the resource envelop (total revenues) and then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. And lastly, section five gives a conclusion of the entire paper.

SECTION II: REVIEW OF COUNTY FISCAL PERFORMANCE IN FY 2020/21

2.1 Overview

The fiscal performance in FY 2020/21 was very impressive with a remarkable increase in the total revenues from KES 4,479.9 million compared to KES 5,634.6 million realized in the previous FY 2019/20 as highlighted in Summary of County Fiscal Performance from FY 2019/20 to FY 2020/. Development expenditure was about KES 1,346.4 million out of the total development allocation of KES 1,935.3 representing a 70 percent performance. The development resources were utilized in financing key projects and programs like construction of roads, promotion of agriculture, domestic and irrigation water supply and development of markets as well as operationalization of health facilities.

As required by the PFM Act, 2012, the budget process underscores the need for efficiency and effectiveness of public spending and improving revenue collection to finance public services. To meet the resource requirements of the FY 2021/22 and the medium term budget, the Government will continue to implement prudent measures aimed at enhancing the tax revenue and rationalizing expenditures. On recurrent expenditure, the County Government has been able to ensure that non-discretionary expenditures are given top priority especially payment of staff emoluments and purchase of essential commodities for the health facilities. The measures adopted in the FY 2020/21 budget implementation framework led to a recurrent expenditure of 90% amounting KES 3,687.3 million, inclusive of county assembly, from a total recurrent allocation KES 3,882.6 million. The performance was impressive given the COVID disruption which has continued to hamper effective delivery of services.

2.1Fiscal Performance for FY 2020/21

The 2020/21 budget was financed by the equitable share of KES 4,262.12 million, County Own Revenue of KES 254.75 million, Conditional grants of KES 785 million and the balance brought forward of KES 252.6 million. At the end of the 2020/21 financial year, a balance of KES 514.9 million had not been utilized. Table 1 summarizes the revenues realized by the County for the FY 2019/20 to FY 2020/21.

Table 1: Summary of County Fiscal Performance from FY 2019/20 to FY 2020/21

Particulars	2019/20 FY Actual	2020/21 FY Approved	2020/21 FY Actual	% performance	% Deviation	Growth %
TOTAL REVENUES	**4,479,904,413**	**5,857,834,974**	**5,554,449,574**	**95%**	**-5.18%**	**23.99%**
Unspent Bal from Previous FY	91,651,102	252,554,178	252,554,178	100%	0.00%	175.56%
Revenue (Total)	**4,388,253,311**	**5,605,280,796**	**5,301,895,396**	**95%**	**-5.41%**	**20.82%**
Equitable Share Allocation	3,587,084,400	4,262,115,600	4,262,115,600	100%	0.00%	18.82%
Local Revenue	271,605,362	350,000,000	254,745,602	79%	-20.96%	189.03%
Grants (Total)	529,563,549	993,165,196	785,034,194	73%	-27.22%	-51.90%
Total Expenditure	**4,479,915,937**	**5,857,834,974**	**5,554,449,574**	**95%**	**-5.18%**	**23.99%**
Recurrent	2,732,093,020	3,459,573,007	3,264,152,002	94%	-5.65%	19.47%
Development	1,155,991,582	1,935,261,967	1,346,399,471	70%	-30.43%	16.47%
County Assembly	357,770,700	463,000,000	429,024,953	93%	-7.34%	19.92%
Unspent Bal Current FY	**234,060,635**	**-**	**514,873,148**			**0.00%**

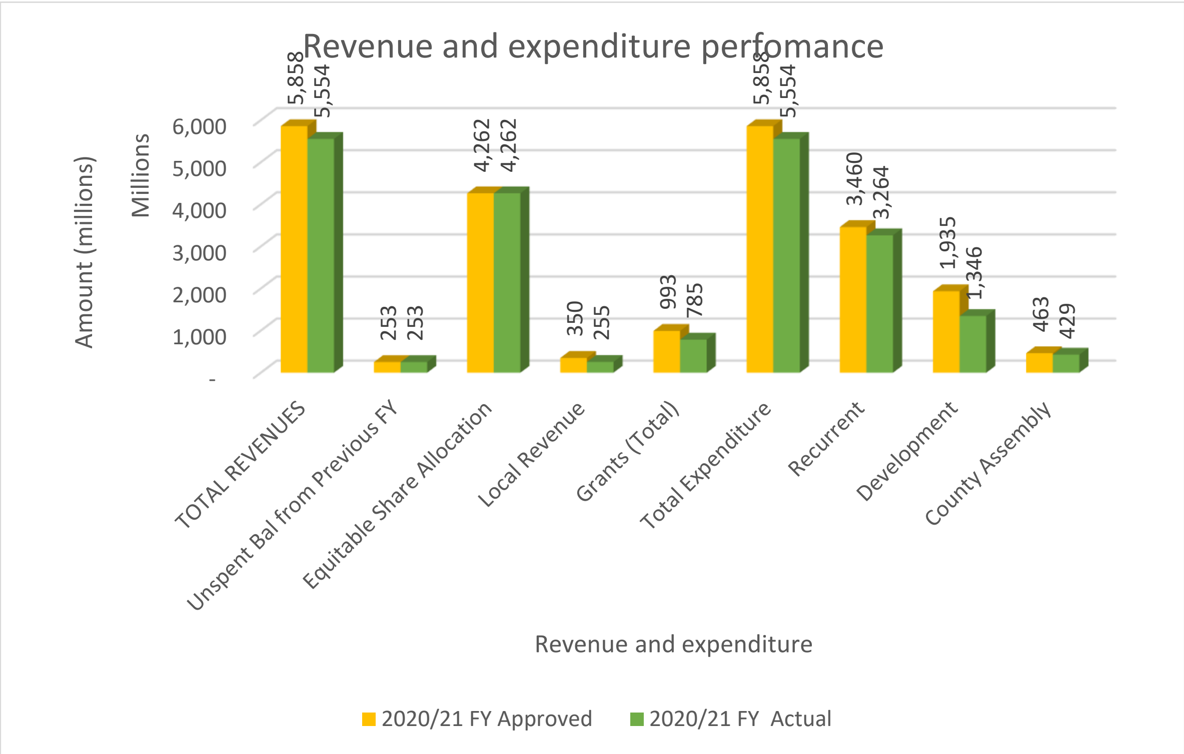

Figure 1: Fiscal Performance for 2020/21 FY

The county total revenues for the year were KES 5,44.45 million representing 95% of the annual projected revenues of KES 5,857.83 million and a growth of 24 % from the previous year total of KES 4,479.9 million for the FY 2019/20. During the 2020/21 financial year, the county also had an unspent balance of KES 252.55 million compared to KES 91.65 million carried forward to the 2019/20 financial year. The budget absorption level was at 86% for the year under review with 70% and 94% absorption rates for Development and Recurrent Expenditure respectively. At the close of the financial year the County had not spent KES 514.9 million due to the delayed release of funds by the national treasury (9.3 % of the revenues received during the year under review).

Table 2: Allocation and Actual Expenditure Executive and Assembly

Particulars	2019/20 FY Actual	2020/21 FY Approved	2020/21 FY Actual	% performance
Total Expenditure	**4,479,989,745**	**5,857,834,974**	**5,554,449,574**	**100%**
Recurrent	2,732,093,020	3,459,573,007	3,264,152,002	94%
Development	1,155,991,582	1,935,261,967	1,346,399,471	70%
County Assembly	357,770,700	463,000,000	429,024,953	93%
Unspent Bal Current FY	234,134,443	-	514,873,148	

The expenditure by the County Assembly was KES 429.02 million representing about 8% of the total county expenditure. This is slightly above the 7% envisioned by the PFM regulations 2015 Section 25(1)(f) mainly due to the development allocation for construction of the County Assembly Offices.

2.2 County Own Revenue Performance and Conditional Grants

The total amount of County Own Revenue (CORe) collected in FY 2020/21 was KES 254.6 million, which was 12 per cent a decrease from KES 271 million realized in FY 2019/20. This represents a 27 percent under collection of the annual CORe target of KES 350 million approved in the FY 2020/21 budget. Annex 2 gives a full analysis of the revenue performance per stream for FY 2020/21.

2.2.1 Revenue performance

The total amount of County Own Revenue (CORe) slightly dropped from KES. 271.6 million in the financial year 2019/2020 to KSH 254.76 million in financial year 2020/2021. This represents a 27 percent under collection given the annual CORe target of KES 350 million approved in the FY 2020/21 budget.

The failure to meet the annual target was attributed by the introduction of 100% waiver on the outstanding arrears on liquor licenses and single business permit as at 2020 for all business, 50% waiver on 2021 licenses for bookshops, bars, restaurants and school uniforms, 100% waiver on trading licenses for the private schools for the year 2021 and100% waiver on penalties on land rates and rent. The waiver was aimed at small businesses to help them overcome economic shocks resulting from COVID-19.

To improve the performance in CORe the county will use the training guidelines recently launched by Commission on Revenue Allocation to capacity build staff. This will enhance the technical capacity of the County Government revenue staff, supervisors, management and policy makers on the process of revenue collection, management and enhancement. Table 4 shows the top ten revenue stream in the county, with hospital fees, single business permits, CESS fees and miscellaneous contributing 70% of the total revenue.

Table 3: Top Ten Revenue Streams

SNO	REVENUE STREAM	CODE	QTR1	QTR2	QTR3	QTR4	GRAND TOTAL	% PERFORMANCE
1	Hospital Fees	R023	21,224,285	20,621,351	24,667,165	21,704,331	88,217,132	35%
2	Single Business Permit	R003	6,434,600	2,319,615	17,406,862	24,333,780	50,494,857	20%
3	Cess Fees	R004	14,805,650	11,236,660	12,049,125	7,556,824	45,648,259	18%
4	Miscellaneous	R018	51,899	884,893	132,159	15,071,107	16,140,058	6%
5	Vehicle Parking	R006	3,133,112	3,130,323	3,565,323	2,303,640	12,132,398	4.8%
6	Liquor Inspection	R022	259,965	1,222,220	1,010,000	8,127,600	10,619,785	4.2%
7	Market and Slaughter	R005	911,420	2,399,618	2,580,320	2,470,749	8,362,107	3.3%
8	Plan Approval Fees	R009	877,212	1,542,090	1,321,001	1,114,623	4,854,926	1.9%
9	Plot Rents	R002	963,350	802,479	995,563	1,512,227	4,273,619	1.7%
10	Advertisement	R016	345,190	220,100	2,538,200	478,790	3,582,280	1.4%
	Grand Total		**49,006,683**	**44,379,349**	**66,265,718**	**84,673,671**	**244,325,421**	**100%**

2.2.2 Conditional Loans and Grants

The County received KES 785 million in form of loans and grants which includes DANIDA, KSCAP, KDSP, THSUCP, KUSP, ASDSP and Roads Maintenance Fuel Levy and other conditional grants. These greatly complemented the equitable share funds. The delay in disbursements of some of the loans and grants continue to hamper the smooth implementation of the key projects and programmes. The improved rating with respect to the KDSP grant also helped the county an opportunity to access level due to the improved audit opinion from the

2017/18 financial year in which the County government had an unqualified audit opinion. Table 5 below analyzes Conditional Grants released in FY 2020/21.

Table 4: Summary Release of Conditional Loans and Grants

SNO	SOURCE OF REVENUE	FY 2019/20			FY 2020/21		
		REVISED APPROVED ESTIMATES	ACTUAL RECEIPTS IN KSHS	% ACHIEVED	REVISED APPROVED ESTIMATES	ACTUAL RECEIPTS IN KSHS	% ACHIEVED
1	UHDSP – DANIDA	14.94	14.94	100%	11.16	11.16	100%
2	Compensation for forgone user fees	8.22	8.22	100%	8.22	8.22	100%
3	Road Maintenance Fuel Levy Fund	111.40	111.40	100%	115.09	115.09	100%
4	Supplement Construction County HQ	1.15	-	0%	-	-	0%
6	THSUCP – WB	40.05	40.05	100%	101.45	101.19	100%
7	ASDSP – Sweden	15.52	15.35	99%	12.18	11.68	96%
8	KCSAP – WB	152.37	129.17	85%	320.00	266.69	83%
9	KDSP – WB	30.00	30.00	100%	182.24	182.24	100%
10	KUSP - UDG Grant	68.05	35.76	53%	50.00	27.96	56%
11	KUSP - UIG Grant	8.80	8.80	100%	-	-	0%
12	Youth Polytechnics Grant	55.64	55.64	100%	60.80	60.80	100%
13	Leasing Medical Equipment	131.91	-	0%	132.03	-	0%
14	COVID 19 Emergency Grant	39.68	39.68	100%	-	-	100%
15	Other receipts	0.09	0.09	100%	-	0.02	0%
	Total Amount	**677.82**	**529.56**	**78%**	**1,032.84**	**865.18**	**84%**

2.3 County Expenditure Performance

The total expenditure for the year was KES 5,039.6 million of which KES. 3,687.3 million was used to finance the recurrent expenditure (inclusive of County Assembly allocation); representing 73.2 percent of the total county expenditure, while the development expenditure was KES 1352.33 million representing 26.83 per cent of the total budget. The County Assembly expenditure of KES 429.02 million represents 8.0 % of the total county expenditure.

Table 5: Expenditure by Vote

Particulars	2019/20 FY Actual	2020/21 FY Approved	2020/21 FY Actual
Total Expenditure	4,245,855,302	5,857,834,974	5,039,576,426
Recurrent	3,083,315,158	3,882,573,007	3,687,251,222
Development	1,162,540,144	1,975,261,967	1,352,325,204
Recurrent as a % of Total expenditure	72.62%	66.28%	73.17%
Development as a % of total expenditure	27.38%	33.72%	26.83%

2.3.1 Expenditure per economic classification

Table 3 below gives a breakdown of the county expenditure performance per economic classification.

Table 6: County expenditure performance per economic classification

DESCRIPTION	Actual Expenditure and Revenue 2019/20	Revised Estimates for Fy 2020/21	Actual Expenditure and Revenue 2020/21
Total Budget	**4,245,770,182**	**5,857,834,974**	**5,039,576,426**
Total Recurrent Expenditure	**3,309,403,911**	**4,279,995,069**	**3,976,386,612**
Compensation to Employees	2,044,509,882	2,404,536,307	2,391,657,907
Use of Goods and Services	574,138,695	788,361,299	693,702,168
Grants and Other Transfers	690,755,334	1,087,097,463	891,026,537
Total Capital Expenditure	**936,366,271**	**1,577,839,905**	**1,063,189,814**
Other Development	936,366,271	1,577,839,905	1,063,189,814
Financed by:			
Total Revenue	**4,479,904,413**	**5,857,834,974**	**5,554,449,574**
Equitable Share	3,587,084,400	4,262,115,600	4,262,115,600
Conditional Grants	529,563,549	993,165,196	785,034,194
County Own Revenue [CORe]	271,605,362	350,000,000	254,745,602
Balance b/f	91,651,102	252,554,178	252,554,178
Net Financing	**234,134,231**	**-**	**514,873,148**

The main expenditure classifications are compensation of employees, use of goods and services, grants and other transfers and other development. This is as per the GFS coding system.

2.3.2 Expenditure by Economic Classification

The expenditure of KES 3,976.4 million (78.9 percent of total revenue realized and including expenditure by County Assembly) comprised of KES 2,391.7 million of total expenditure (47.5 per cent) spent on payment of wages and salaries, KES 693.7 million (13.76 per cent) spent on operations and maintenance and KES 891.03 million as grants and transfers. The figure for grants includes KES 429 million utilized by the County Assembly against an allocation of KES 463 million. The expenditure on other development for FY 2020/21 was KES 1,063 million representing 21.1 per cent of the total annual expenditure and 13.5 per cent increase compared to the expenditure of KES 936.4 million for FY 2019/20. Figure 2 below gives a graphical comparison of the expenditure by economic classification for FY 2019/20 and FY 2020/21, inclusive of County Assembly allocation.

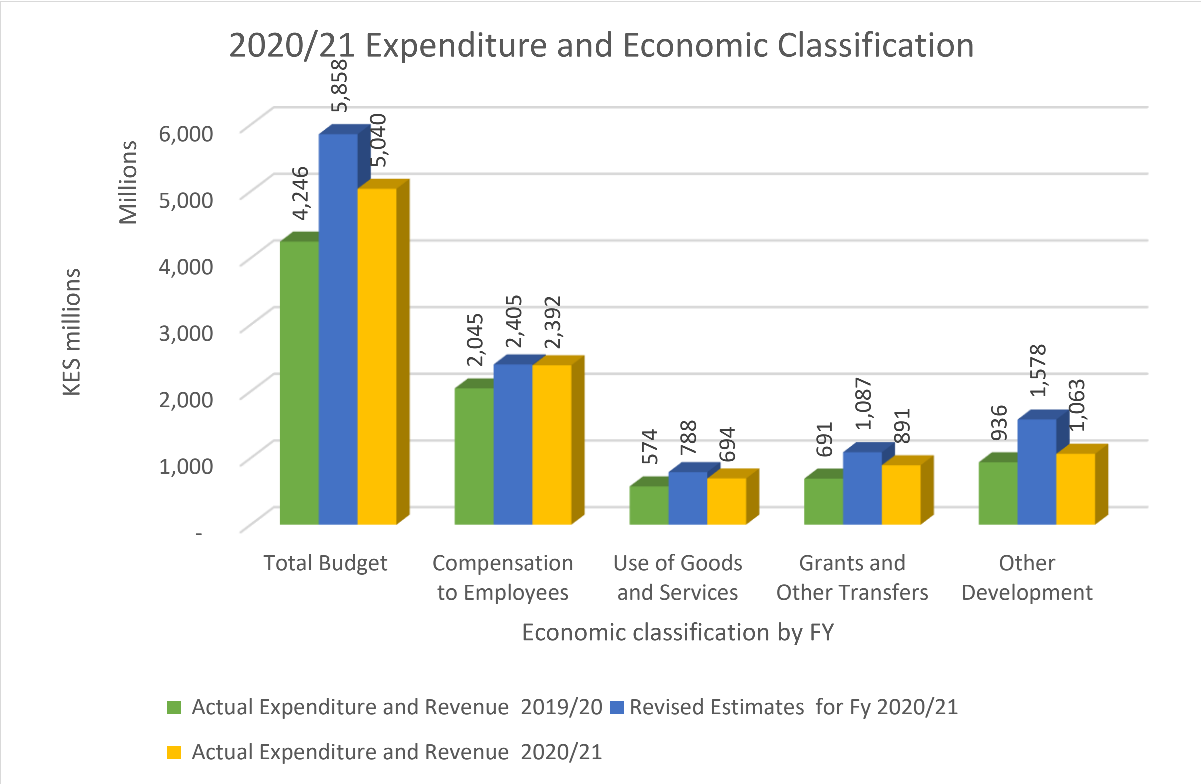

Figure 2: Comparison of recurrent expenditure for FYs 2018/19 and 2019/20.

2.3.3 Expenditure by Sector and Department

The table 8 and 9 show the absorption rates by sectors and departments as per CFSP ceilings, budget allocation and actual expenditure.

Table 7: Absorption Rates by Sectors 2020/21 FY

SECTOR	**C-FSP 2020**			**BUDGET ALLOCATION 2020/21**			**Cumulative Expenditure 2020/21**			**Absorption**	**Deviation (%)**
	Recurrent	**Development**	**Total**	**Recurrent**	**Development**	**Total**	**Recurrent**	**Development**	**Total**	**(%)**	**CFSP - BUDGET**
Public Admin.	1,020,672,629	50,000,000	1,070,672,629	1,199,085,568	288,355,112	1,487,440,680	1,125,935,670	73,814,630	1,199,750,300	80.66%	38.93%
Energy and ICT	11,758,017	-	11,758,017	2,711,000	-	2,711,000	2,701,000	-	2,701,000	99.63%	-76.94%
Infrastructure	62,573,272	411,517,091	474,090,363	100,058,247	556,544,541	656,602,788	89,677,096	457,971,466	547,648,562	83.41%	38.50%
Health	1,828,625,732	102,112,862	1,930,738,594	1,767,251,740	140,568,968	1,907,820,708	1,693,022,596	114,154,031	1,807,176,627	94.72%	-1.19%
Education	286,662,405	81,441,468	368,103,873	297,081,435	125,137,697	422,219,132	284,899,323	123,703,643	408,602,966	96.78%	14.70%
General Economic affairs	115,056,557	-	115,056,557	104,297,800	-	104,297,800	96,171,336	-	96,171,336	92.21%	-9.35%
Agriculture and livestock	288,121,523	680,097,159	968,218,682	316,000,742	707,411,649	1,023,412,391	341,415,621	467,734,884	809,150,505	79.06%	5.70%
Environment And Natural Resources	74,244,716	140,369,768	214,614,484	96,086,475	157,244,000	253,330,475	56,340,870	112,034,260	168,375,130	66.46%	18.04%
GRAND TOTAL	**3,687,714,851**	**1,465,538,348**	**5,153,253,199**	**3,882,573,007**	**1,975,261,967**	**5,857,834,974**	**3,690,163,512**	**1,349,412,914**	**5,039,576,426**	**86.03%**	**13.67%**

Table 8: Absorption rates by Department 2020/21 FY

MINISTE RIAL DEPARTMENTS	**C-FSP 2020**			**BUDGET ALLOCATION 2020/21**			**Cumulative Expenditure 2020/21**			**Absorption**	**Deviation (%)**
	REC	**DEV**	**TOTAL**	**REC**	**DEV**	**TOTAL**	**REC**	**DEV**	**TOTAL**	**(%)**	**CFSP - BUDGET**
Governor's Office	135,783,542	-	135,783,542	152,172,292	-	152,172,292	124,545,290	-	124,545,290	81.84%	8.28%
Finance and Economic Planning	196,469,877	-	196,469,877	316,689,744	248,355,112	565,044,856	283,206,147	67,888,897	351,095,044	62.14%	-78.70%
County Public Service Board	22,789,381	-	22,789,381	18,043,798	-	18,043,798	11,955,192	-	11,955,192	66.26%	47.54%
Administration and Public Service	265,629,829	-	265,629,829	289,179,734	-	289,179,734	283,129,821	-	283,129,821	97.91%	-6.59%
County Assembly	400,000,000	50,000,000	450,000,000	423,000,000	40,000,000	463,000,000	423,099,220	5,925,733	429,024,953	92.66%	4.66%
SUB-TOTALS	**1,020,672,629**	**50,000,000**	**1,070,672,629**	**1,199,085,568**	**288,355,112**	**1,487,440,680**	**1,125,935,670**	**73,814,630**	**1,199,750,300**	80.66%	-12.06%

Energy and ICT	11,758,017	-	11,758,017	2,711,000	-	2,711,000	2,701,000		2,701,000	99.63%	77.03%
SUB-TOTALS	**11,758,017**	**-**	**11,758,017**	**2,711,000**	**-**	**2,711,000**	**2,701,000**	-	**2,701,000**	99.63%	77.03%
Roads, Transport and Infrastructure	62,573,272	411,517,091	474,090,363	100,058,247	556,544,541	656,602,788	89,677,096	457,971,466	547,648,562	83.41%	-15.52%
SUB-TOTALS	**62,573,272**	**411,517,091**	**474,090,363**	**100,058,247**	**556,544,541**	**656,602,788**	**89,677,096**	**457,971,466**	**547,648,562**	83.41%	-15.52%
Medical Services	1,497,679,214	102,112,862	1,599,792,076	1,449,402,937	140,568,968	1,589,971,905	1,415,127,767	114,154,031	1,529,281,798	96.18%	4.41%
Public Health and Sanitation	330,946,518	-	330,946,518	317,848,803	-	317,848,803	277,894,829	-	277,894,829	87.43%	16.03%
SUB-TOTALS	**1,828,625,732**	**102,112,862**	**1,930,738,594**	**1,767,251,740**	**140,568,968**	**1,907,820,708**	**1,693,022,596**	**114,154,031**	**1,807,176,627**	94.72%	6.40%
Youth, Sports, Culture and Tourism	43,907,961	25,275,000	69,182,961	29,506,086	56,500,000	86,006,086	20,340,807	25,994,050	46,334,857	53.87%	33.03%
Education and Vocation Training	242,754,444	56,166,468	298,920,912	267,575,349	68,637,697	336,213,046	264,558,516	97,709,593	362,268,109	107.75%	-21.19%
SUB-TOTALS	**286,662,405**	**81,441,468**	**368,103,873**	**297,081,435**	**125,137,697**	**422,219,132**	**284,899,323**	**123,703,643**	**408,602,966**	96.78%	-11.00%
Trade, Industry and Cooperatives	115,056,557	-	115,056,557	104,297,800	-	104,297,800	96,171,336	-	96,171,336	92.21%	16.41%
SUB-TOTALS	**115,056,557**	**-**	**115,056,557**	**104,297,800**	**-**	**104,297,800**	**96,171,336**	-	**96,171,336**	92.21%	16.41%
Agriculture	116,692,761	448,959,659	565,652,420	152,143,084	464,959,659	617,102,743	146,010,538	323,208,856	469,219,394	76.04%	17.05%
Livestock and Fisheries	87,098,778	42,967,500	130,066,278	75,047,950	34,281,990	109,329,940	71,089,642	26,736,083	97,825,725	89.48%	24.79%
Lands, Physical Planning and Urban	84,329,984	188,170,000	272,499,984	88,809,708	208,170,000	296,979,708	124,315,441	117,789,945	242,105,386	81.52%	11.15%
SUB-TOTALS	**288,121,523**	**680,097,159**	**968,218,682**	**316,000,742**	**707,411,649**	**1,023,412,391**	**341,415,621**	**467,734,884**	**809,150,505**	79.06%	16.43%
Environment and Natural Resources	23,013,728	-	23,013,728	51,966,136	-	51,966,136	14,737,034	-	14,737,034	28.36%	35.96%
Water Services and Irrigation	51,230,988	140,369,768	191,600,756	44,120,339	157,244,000	201,364,339	41,603,836	112,034,260	153,638,096	76.30%	19.81%
SUB-TOTALS	**74,244,716**	**140,369,768**	**214,614,484**	**96,086,475**	**157,244,000**	**253,330,475**	**56,340,870**	**112,034,260**	**168,375,130**	66.46%	21.55%
GRAND TOTAL	**3,687,714,851**	**1,465,538,348**	**5,153,253,199**	**3,882,573,007**	**1,975,261,967**	**5,857,834,974**	**3,690,163,512**	**1,349,412,914**	**5,039,576,426**	86.03%	2.21%

2.3.3 Implications for the FY 2020/21 performance

The revenue performance in the FY 2020/21 was 95% and the shortfall in revenue was due to local revenue (80%), KSCAP (83%), CUSP (56%) and leasing of medical equipment (0%). This in turn affected implementation of the budget hampering service delivery and implementation of some programs in the budget. The performance in the FY 2020/2021 affected the financial objectives set out in the County Fiscal Strategy Paper 2020 in the following ways:

(i) In the FY 2020/2021, there were severe cash flow challenges due to delayed release of CARA revenue with funds disbursement from Equitable Share of Revenue due in June being released in early July by National Treasury. The revenue deficit on Own Sources of Revenue amounting to KES. 94 Million which affected service delivery and delayed payment for goods and services rendered to the County by our suppliers.

(ii) The failure to achieve full funds absorption can be attributed to revenue deficit and unrealized loans and grants. That absorption rates by most County departments were above 70% for both development and recurrent with the overall actual expenditure level reaching 86% of the target.

(iii)That the CORe base decreased from KES 271 million realized in FY 2019/20 to KES 254 million realized in FY 2020/21.

(iv) The County Government pending bills decreased from Kshs 439 million in FY 2019/20 to Ksh. 357 Million in FY 2020/21. The County Government has settled over Kshs 264 million in FY 2020/21 and will settle the remainder with the financial year.

(v) That the expenditure on personnel emoluments is at 45% above the 35 per cent of all revenues to the County Government required by PFM regulations 2015. However, the County Government has put in place relevant measures through the County Public Service Board to ensure the wagebill challenge has been addressed with a target of 38% in the medium term.

Given the above deviations, the revision of revenues and expenditure ceilings for FY 2022/23 and medium term will be based on the projected revenues and economic prospects forecasted in the County Fiscal Strategy Paper 2022. The County Government will strive not to deviate from other fiscal responsibility principles stipulated in Section 107 of the PFM Act 2012 but will make appropriate modification to the financial objectives to be contained in the CFSP 2022 to reflect the changed circumstances.

SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

County Government of Tharaka Nithi continues to ensure commitment to prosperity through the implementation of programmes that are geared towards uplifting the living standards of its citizens. We are committed to promoting a bottom-up development approach as captured in the objectives of our development framework. The administration has strived to ensure that it consistently maintains a satisfactory development budget threshold recommended by the PFM Act, 2012 to support direct growth across all the sectors. This strategy has been effective in initiating sustainable social economic programs.

Tharaka Nithi has supported the efforts of the national government by continuous improvement of transport infrastructure that connects major towns and incentivized new development to be spurred along these roads. Although the County Government has a key target on access roads, feeder roads and opening of new rural in-roads it is important to note that the big picture is to have universal development which is inclusive and non-discriminative. This robust countywide strategy includes improvement of elements such as social amenities and accessibility to public places across sub-counties, towns and wards for purposes of ensuring benefits are shared and that urban sprawl is controlled where towns are growing at an impressive rate.

3.1 Coronavirus pandemic

Since 13th March 2020, when Kenya reported its first confirmed COVID-19 case, the country has progressively witnessed an increase in number of cases and a widening of geographical scope of infection. As at 8th September 2021, there were 240,430 confirmed cases and 4,795 confirmed deaths in all 47 counties. The country had tested and reported on a cumulative total of 2,429,337 samples. After the confirmation of the first Coronavirus case in Kenya, the Kenyan Government had put in place several mitigating measures to aid in the spread of the COVID-19 virus in the country. Approximately 1.02 million doses of the Oxford Astra Zeneca COVID-19 vaccine, arrived at Jomo Kenyatta International Airport, Nairobi, on Wednesday March 3, 2020 as part of the COVAX facility, during the landmark campaign to vaccinate vulnerable groups in the country, including those aged 55 years and over and people with pre-existing conditions.

The country has so far authorized the use of AstraZeneca/Covishield, Pfizer, Moderna, Sinopharm as well as the Johnson and Johnson vaccines. The country has received approximately 4.2 million vaccine doses and to date, 2,934,285 people have received either the first or second doses. Of this, 80,380 people have been fully vaccinated, reflecting as 38.6% of the total population vaccinated and received the second doses. In total, approximately 3% of adults are vaccinated in Kenya. The first batch of Johnson and Johnson COVID-19 vaccine arrived in September 2021, comprising of 141,600 doses, as it ramps up the ongoing COVID-19 vaccination program. The County Government of Tharaka Nithi has administered 16,008 first doses and approximately 6,188 second doses.

Mandatory requirement to wear masks while in public places remains upheld in Kenya to prevent surges in infection. The positivity rate in the county is approximately 6.5%, after uplifting the nationwide ban on all movement by road, rail or air in and out of the country.

The 2021/22 fiscal year has witnessed significant recovery due to the targeted approaches used to improve the economic outlook, which includes improving primary healthcare countrywide and upgrading numerous health facilities. However, related sectors including tourism, sports and youth development are yet to witness an increase in activity and public health officers continue to ensure that all establishments meet the MOH protocols.

The Council of Governors have led efforts to reflect national government response efforts at county level. Challenges prevail in the process, with low bed capacity for critical patients, vaccination outreach and recommending strategic policy measures that can be adopted. The national government, county governments and development partners have maintained a strong intergovernmental relationship in response towards preventing future pandemics and to reengineer economic recovery.

The nation needs to establish ownership of all response mechanisms set in place to address COVID-19. However, Kenya remains in need of a health Fund at County level with oversight through the health facility committees; Regional Infectious Disease Centers and Research Institutions by the County Regional Blocs. A Kenya Center for Disease Control would strengthen local early warning systems; and enhance FDI in the preventive and promotive healthcare. Additionally, there is need to fully roll out Universal Health Coverage and ensure agencies tasked to fight corruption coordinate their work which will lead to reduced corruption in the procurement processes. There is also need to recruiting more health workers.

3.2 Recent Economic Developments

The World Economic Outlook forecasts 6% global growth, which is an increase from 3.1 percent projected in 2020. However, 2022 is expected to experience only 4.9% growth due to advanced changes in the economy as a result of the pandemic. The IMF cites policy changes in a post -pandemic world, increased food prices, and transitory inflation pressures as a major cause of declined growth. Additionally, emerging markets are expected to face worsening conditions and require stringent financial conditions to address slow recovery.

Further, the forecasted economic recovery is anticipated to impact the cost of commodities such as crude oil. Political instability in the Middle East ensues with the exit of the U.S military from Afghanistan, which is an additional impediment to international trade advances during this year that will impact advanced economies. The multinational enterprise crackdown by the Chinese government is expected to affect technology and innovation, while the continued effects of Brexit will continue to affect monetary policy.

The COVID-19 pandemic continues to lead to negative impact on global prospects, leading to the worldwide deployment of vaccines to strengthen local responses and possibly lead to an end to the pandemic. The health crisis is at the core of the challenging economic times, as there is climate change and the threat to weather conditions. Collective global efforts to manage climate change are also anticipated to increase liquidity through management of greenhouse gas emissions and reinforce global responses.

Households continue to endure the global impact of COVID-19, characterized by higher taxes and duties, forcing those in the lower-income brackets to make slower progress towards the elimination of poverty and holistic monetary policies that contribute to global growth of 6 percent this year and 4.9% in 2022, but with offsetting revisions.

Sequential growth in the emerging markets is expected to expand in 2021 by 6.9% after a 2020 contraction of -1.9%, attributed to the changes made in response to unprecedented volatility caused by COVID-19. The U.S economy is set to grow between 6.5% and 7% up from 3.9 percent in 2019. Accelerated growth is anticipated in the latter quarters of 2021 according to analysts, due to widespread recovery efforts that will improve domestic borrowing to pre-COVID19 levels. However, downside risks pose a threat to this projection, due to customized government responses set to address the debt concerns in the emerging nations such as India (where the pandemic resulted in an alarming number of cases) and East and Southern Africa (where fiscal imbalances prevail and reliance on external investments to boost consumption remains high).

In sub-Saharan Africa, progress in dominant sectors such as tourism and industry continue to be ravaged by the effects of travel restrictions, leading to severe loses in the business travel sector and air travel overall. Cargo is anticipated to become a major revenue stream, with adjustments being made to foster sustenance of related sectors.

3.2.1 Overview of Recent Economic Developments

Kenya's partial economic recovery has contributed to Tharaka Nithi County upholding all development priorities with the Big Four Agenda, despite the uncertainty that was triggered by the pandemic. The County Government has increased its investment in flagship projects with long term impact as a way of ensuring sustained development. Counter-part funding which includes conditional grants, conditional loans, donor funding, community partnership, PPP and other forms of concessionary agreements was considered in the development of the 2020/21 budget.

The journey to transform Tharaka Nithi into a thriving, prosperous County whose people are inspired to achieve tremendous progress is steadily being realized. The diverse geographic and demographic spread have ensured that development impacts every corner of the county.

The incredible progress made between 2017/18 FY and 2020/21 is expected to lead to extraordinary success despite facing numerous challenges in sectors such as Health, Infrastructure, Agriculture, and Education. Demand for more development remains high among the *Ciambai*, set with many expectations from the current administration. As such, socio-economic developments to improve the living standards of the people in line with the Sustainable Development Goals (SDGs) and Vision 2030 must be upheld to meet these demands.

Expansion of the county road network remains a major priority each year. The department of roads has focused on providing bitumen roads, opening and grading feeder roads at ward level, bus parks, boda-boda sheds, bridges and footbridges. Kshs 37 million was spent towards the completion of ongoing bridges and foot bridges in order to ensure linkage between major towns and trading centers. Additionally, upgrading of roads to bitumen standards has been done and led to the enhancement of over 44 kilometers cumulatively. It has been crucial to ease the movement of people and goods and spurred trade beyond the county borders. The County Government will continue tarmacking the following roads:

a) Tunyai-Nthaara road
b) Mitheru-Kaanwa road
c) Kambandi-Chera-Ruguti road

In addition, the government has invested heavily in opening, expanding, upgrading, and maintaining ward This has been facilitated by acquisition of heavy road machinery which include an excavator, graders, tippers, low-loader, roller and dozer, which significantly reduces the equipment solicited externally for recurring road maintenance activities.

Energy and ICT is ranked the strongest enabler of county-funded projects that require modern, quick and effective communication to ensure timely information interchange. The department continues to ensure that service delivery is timely and consistent in order to spur socio-economic growth among the youth and investors located in neighboring counties through improving customer care services and data access for informed investment decision-making.

Ensuring accountability and increasing the productivity of employees working for the County Government remains paramount. The ICT sector has contributed in the marked reduction of absenteeism and ghost workers thus streamlining service delivery in the public service. Inadvertently, the recognition of additional requirements in the public services has occurred, leading to analysis to determine the most appropriate measures to take in engaging additional staff in some cases.

The department of ICT has also continued to minimize operational costs by tracking fuel usage and motor vehicle routine maintenance through the fleet management system and maintained the modern ICT Network and Internet Infrastructure. The department has also connected and upgrade majority of offices without LAN and WAN access and supports maintenance of the same.

The National Government has prioritized a 100% electricity connectivity to all households through the Last Mile programme. The County Government established the Energy Resource Development and Management Programme in partnership with the Rural Electrification Authority (REA) to ensure that considerations for power reticulation for Lower Maara, Tharaka and Igambang'ombe among other areas in need of power such as markets, health centers and schools are made.

Additionally, the Mutaruni solar system upgrade is anticipated to lead to an improvement in electricity access. These areas serve as community connection points rendering previously off-grid homes and businesses within the close reach of national grid and beneficiaries of the county's growing economy. The department also spearheaded constructing houses for the Governor and the Deputy Governor which are still underway.

The department of lands, physical planning & urban development creates a vibrant business environment for the traders through its initiatives to construct modern markets, implement spatial town development plans and environmental enhancement drives through paving, landscaping, lighting, waste management programs and other activities. The county is embarking on paving Chogoria , launching the county spatial plan, ward improvement plan that focuses on floodlights and ablution blocks and marketplace improvements that will lead to the increased access to markets for traders. Further, the process of finalizing civil works in various parks to the county is on course, as is the environmental conservation program and improvement of informal settlements.

Kathwana Municipality also requires sewerage, affordable and decent houses, urban roads and portable water in order to achieve the vibrancy that should come with the county headquarters. In pursuit of improving security for the small and medium scale traders, the department will complete the construction of Kathwana Market and support infrastructure development in the county headquarters.

The confounding rate of urban expansion has led to an increase in e-waste and use of non-biodegradable materials. To address this problem, the County is incinerating large volumes of garbage to effectively manage its solid waste challenges. Other interventions in solid waste collection and aggregation include acquisition, installation and maintenance of a skip loader, skips and litter bins.

Pre-primary education and vocational training centers are County Government mandates. Thus, the department embarked on constructing Early Childhood Development Education (ECDE) classes in every ward and intends to furnish them with adequate play materials as well as play equipment's and rest facilities.

The County government has also engaged 453 ECDE care givers and embraced the new national curriculum. The care givers have been trained on the new curriculum. The department has managed to distribute bursary worth 31 million to bright and needy students in our secondary schools, tertiary colleges and universities and endeavored to strengthen the market-oriented courses taken in our polytechnics for those who opt to take the technical professions, engage in innovation, art and unconventional businesses that create gainful employment. Over the last three years the government has also taken up development programmes to revamp the polytechnics through rehabilitation and equipping.

Talent development through sports activities are meaningful ways in which the youth can be engaged in Tharaka Nithi County, which embraces harnessing the untapped talent, fostering cohesion and national unity. The undertaking to complete constructing Nyangumi, Kathwana and Kairuni stadia where they can gather for competitions and other leisure activities. The work is near completion and the county is also in the process of completing the social hall at Kathwana.

The County government caters to the issues affecting people gifted differently, by ensuring the can access equipment to ease their safety and mobility. The social services sub-sector has procured and distributed wheelchairs and other assistive devices that have significantly improved the lives of those who previously could not afford them. Focus on increasing school attendance among school going girls is one strategy to increase their access to opportunities regardless of their backgrounds. In this regard the county has continued to provide sanitary towels to those of age for their empowerment.

Quality and affordable health care services are critical to the social well-being of our society. Tharaka Nithi County Government is committed to offer world class health care services to its residents and to achieve this, the county government is focusing on standardizing and equipping the existing facilities as well as strengthening the county referral system. This includes completing dispensaries and hospitals, which includes Chuka Hospital, which is now poised to gain accreditation to a county referral hospital. The county government acknowledges the numerous initiatives that must succeed prior to being awarded the level five status. Thus, partnerships to ensure that all departments are operationalized and equipped will be a major activity during subsequent financial years.

Numerous projects have also been operationalized and are near completion since 2017/18 FY, including upgrading Magutuni, Marimanti, and Kibung’a Level IV hospitals, 12 health centers and dispensaries in order to ensure that residents access quality services throughout the county. Additionally, the Kenya Medical Training College (KMTC) is set to offer more training opportunities and contribute further to alleviation of the health burden in the sector, with the completion of the tuition block within Chuka Referral Hospital underway.

The key flagship projects in the health department will improve access to health care services within the county. They include operationalization of the ultra-modern outpatient block, construction of staff houses at Mpukoni, completion of Iriani, Munga, Wiru, Maragua and Tonya dispensaries, installation of 630 KVA generator at Chuka Referral hospital, construction of waiting bay and toilets at Mubukuro and Kanini Dispensaries. The department is also working to cater for special needs, by ensuring completion of the dental unit at Nkangani in Ganga ward.

The County Government installed a Hospital Management and Information System in the three main hospitals: **Chuka, Magutuni** and **Marimanti,** enabling expedient and efficient care, standardize their operations, minimize waiting times for the patients and improve patient data management in each of the major hospitals. The system also assures improved inventory management through monitoring to manage shortage and pilferage of consumables.

In order to rationalize referral services in the County, plans to procure additional state-of-the-art ambulances and vehicles are ongoing to ensure timely and successful patient referrals. The health department will also continue to receive sufficient allocations for the procurement of medical supplies and commodities.

Food and nutrition security remains a key pillar of the Kenya Vision 2030 and Big Four Agenda and the agriculture sector remains the backbone of the Kenyan economy, with 7 out of 10 of the national labor force and an annual GDP contribution of approximately 25%. Promoting climate smart agriculture remains a primary way of ensuring farmers adopt sustainable agricultural practices.

Agriculture forms a proportion of about 60 percent of the Tharaka Nithi County economic activities. Therefore, new and innovative initiatives that will lead to absolute food security include increasing acreage under food production and irrigated agriculture. Moreover, the adoption of modern post-harvest approaches, support to small holder farming, redesigning the subsidy model and elimination of multiple levies to farmers are necessary approaches to realizing this goal.

Tharaka Nithi has continued to enforce reforms in agriculture sector oriented in improving productivity, including extension services, capital infrastructure projects and capacity building. Notably, the county continues to facilitate the provision of certified farm inputs and materials under the county subsidized arrangements.

Provision of certified seeds - green grams, beans, Macadamia seedlings among others - Boma Rhodes, Bracharia grass and fertilizers is- also ongoing to ensure higher productivity. The national government through the National Cereals and Produce Board (NCPB) is expected to complement the county's efforts and has provided 560 bags of 17-17-17 fertilizers during the October- November long rain season in 2020. This was in partnership with FAO Livelihood program for farmers in the county.

The agriculture sector faces a myriad of challenges key among them climate change effects, characterized by unpredictable weather patterns, pest infestation and diseases leading to delayed planting, crop failure and diminishing returns. This is a major threat to food security in the county. One of the measures the County is implementing to address these challenges is irrigation expansion. This will reduce over-dependence on rain-nourished agriculture.

Approximately 636 Ha have been achieved through irrigation infrastructure development of SIVAP schemes, (Ruungu, Kirumi Kiamunjari and Makanyanga Irrigation Scheme). Rubate irrigation scheme is also under construction.

The County has also prioritized implementation of the policies, programmes and projects under ending drought emergencies initiative. 8,205 farmers have been supported by the Kenya Cereals Enhancement Program (KCEP) with input e-vouchers through the Maize/Beans and Sorghum/Green grams models.

The County will operationalize the Agricultural Training Institute (ATI) at Itugururu in Igambang'ombe, which will empower farmers through training programmes. The construction of Itugururu primary school was completed to pave way for unveiling of the ATI. Through the various grants and transfers through organizations such as KSCAP, the sector is expected to meet its objective to improve agricultural organizations and cooperative societies in the county. The County is also promoting diversification to protect farmers from loses resulting from farming specialization. The county is using model farms to spread new approaches and best practices of agriculture. This involves promotion of integrated farming such as horticulture farming, bee keeping and promotion of drought resistant crops.

Tea and Coffee are the major cash crops in our county. Additionally, the subsidization of crops and the rehabilitation of tea buying centers in Chuka and Maara will improve the services offered to farmers and the quality of tea by minimizing contamination and handling at buying centres. Additionally, there are plans underway to the improvement of cooperative offices in Chuka. Tea farmers will benefit from the partnership between the county government and Kenya Tea Development Authority (KTDA). In addition, the County Government is going to support coffee societies in rehabilitating coffee factories to ensure improved drying quality.

Livestock rearing is a key economic activity for most households in the lower ecological zones of our county, where most of the farmers from Tharaka South, Tharaka North and Igambang'ombe rely much on livestock to sustain their families. The sector faces several challenges, key among them being livestock diseases (including anthrax, ringworms, foot and mouth diseases, rinderpest and tick fever) and low prices for the animals. Thus, various infrastructural initiatives have been undertaken to ensure that livestock such as indigenous and improved chicken and dairy livestock are supported. Projects such as Magumango Cooperative Society and Magumoni Dairy Society will benefit from office construction and support breeds. Further, Kamukondoni dairy will be among the projects that benefit from the purchase of various commodities to manage disease control, surveillance, and prevention.

County government has embraced new innovations and technologies through subsidized artificial insemination (A.I) services to improve dairy farming. As such, it is crucial that small scale dairy processing plants are supported to ensure value addition is enforced. The County Government is also working to ensure availability of AI related products affordably.

The County Government has advised the milk aggregators to embrace micro-processing at individual cooling plants as it embarks on boosting feasibility studies that will culminate in establishment of a milk processing plant. Therefore, this project is aimed at addressing the current milk marketing challenges as well as increasing the value addition of milk and other dairy products.

Provision of clean and safe water to our people is a constitutional right and a key priority of the government. Water supply in this county has been a monumental challenge and the government has initiated various sustainable programmes that will solve the problem. We are working on protecting our water towers through environmental protection efforts which include planting of six (6) million trees to increase forest cover, protection of water catchments including Mt Kenya forest that is the source of rivers Mutonga, Thuci and others, riparian areas and conservation of forests.
The County has supported various irrigation and domestic water projects in addition to other projects funded by our development partners. Such key projects include Chiakamakama water project and the launch of the Kavando Water project, Kirigicha-Gichini, construction of common intake at Gitareni, Kabauboni, Kinoru, and Weru water projects. The county also invested in drilling and equipping of boreholes and maintaining more water projects where residents already are enjoying the benefits of piped water in addition to rehabilitation of existing rock water catchments and construction of several earth dams among others.

The County rehabilitated and installed solar pumping systems and established water kiosks within the proximity of supply to save residents the long journeys to the water points. The water department has a plan of drilling more boreholes in future. It has also surveyed several boreholes to maximize on ground water exploitation. The county also acquired a water bowser for water tracking especially during drought. As part of efforts to ensure food security, the county will continue to increase the land under irrigation and reduce over reliance on rain dependent agriculture.

3.3 Progress Report on Budget Implementation

The County Government continues to address challenges that affect resources mobilization for planned programmes. Budget implementation will be guided on the fiscal responsibility principles outlined in the PFM Act, 2012, Section 107(2). The impediments towards successful budget implementation included IFMIS system network downturns and e-procurement system that affected spending of funds. Emerging roles in the usability of the systems posed a challenge to the personnel tasked with processing of payments through the system thereby delaying the process flow.

In FY 2018/19 the county total revenue basket was KES 4,781 million which declined to KES 4,479.989 million in the FY 2019/20 representing a 9.4 percent decrease.
In FY 2019/20, the total amount of County Own Revenue collected was KES 271.0 million, an increase of 12 percent from KES 242.0 million realized in FY 2018/19. This upward trend in County Own Source Revenue collection is attributed to well-coordinated enforcement, effective supervision, staff reorganization and automation of revenue collection hence minimizing pilferage. The County government has instituted and operationalized laws to streamline revenue collection such as Finance Act 2018, Enforcement Act 2016 and Liquor Regulations of 2018. Going forward, mechanisms such as improvement of oversight along CESS collection points are bound to yield results and prevent incidences of non-compliance from those remitting the charges in every part of the county. The County has installed CCTV cameras for surveillance in key CESS collection points to improve enforcement and coordination efforts in revenue administration. The county needs to ensure it fully exploits the existing revenue potentials by mapping the revenue sources, utilizing revenue automation services as well as enactment of relevant legislation to support the collection of the revenue.

3.4 Medium Term Fiscal Framework

The 2021 Budget Review and Outlook Paper (BROP) has been prepared against a background of expected global recovery after a slump in 2020 occasioned by the negative effects of the COVID-19 pandemic. The global economy is projected to grow by 6.0 percent in 2021, from a contraction of 3.2 percent in 2020. However, economic prospects vary across countries with the emerging markets and developing economies expected to pick up slowly compared to the advanced economies given different country policy responses to the pandemic. The projected recovery in advanced economies, reflects the anticipated additional fiscal support in the second half of 2021 and broader vaccinations coverage across the group.

On the domestic scene, economic growth is expected to rebound to 6.2 percent in FY 2021/22 from the slowdown in FY 2020/21 and remain above 6.0 percent over the medium term. This recovery reflects the lower base effect of 2020 when most service sectors were adversely affected by the closure of the economy. The outlook in 2021 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 to support agricultural output. As a result, export of goods and services will expand as global demand normalizes.

The fiscal performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 pandemic. The shortfalls in revenue reflect the weak business environment as a result of the adverse impact of the COVID-19 pandemic containment measures adopted in March 2020, and tax relief measures that were implemented in April 2020 to support and cushion people and businesses. In light of this, the fiscal policy supporting the FY 2021/22 budget is designed to support resilient and sustainable economic recovery as well as inclusive growth, mobilize resources and reduce the fiscal deficit. The Government will continue with its policy on expenditure prioritization, implement the cost-cutting measures including parastatal reforms and align resources to programmes under the "Big Four" Agenda and those supporting the Economic Recovery Strategy.

The budget for the FY 2022/23 is being prepared under a revised budget calendar that takes into account the preparations for the 2022 General Elections. Therefore, Ministries, Departments and Agencies (MDAs) are expected to adhere to the strict deadlines in the revised budget calendar to enable finalization and appropriation of the FY 2022/23 budget by March 2022. Considering the tight resource envelope that is available for FY 2022/23 budget, all the Sector Working Groups are required to carefully scrutinize all proposed MDAs budgets and ensure strict adherence to sector ceilings provided in this document.

The County Government has the fiscal policy of maintaining a zero-fiscal balance. In this regard, FY 2020/21 posted a performance without budget deficit and in compliance with recommendation from the National Treasury for counties to ensure that total planned expenditures equal total expected revenues. The county government will focus more on expenditure prioritization; implement cost-cutting measures ensure implementation of Post Covid-19 Economic Recovery Strategy.

The huge wage-bill the county incurs leaves little allocation towards county endeavors thus curtailing achievement of key targets.

Through this paper, policy suggestions that can be implemented in the short to medium term, in order to tame the rising wage-bill include: review of recruitment practices, freeze on employment on need basis, and streamlining payroll and control systems (cleaning of payroll) in the county.

3.5 Risks to the Outlook

Although the Tharaka Nithi County economy has exhibited a resilient growth trend, it is still vulnerable to shocks emanating from macro environment affecting the larger national economy. The continued interventions in the economy by the Central Bank and National Treasury through modified macroeconomic policies, austerity expenditure measures, revamped revenue raising strategies and investment in mega infrastructure projects will have significant effect on the performance of county's key sectors. The following key risk factors had an impact on the performance of the county economy;

a) External risks:

Country Risk: Tharaka Nithi County was affected by the combined risks associated with investing in Kenya:

Political risk: With the 2022 elections just about less than one year away, this is likely to put pressure on the government spending due to high cost of holding general elections.

The countries that Kenya benchmarks its country risk – USA, South Africa, China, UK, Israel, Cuba, Nigeria and the countries within East African Communities – have considered long term repercussions of the political climate in the country and will remain so for the foreseeable future.

Similarly, CGTN is prone to dynamics in the political arena within the county.

Sovereign and Exchange rate risk: Fluctuation of Kenyan Shilling against the dollar negatively affected dollar denominated imports and dollar-based loans. The costs of farm inputs and machinery generally imported were higher than current market rate, however, Tharaka Nithi County buffered this by providing subsidized inputs to farmers. The adjustment of base lending rates for inter-bank lending by Central Bank has resulted in rising interest rates thus high cost of doing business. However, the interventions by the Central Bank and National Treasury targeting both monetary and fiscal policies will guarantee stable business environment characterized with stable inflation rate, exchange rate and moderate interest rates.

Trading blocs Risk: Regional trade between Kenya and its border countries has been considered as one of the major drivers towards economic growth. Policies to promote trade such as reduction of taxes and custom duties were adopted but still the Kenyan economy experiences low economic growth, this raises the question, to what factors should be put in place to encourage more growth. Regional trade between member countries such as East African Community (EAC) and Common Market for East and Central Africa (COMESA) are guided by common trade laws whereby the member countries are exempted from tax, however, the same goods are expensive in our country as compared to other member countries, hence, making it discouraging local production. Kenya stands to gain from trading within the region if the appropriate policy measures included in the vision 2030 blueprint which seeks to address issues like infrastructure development, promote security, enhanced food security, public private partnership among others are fully implemented.

Environmental risks: The country has so far experienced below normal rainfall in the first half of 2021. However, the weather forecast points to the possibility of the short rains being better in most parts of the country later in the year. Output of the agriculture sector, which is largely rain fed, is therefore likely to be lower than the 2020 level.

b) Fiscal Risks

Economic risk: On average, inflation was lower in the first quarter of 2021 compared to a similar quarter of 2020. However, there was a significant rise in the inflation rate during the second quarter and it is likely that this trend will continue in the second half of 2021 partly due to higher energy and transportation prices.

Current debts: At National Government level total stock of public debt rose by 14.3 per cent to Ksh 6,057.8 billion as at end of June 2020, with public external debt accounting for 55.3 per cent of the total debt. The government will have to impose high taxes on its citizens so as to be able to pay the national debt. This will also lead to delay in disbursement of equitable share to the economy hence delaying development.

SECTION IV: RESOURCE ALLOCATION FRAMEWORK

This section sets out how the County Government intends to spend within its budget. It establishes the total revenues it expects to raise during the period under review, and then allocates these across the County Government functions by setting expenditure ceilings for each government department. It has the following sub-sections as discussed below:

a) Adjustment to the proposed (2021-2022) budget;
b) The medium term expenditure framework for 2022/23– 2024/25 FYs;
c) Proposed (2022-23) budget framework; and
d) Projected fiscal balance and likely financing.

4.1Adjustment to the Proposed 2021/22 Budget

Considering the recent economic developments outlined earlier in the review of FY 2020/21 budget and the changes in the outlook discussed: the significant weakening of the economic situation due to the Coronavirus and high fuel prices likely to affect the equitable share of domestically collected national revenue that trickles to the counties. The upcoming elections may also affect allocation and implementation of the budget and disbursement of the funds

With the increasing recurrent expenditure pressures, especially arising from rising wage bill and the COVID 19 emergencies there is a serious fiscal risk in the event that the revenues are not fully realized and which would cause recurrent expenditure to exceed 70%.

Adjustments to the 2021/22 budget will consider actual performance of departments so far and absorption capacity in the previous financial year 2020/21 and the need to finance completion of key projects. It will also consider priority supporting the projects aimed at achieving the Big Four agenda and supporting economic recovery from the Pandemic. In addition, the review will also address the pending accounts payables for goods and services rendered and brought forward from previous years.

Further, the basis for adjustment will take into consideration resource constraints such that the CG will rationalize expenditures by cutting on non-priority areas. Additionally, the CG will require the departments to spread the planned expenditure in adherence to the departmental work plans and procurement plans, according to the PPRA regulations. The reason for slowing down or reprioritizing development expenditures is to ensure that the Government lives within its means or available resource envelope.

Additionally, the CG will strive to ensure that it maximizes on all its revenue sources to achieve the set CORe target of KES 350 million in FY 2021/22. Among the measures, the CG will be strengthening and entrenching revenue automated system and further reforms in revenue administration.

4.1.1 Medium Term Expenditure Framework

Over the medium term, the county government will allocate adequate resources to the County's priority sectors to enhance their contribution to the county economy. Efficiency is a key aspect when it comes to the maximum use of the available resources. To pursue efficiency; the county government will monitor, evaluate and oversee allocation, re-allocation and management of the public finances.

The following table summarizes specific activities that require significant increments in allocations:

Sector	Interventions
Health	1. COVID 19 commodities and interventions 2. Completion and operationalization of the OPD at Chuka Level IV Hospital 3. Operationalization of health centers and dispensaries 4. Universal health care 5. Pharmaceuticals and non-pharmaceuticals supplies 6. Community health care services
Agriculture	1. Climate change mitigation 2. Post-harvest management 3. Extension services and capacity building of framers 4. Offering subsidized, high quality farm inputs 5. Constructing, improving and modernizing markets and urban centres 6. Promotion of irrigated agriculture 7. Pasture development and bulking 8. Breeding 9. Disease control and surveillance 10. Value chain development 11. Marketing and value addition 12. Promotion of fish farming
Infrastructure	1. Tarmacking more roads 2. Opening up, expansion and improvement of county feeder roads 3. Construction of more bridges and culverts 4. Purchase, repair and maintenance of heavy machines
Education	1. Early childhood development 2. Promotion of sporting activities 3. Women and youth empowerment programmes 4. Vocational and youth training

Public administration	1. Public Finance Management 2. Governance reforms 3. Resource mobilization and revenue administration 4. Project planning and management 5. Human resource management and training 6. legislation and oversight 7. coordination and management of county affairs
Water and environment	1. Domestic water provision 2. Irrigation agriculture 3. Dam construction 4. Climate change mitigation 5. Environmental conservation 6. Rain water harvesting 7. Ground water harvesting 8. Waste management 9. Policy development and implementation

4.1.2 Proposed 2022/23 Budget Framework

The FY 2022/23 and the medium-term budget framework will be geared towards enhancing on the ongoing efforts to mitigate the efforts of the COVID-19 pandemic. This will be realized through the implementation of the projects identified in the economic recovery strategy. Furthermore, the government will continue on the path of fiscal consolidation with a focus on enhanced revenue mobilization from all sources. Cost effective budgeting and limitation on new projects will be the other key strategy. Additionally, maintaining a zero fiscal deficit will continue to be the priority goal in the budget framework.

The general macroeconomic condition of the country is expected to be stable as the COVID 19 vaccination drives reduce the infection rate. Therefore, the envisioned resource envelope and expenditure outlook will be based on assumption of stable inflation rate, exchange rate, interest rate and favorable macroeconomic conditions. The expenditure ceilings for the departments will be finalized in the County Fiscal Strategy Paper 2021 to be released in February 2022 with the necessary adjustments fully factored.

4.1.3 Revenue Projections

The projected budget for FY 2022/23 considers a total revenue of KES 5,449.9 million comprising of an equitable share of KES 4,424.9 million, county own revenue (CORe) of KES 350.0 million and grants of KES 675 million, as compared to KES 4,214.2 million, KES 350.0 million, and KES 965.9 million respectively projected in FY 2020/21. The reduction is due to the lapse of the KDSP and KUSP conditional grants.

Table 9: MTEF Revenue projections by source 2022/23-2024/25

DESCRIPTION	2019/20 FY ACTUAL	2020/21 FY ACTUAL	2021/22 FY PRINTED ESTIMATE	2022/23 FY PROJECTED	2023/24 FY PROJECTION	2024/25 FY PROJECTION
Equitable Share Allocation	3,587,169,732	4,262,115,600	4,214,198,393	4,424,908,313	4,646,153,729	4,878,461,415
Local Revenue	271,605,362	254,745,602	350,000,000	350,000,000	367,500,000	385,875,000
Grant income	529,563,549	865,181,194	965,878,611	675,000,000	708,750,000	744,187,500
Grand Total	**4,388,338,643**	**5,382,042,396**	**5,530,077,004**	**5,449,908,313**	**5,722,403,729**	**6,008,523,915**

Figure 4 shows the revenue performance and the projections over the medium term.

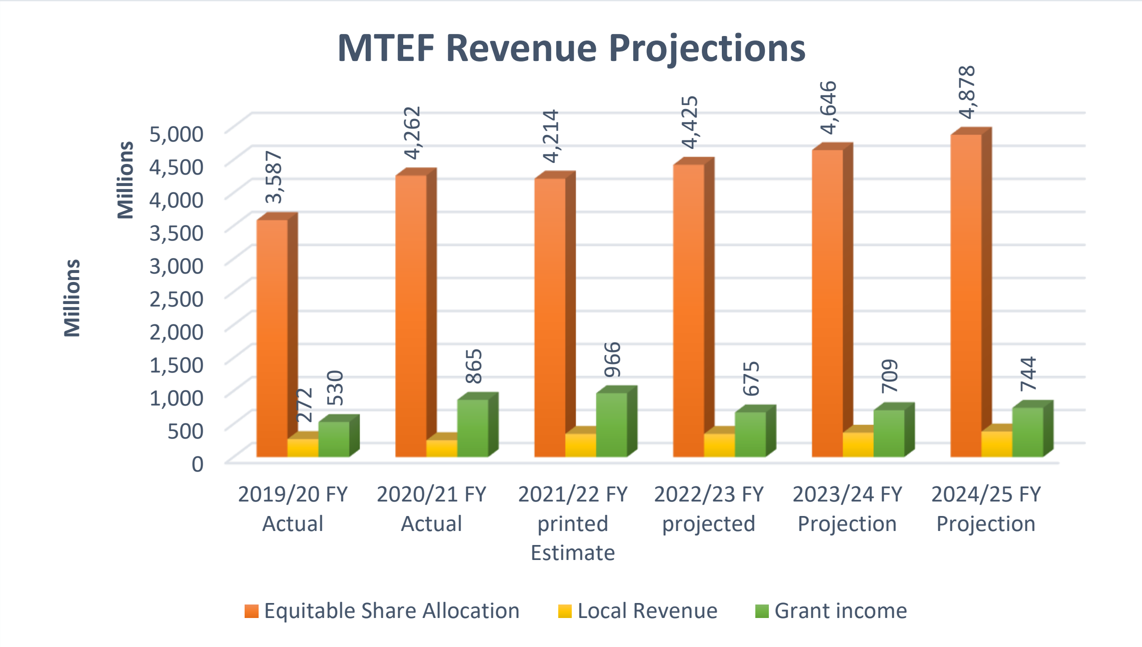

Figure 3: Revenue Projections FY 2019/20-2024/25

Figure 3 shows that there is slight decrease in local (own source) revenue collection from KES 272 million realized in FY 2019/20 to KES 255 million collected in FY 2020/21. The decline is attributed to the COVID-19 pandemic which necessitated a waiver to payment of permits and market fees to small scale traders to support their recovery in addition to suspension of market days. This trend is expected to be reversed in the medium term in order to increase the local revenue and achieve the set targets as the ongoing vaccination drive and enhanced enforcement of the MOH protocols will ease the spread on the virus. The revenue and expenditure projections in the medium term are as shown in the Table 10.

Table 10 : Revenue and Expenditure Projections 2022/23-2024/24

Description	**2019/20 FY Actual**	**2020/21 FY Budget**	**2020/21 FY Actual**	**2021/22 FY Budget**	**2021/22 FY (CBROP 2020)**	**2022/23 FY (CFSP 2021)**	**2022/23 FY (CBROP 2021)**	**2023/24FY (CFSP 2021)**	**2023/24FY (CBROP 2021)**	**2024/25 FY (CBROP 2021)**
TOTAL REVENUE & GRANTS	4,479,989,745	5,857,834,974	5,634,596,574	5,530,077,004	5,383,707,353	5,552,892,721	5,449,908,313	5,687,972,066	5,722,403,729	6,008,523,915
Unspent Bal b/f \Previous FY	91,651,102	252,554,178	252,554,178	0	0	0	0	0	0	0
Revenue (Total)	**4,388,338,643**	**5,605,280,796**	**5,382,042,396**	**5,530,077,004**	**5,383,707,353**	**5,552,892,721**	**5,449,908,313**	**5,687,972,066**	**5,722,403,729**	**6,008,523,915**
Equitable Share Allocation	3,587,169,732	4,262,115,600	4,262,115,600	4,214,198,393	4,214,200,000	4,324,910,000	4,424,908,313	4,646,153,728	4,646,153,729	4,878,461,415
Local Revenue	271,605,362	350,000,000	254,745,602	350,000,000	340,000,000	357,000,000	350,000,000	385,875,000	367,500,000	385,875,000
Grant income	529,563,549	993,165,196	865,181,194	965,878,611	829,507,353	870,982,721	675,000,000	655,943,338	708,750,000	744,187,500
Grand (Total)	**4,479,989,745**	**5,857,834,974**	**5,634,596,574**	**5,530,077,004**	**5,383,707,353**	**5,552,892,721**	**5,449,908,313**	**5,687,972,066**	**5,722,403,729**	**6,008,523,915**
Total Expenditure	**4,479,989,745**	**5,857,834,974**	**5,634,596,574**	**5,530,077,004**	**5,383,707,353**	**5,552,892,721**	**5,449,908,313**	**5,687,972,066**	**5,722,403,729**	**6,008,523,915**
Recurrent	3,083,315,158	3,882,573,007	3,687,251,222	3,534,549,207	3,581,750,253	3,676,892,865	3,690,087,330	3,881,717,417	3,874,591,697	4,068,321,281
Recurrent as % of CG Total Revenue	*69%*	*66%*	*65%*	*64%*	*67%*	*66%*	*68%*	*68%*	*68%*	*68%*
Personnel Emolument	2,044,509,882	2,404,536,307	2,391,657,907	2,068,157,874	2,055,943,953	2,055,894,900	2,455,943,953	2,280,788,580	2,578,741,151	2,707,678,208
Operations & Maintenance	1,038,805,276	1,478,036,700	1,295,593,315	1,466,391,333	1,525,806,300	1,620,997,965	1,234,143,377	1,600,928,837	1,295,850,546	1,360,643,073
Personnel Emoluments as % of CG Revenue	*46%*	*41%*	*42%*	*37%*	*38%*	*37%*	*45%*	*40%*	*45%*	*45%*
Development	1,162,540,144	1,975,261,967	1,352,325,204	1,995,527,797	1,801,957,100	1,875,999,856	1,759,820,983	1,806,254,649	1,847,812,032	1,940,202,634
Development as % of CG Total Revenue	*26%*	*34%*	*24%*	*36%*	*33%*	*34%*	*32%*	*32%*	*32%*	*32%*
Unspent Bal Current FY	234,134,443	0	595,020,148	0	0	0	0	0	0	0

4.1.4 Expenditure Forecasts

The 2022/23 FY total expenditure is projected to amount to KES 5,449.9 million. This is projected to increase to KES 5,722.4 million and KES 6,008.5 million in FY 2023/24 and FY 2024/25 respectively. The recurrent expenditure is estimated at KES 3,690.1 million compared to 3,534.6 million planned in budget FY 2021/22 and KES 3,688.25 million being actual expenditure incurred in FY 2020/21. The projected recurrent expenditure FY 2022/23 represents 68 percent of total expenditure being driven by projected wage bill at KES 2,455.9 million, allocation to the County Assembly at KES 432 million and KES 802 million for operations costs.

The capital expenditure for FY 2022/23 is projected to be KES 1,709.8 million compared to KES 1,995.5 million planned during FY 2021/22 and KES 1,352.3 million incurred in FY 2020/21. Table 11 indicates the projections of expenditure in the medium-term period.

Table 11: Summary of Actual and Projected Expenditure (MTEF)

Expenditure Classification	**Actual Expenditure 2020/21**	**Approved Budget Estimates 2021/22**	**Projected Estimates (MTEF) 2022/23**	**Projected Estimates (MTEF) 2023/24**	**Projected Estimates (MTEF) 2024/25**
Recurrent	3,264,152,002	3,111,549,207	3,258,087,330	3,418,591,697	3,587,321,281
Personnel Emoluments	**2,391,657,907**	**1,950,306,906**	**2,455,943,953**	**2,578,741,151**	**2,707,678,208**
Operations & Maintenance	**872,494,095**	**1,161,242,301**	**802,143,377**	**839,850,546**	**879,643,073**
Development	1,346,399,471	1,945,527,797	1,709,820,983	1,797,812,032	1,890,202,634
County Assembly	429,024,953	473,000,000	482,000,000	506,000,000	531,000,000
Un spent Bal current FY	514,873,148	-	0	0	0
Total	**5,554,449,574**	**5,530,077,004**	**5,449,908,313**	**5,722,403,729**	**6,008,523,915**

Table 12 illustrates the proposed budget ceilings for the MTEF period. These allocations therefore represent the preliminary and projected baseline ceilings in each sector for the proposed budget year's MTEF.

Table 12:Summary of Indicative Departmental Ceilings for the MTEF Period 2021/22- 2023/24

MINISTERIAL DEPARTMENTS	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2020/21 Actual Expenditure	**2021/22 Estimates**	**2022/23 Ceilings**	**2023/24 Projections**	**2024/25 Projections**	**2020/21 Actual Expenditure**	**2021/22 Estimates**	**2022/23 Ceilings**	**2023/24 Projections**	**2024/25 Projections**
Governor's Office	124,545,290	144,275,972	155,249,500	163,011,975	171,162,574	2.47%	2.61%	2.85%	2.85%	2.85%
Finance and Economic Planning	351,095,044	511,669,470	390,364,500	409,882,725	430,376,861	6.97%	9.25%	7.16%	7.16%	7.16%
County Public Service Board	11,955,192	23,933,364	25,200,400	26,460,420	27,783,441	0.24%	0.43%	0.46%	0.46%	0.46%
Administration and Public Service	283,129,821	137,954,880	143,000,000	150,150,000	157,657,500	5.62%	2.49%	2.62%	2.62%	2.62%
County Assembly	429,024,953	473,000,000	482,000,000	506,100,000	531,405,000	8.51%	8.55%	8.84%	8.84%	8.84%
Sub Total	**1,199,750,300**	**1,290,833,686**	**1,195,814,400**	**1,255,605,120**	**1,318,385,376**	**23.81%**	**23.34%**	**21.94%**	**21.94%**	**21.94%**
Energy and housing	2,701,000	146,358,980	63,940,705	67,137,740	70,494,627	0.05%	2.65%	1.17%	1.17%	1.17%
Roads, Transport and Infrastructure	547,648,562	482,028,324	502,400,500	527,520,525	553,896,551	10.87%	8.72%	9.22%	9.22%	9.22%
Sub Total	**550,349,562**	**628,387,304**	**566,341,205**	**594,658,265**	**624,391,179**	**10.92%**	**11.36%**	**10.39%**	**10.39%**	**10.39%**
Medical Services	1,529,281,798	1,545,710,207	1,650,113,800	1,732,619,490	1,819,250,465	30.35%	27.95%	30.28%	30.28%	30.28%
Public Health and Sanitation	277,894,829	431,202,402	310,500,400	326,025,420	342,326,691	5.51%	7.80%	5.70%	5.70%	5.70%
Sub Total	**1,807,176,627**	**1,976,912,609**	**1,960,614,200**	**2,058,644,910**	**2,161,577,156**	**35.86%**	**35.75%**	**35.98%**	**35.98%**	**35.98%**
Youth, Sports, Culture and Tourism	46,334,857	85,026,128	90,816,860	95,357,703	100,125,588	0.92%	1.54%	1.67%	1.67%	1.67%
Education and Vocation Training	362,268,109	278,215,947	290,763,408	305,301,578	320,566,657	7.19%	5.03%	5.34%	5.34%	5.34%
Sub Total	**408,602,966**	**363,242,075**	**381,580,268**	**400,659,281**	**420,692,245**	**8.11%**	**6.57%**	**7.00%**	**7.00%**	**7.00%**
Trade, Industry and Cooperatives	96,171,336	99,002,200	105,700,400	110,985,420	116,534,691	1.91%	1.79%	1.94%	1.94%	1.94%
Sub Total	**96,171,336**	**99,002,200**	**105,700,400**	**110,985,420**	**116,534,691**	**1.91%**	**1.79%**	**1.94%**	**1.94%**	**1.94%**
Agriculture	469,219,394	571,409,822	620,012,000	651,012,600	683,563,230	9.31%	10.33%	11.38%	11.38%	11.38%
Livestock and Fisheries Development	97,825,725	144,442,716	148,600,700	156,030,735	163,832,272	1.94%	2.61%	2.73%	2.73%	2.73%
Lands, Physical Planning and Urban Development	242,105,386	286,946,836	265,400,320	278,670,336	292,603,853	4.80%	5.19%	4.87%	4.87%	4.87%
Sub Total	**809,150,505**	**1,002,799,374**	**1,034,013,020**	**1,085,713,671**	**1,139,999,355**	**16.06%**	**18.13%**	**18.97%**	**18.97%**	**18.97%**
Environment and Natural Resources	14,737,034	6,500,000	20,544,580	21,571,809	22,650,399	0.29%	0.12%	0.38%	0.38%	0.38%
Water Services and Irrigation	153,638,096	162,399,756	185,300,240	194,565,252	204,293,515	3.05%	2.94%	3.40%	3.40%	3.40%
Sub Total	**168,375,130**	**168,899,756**	**205,844,820**	**216,137,061**	**226,943,914**	3.34%	3.05%	3.78%	3.78%	3.78%
Grand Total	**5,039,576,426**	**5,530,077,004**	**5,449,908,313**	**5,722,403,729**	**6,008,523,915**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 13: Summary of Indicative Sector Ceilings

SECTOR	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2020/21 Actual Expenditure	**2021/22 Estimates**	**2022/23 Ceilings**	**2023/24 Projections**	**2024/25 Projections**	**2020/21 Actual Expenditure**	**2021/22 Estimates**	**2022/23 Ceilings**	**2023/24 Projections**	**2024/25 Projections**
Public Admiration	1,199,750,300	1,290,833,686	1,195,814,400	1,255,605,120	1,318,385,376	23.81%	23.34%	21.94%	21.94%	21.94%
Infrastructure, Energy, ICT and Housing	550,349,562	628,387,304	566,341,205	594,658,265	624,391,179	10.92%	11.36%	10.39%	10.39%	10.39%
Health	1,807,176,627	1,976,912,609	1,960,614,200	2,058,644,910	2,161,577,156	35.86%	35.75%	35.98%	35.98%	35.98%
Education, Youth and Sports	408,602,966	363,242,075	381,580,268	400,659,281	420,692,245	8.11%	6.57%	7.00%	7.00%	7.00%
General Economic and Commercial Affairs	96,171,336	99,002,200	105,700,400	110,985,420	116,534,691	1.91%	1.79%	1.94%	1.94%	1.94%
Agriculture	809,150,505	1,002,799,374	1,034,013,020	1,085,713,671	1,139,999,355	16.06%	18.13%	18.97%	18.97%	18.97%
Environment, Water and Natural Resources	168,375,130	168,899,756	205,844,820	216,137,061	226,943,914	3.34%	3.05%	3.78%	3.78%	3.78%
Grand Total	**5,039,576,426**	**5,530,077,004**	**5,449,908,313**	**5,722,403,729**	**6,008,523,915**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Health sector takes the biggest share (35.86%) in the 2021/22 FY and medium term. This is line with improving access to quality and affordable health services being a top priority in addition to mitigating the Coronavirus Pandemic. Public Administration sector follows with 23.81 per cent as per the proposed ceilings. Agriculture sector follows by (16.06%) and infrastructure with (11.36%).

4.1.5 Projected Fiscal Balance (Deficit) and likely Financing

The proposed 2020/21 county budget is balanced, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Forum (IBEC).

4.2 Recurrent vs Development Budget Expenditure

The FY 2022/23 budget targets a recurrent expenditure of KES 3,690.1 million including KES 432 million allocated to the County Assembly against KES 3,534.55 million estimated in FY 2020/21 and KES 3,083.3 million spent in FY 2020/21. This recurrent expenditure represents 68.0% as required by the fiscal responsibility principles of not more than 70%.

Table 14 Recurrent and Development Expenditure 2021/22-2023/24

EXPENDITURE CLASSIFICATION	ACTUAL EXPENDITURE 2020/21	APPROVED BUDGET ESTIMATES 2021/22	PROJECTED ESTIMATES (MTEF) 2022/23	PROJECTED ESTIMATES (MTEF) 2023/24	PROJECTED ESTIMATES (MTEF) 2024/25
Recurrent	3,687,251,222	3,534,549,207	3,690,087,330	3,874,591,697	4,068,321,281
Development	1,352,325,204	1,995,527,797	1,759,820,983	1,847,812,032	1,940,202,634
Total	**5,039,576,426**	**5,530,077,004**	**5,449,908,313**	**5,722,403,729**	**6,008,523,915**

The projected development expenditure targeted for FY 2022/23 is estimated at KES. 1,759.8 million which represents 32 percent of total expenditure. This figure is expected to increase marginally in FY 2023/24 to KES 1,847 million and to KES 1,940.2 million in FY 2024/25 projections. These proportions of recurrent and development expenditures indicate that the County Government is compliant with PFM Act, 2012 requirement that the development expenditure shall not be lower than 30 percent in the medium term.

4.3 Debt Obligations

The County Government pending bills as at 30th June 2021 was Ksh. 327 million being a decrease of Ksh. 152 million from Ksh. 439 million reported in financial year 2019/20. During the year under review the County settled pending bills amounting to Ksh. 264 million. It is the financial objective of the County Treasury to settle the remaining amount of bills before the end of the FY 2021/22. In every budget cycle, County Treasury has endeavored to set aside budgetary allocations towards settlement of outstanding bills originating from previous years.

4.4 Wage bill

The County Government anticipates spending a total of KES 2,455.9 million in FY2022/23 as compensation to employees representing 45% of total county government revenue of Kshs 5,449.9 million. However, through the proposed measures by the County Public Service Board to freeze discretionary employments, making employments at lower cadres and filling employment opportunities internally through redesignation will push the ratio to 38% in the medium term and in line with the CG focus on stabilizing the wage bill.

4.5 Expenditure Ceilings

The final expenditure ceilings for the county departments shall be outlined in the County Fiscal Strategy Paper 2022 which will have to be strictly followed. However, the departments are advised to consider guidance provided in this CBROP as the basis of establishing the preliminary ceilings.

4.6 Projected fiscal Balance (deficit) and likely financing

The county governments are required to maintain a balanced budget in the medium term. Therefore, the County Government has complied with this advisory by the National Treasury and has maintained a planned expenditure equal to the planned total revenue. However, technical deficits arise especially where there is under collection of own revenue, delay by the national government to release all monies allocated to the county governments before 30th June and donor funds not received before the end of a financial year.

SECTION V: CONCLUSION

The review of implementation of FY 2020/21 budget performance shows that county has greatly improved on meeting its financial objectives over the last few years but the ongoing coronavirus pandemic and impending electioneering period are likely to make the situation more uncertain. This is basically because of the uncertainty in the expected revenue both for the equitable share and own revenue source. Therefore, the reviewed expenditures reflect the real circumstances that surrounded the implementation of FY 2020/21 budget and are broadly within the fiscal responsibility principles outlined in the PFM Act, 2012, Section 107(2) except for the wage bill which has gone beyond the 35% as recommended by the regulations. The fiscal outcomes are also consistent with the national financial objectives as outlined in relevant policy documents and various legislations including the Constitution of Kenya, County Government Act, 2010, and PFM Regulations 2015.

The 2022/23 budget the is being prepared under an accelerated budget calendar that considers electioneering period for the 2022 General Elections. We are thus expected to adhere to the revised deadlines in the revised budget calendar to ensure authorization and appropriation of the FY 2022/23 budget before the county assembly ends its five-year sittings. Considering tight Resource envelope that is available for FY 2022/23 budget, all the spending units are required to scrutinize all proposed budgets and ensure adherence to sector ceilings provided in this document.

ANNEXURES

Annex I: Budget Calendar for the FY 2021/22

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Prepare and issue budget circular with guidelines	CEC Member for Finance	August 30th 2021
1.1 One day sensitization workshop for accounting officers and directors		Sep-21
2. Sector Woking Groups and CBEF	County Treasury	
2.1.1 1st CBEF Meeting – Review of FY 2020/2021 and		24th September 2021
Consideration of ADP FY 2022/23		
2.1.2 Launch and first meeting for SWGs and sensitization on SDGs		Oct-21
2.2 Second meeting for SWGs		November 2021
Submission of projects and programmes to be implemented for FY 2022/23		30th November 2021
2.3 Third meeting for SWGs		Feb-22
3. County Annual Progress Report		
3.1 Draft CAPR	Economic Planning Department	15th September 2021
3.2 Validation of the CAPR	Economic Planning Department	15th – 21st Sept 2021
3.3 Submission to CEC for Approval	Economic Planning Department	30th September 2021
3.4 Submission to CA for Approval	Economic Planning Department	15th October 2021
4. Monitoring and Evaluation	Economic Planning Department	
4.1 M&E field work	Economic Planning Department	September 2021 and January 2022
4.2 Annual M&E week		2nd week November 2021
5. Statistical abstract 2020		
5.1 Draft	County Treasury (Economic Planning Department)	Sep-Oct 2021

5.2 Launch	D County Treasury (Economic Planning Department)	Nov-21
6. Development of ADPs for FY 2022/23 and 2023/24		
6.1. Draft ADP FY 2022/23	Economic Planning Department	13th August 2021
6.2 Submission of ADP FY 2020/21 to CEC	Economic Planning Department	26th August 2021
6.3. Submission of ADP FY 2020/21 to County Assembly	Economic Planning Department	1st September 2021
6.4. Report of ADP from County Assembly	Economic Planning Department	
6.5. Consolidation of CA recommendations to Final ADP	Economic Planning Department	
6.6. Approval of ADP by County Assembly	Economic Planning Department	*(Within 21 days upon submission)*
6.7. Meeting with TWGs for ADP FY 2023/24	Economic Planning Department	May-Jun 2022
6.8. First draft ADP FY 2022/23	Economic Planning Department	15th August 2022
6.9. Validation ADP FY 2022/23	Technical working groups	15th – 25th August 2022
6.10. CEC Approval ADP FY 2022/23	CECs	30th August 2022
6.11. Submission ADP FY 2022/23 to County Assembly	CEC finance	1st September 2022
7. Development of County Budget Review and Outlook Paper (CBROP) 2020		
7.1. Estimation of Resource Envelope	County Treasury (Budget Unit)	15-Sep-21
7.2. Determination of policy priorities	County Treasury (Budget Unit)	"
7.3. Preliminary resource allocation to Sectors	County Treasury (Budget Unit)	"
7.4. Draft County Budget Review and Outlook Paper	County Treasury (Budget Unit)	15th Sep 2021
7.5. Validation	County Treasury (Budget Unit)	15th -20th September 2021
7.6. Submission and approval of CBROP by CEC	County Treasury (Budget Unit)	30th September 2021

7.7. Submission of approved CBROP to County Assembly	County Treasury (Budget Unit)	14th October 2021
8. Preparation of Budget proposals for the MTEF and Public Participation	Departments	
8.1. First retreat to draft Sector Reports (Programmes and projects submitted)	SWGs	20th October 2021
8.2. Public Sector Hearings	County Treasury	August 2021 and January 2022
8.3. Review and Incorporation of stakeholder inputs in Sector proposals	SWGs	30th December 2021
8.4 Submission of Sector Reports to County Treasury	Sector Chairpersons	5th March 2022
8.5. Consultative meeting with CECs/COs on budget proposals	County Treasury	15th March 2022
8.6 3rd CBEF Meeting: Consideration of Budget Estimates	County Treasury	25th April 2022
9. Draft County Fiscal Strategy Paper (CFSP) 2020		
9.1. Draft CFSP	County Treasury	30th December 2022
9.2. Draft Debt Management Strategy (DMS)	Budget Unit	"
9.3.1 Validation Workshop	Budget Unit	15th - 20th January 2022
9.3.2 2nd CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning)	County Treasury	18th January 2022
9.4. Submission of CFSP and DMS to CEC for approval	County Treasury	20th January 2022
9.5. Submission of CFSP & DMS to County Assembly for approval	County Assembly	31st January 2022
10. Preparation and approval of Final Departmental Budgets		
10.1. Develop and issue final guidelines on preparation of 2020/21 MTEF Budget	County Treasury	January, 2022
10.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Line departments	30th January, 2022
10.3. Submission of Budget proposals to County Treasury (First draft)	Revenue Department	15th March, 2022

10.4. Consolidation of the Draft Budget Estimates (final draft)	County Treasury	20th March, 2022
10.5. Submission of Draft Budget Estimates to CEC	County Treasury	25th March, 2022
10.6. Submission of Draft Budget Estimates to County Assembly	County Treasury	30th March, 2022
10.7. Submission of Final Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	30th March, 2022
10.8. Review of Draft Budget Estimates by County Assembly	County Assembly	
10.9. Report on Draft Budget Estimates from County Assembly	County Assembly	
10.10. Consolidation of the Final Budget Estimates	County Treasury	
10.11. Approval of Appropriation Bill by County Assembly	County Assembly	30th June, 2022
10.12. Approval of Vote on Account by County Assembly	County Assembly	30th June, 2022
11. Public participation	County Treasury	August 2021 - February 2022
12. Development committees (ward level)		
12.1. 1st meeting	County Treasury	30th October 2021
12.2. 2nd meeting		15th February 2022
13. Budget Statement	**CEC Finance**	**15th June, 2022**
14. Appropriation Bill passed	**County Assembly**	**30th June, 2022**

Annex II: Revenue Performance per Stream and location

REVENUE STREAM	**2020-2021 (KSH)**	**2019-2020 (KSH)**
Parking Fees	15,488,391	11,565,634
Plot/Land Rates & Rents and Stand Premiums	5,478,043	3,383,020
Single Business Permits, Advertisement & Promotion fee	59,880,042	53,762,321
Barter Market / Entrance Fee / Slaughter Fee	12,047,190	12,501,453
Rent / Lease County Houses and Stalls	2,833,471	4,238,149
Livestock & Agriculture Produce Cess	2,435,793	2,389,260
Natural Resources Excavation Cess (stone, marram, sand)	51,415,377	47,689,295
Hospital Fees	75,301,689	88,680,211
Property Fess (Transfer, Subdivision, Consent, clearances)	795,690	1,000,050
Technical Services (Building Plans Approval)	6,301,530	6,342,768
Administrative Fees and Charges	10,995,586	32,490,951
Tourism (Mt. Kenya Lodge)	736,030	879,000
Weights and Measures Fee	274,620	210,500
Liquor Licenses	10,501,820	6,448,500
Veterinary Services	230,090	24,250
Co-operative Fees	30,240	-
Total	**254,745,602**	**271,605,362**