THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF THARAKA NITHI

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2022

© County Budget Review and Outlook Paper (CBROP) 2022

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2022 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 in respect for each financial year; and submit it to the County Executive Committee by 30th September.

The CBROP 2022 reviews fiscal performance of the county for the FY 2021/22 against the budget appropriation. In addition, it provides information on changes in forecasts as indicated in the County Fiscal Strategy Paper (CFSP) 2022 and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or 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.

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in section 107 of the PFM Act 2012 and will contribute towards the realization of aspiration of the residents of the county.

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ABBREVIATIONS AND ACRONYMS

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 (USAID)

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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.

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 paper reviews the actual fiscal performance of the county for the financial year 2021/2022; the updated macro-economic and financial forecasts; deviations from the approved County Fiscal Strategy Paper (CFSP 2022) and sets the sector ceiling for the year 2023/24.

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 2023 CFSP. This together with macroeconomic outlook provides a basis for adjustments to the current budget for FY 2022/23 in the context of the broad fiscal parameters supporting the next budget and the medium term. Details of the fiscal framework and the medium-term policy priorities will be firmed in the 2022 CFSP.

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 may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; 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. Further, 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 affirmed 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 2021/22

2.0 Overview

The financial year 2021/2022, being an election year and due to the post-COVID 19 recovery challenges, the budget implementation was hampered by numerous challenges. This subsequently led to slight challenges in fiscal performance during that period in a bid to stabilize the economy and cushion small businesses from the harsh economic times. The fiscal performance was averagely impressive with a decrease in the total revenues from KES 5,554.4 million realized in FY 2020/21 to KES 4,736.9 million for the FY 2021/22 as highlighted in Table 1.

Development expenditure was recorded at KES 1,017.0 million of the total development allocation of KES 1,899,154,192 representing a 54 percent performance. The development resources were channeled into major development programmes that had huge socio-economic impacts to the citizens. This includes roads construction, water supply, market development, promoting agriculture and early childhood education school infrastructure development as well as upgrading and operationalizing of health facilities.

On recurrent expenditure, the County Government has prioritized the basic expenditures such as payment of staff emoluments, purchase of essential commodities for the health facilities and all other essential services. This aims at optimizing operational and administrative costs and stop any unnecessary expenditures. The measures adopted in the FY 2021/22 budget implementation framework led to a recurrent expenditure of 88 percent amounting to KES 3,135.9 million from a total recurrent allocation KES 3,562.6 million. The county assembly total expenditure (development and recurrent) was KES 400.03 million from a total recurrent allocation of KES 449.4 million translating to 89 percent absorption rate. Given all the disruption during the FY 2021/2022, the general performance can be termed as impressive given the prevailing circumstances.

To ensure budget process underscores the need for efficiency and effectiveness of public spending and improving revenue collection to finance public services, as per the PFM Act, 2012, the county government will ensure its expenditure is on priority-basis and revenue is enhanced to ensure its fiscal requirements are adequately met.

2.1 Fiscal Performance for FY 2021/22

During the FY 2021/22, the total County revenue was KES 4,736.9 million comprising of Equitable Share of KES 3,877.1 million, County Own Revenue of KES 239.4 million, Conditional grants of KES 274.9 million and the balances brought forward of KES 345.6 million. At the end of the 2021/22 financial year, there was unspent balance of KES 183.98 million. Table 1 summarizes the revenues realized by the County for the FY 2021/22

Table 1: Summary of County Fiscal Performance for FY 2021/22

Particulars	**2020/21 FY Actual**	**2021/22 FY Approved**	**2021/22 FY Actual**	**% Performance**
TOTAL REVENUES	**5,554,449,574**	**5,911,260,701**	**4,736,939,549**	**80%**
Unspent Bal from Previous FY	252,554,178	373,811,941	345,640,185	92%
Revenue (Total)	**5,301,895,396**	**5,537,448,760**	**4,391,299,364**	**79%**
Equitable Share Allocation	4,262,115,600	4,214,198,393	3,877,062,704	92%
Local Revenue	254,745,602	350,000,000	239,381,562	68%
Grants (Total)	785,034,194	973,250,367	274,855,098	28%
Total Expenditure	**5,554,449,574**	**5,911,260,701**	**4,736,939,549**	80%
Recurrent	3,264,152,002	3,562,693,509	3,135,910,418	88%
Development	1,346,399,471	1,899,154,192	1,017,014,705	54%
County Assembly	429,024,953	449,413,000	400,032,732	89%
Unspent Bal Current FY	**514,873,148**	**-**	**183,981,694**	

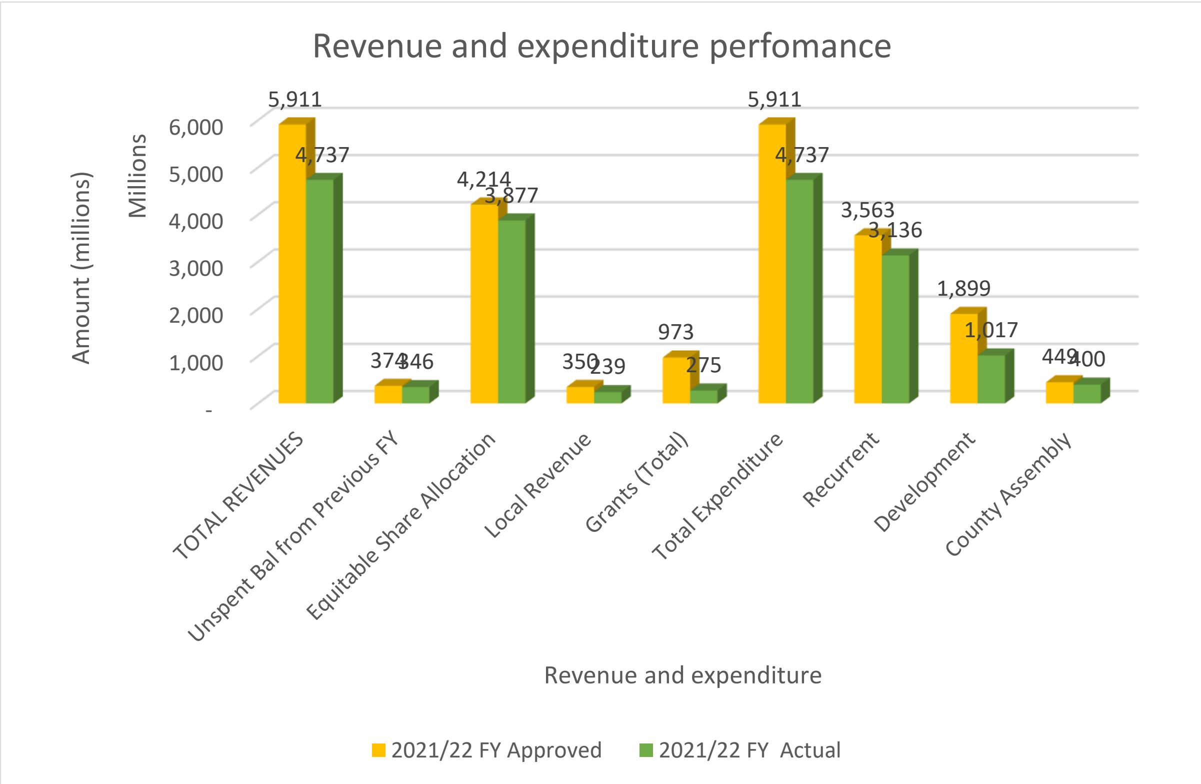

Figure 1: Fiscal Performance for FY 2021/22

The county total revenues realized for the year were KES 4,736.9 million representing 80 percent of the annual approved revenues of KES 5,911.3 million and a decrease of 17 percent from the previous year (FY 2020/21) total of KES 5,554.5 million. As at the end of the FY 2021/22, the county had an unspent balance of KES 183.98 million compared to KES 345.64 million at the beginning of the 2021/22 financial year. The budget absorption level was at 80% for the year under review with 54% and 88% absorption rates for development and recurrent expenditures respectively, while the County Assembly absorption rate was at 89%. This is as tabulated in table 3 below

Table 2: Allocation and Actual Expenditure by Type Combined

Particulars	**2020/21 FY Actual**	**2021/22 FY Approved**	**2021/22 FY Actual**	**% Performance**
Total Expenditure	**4,479,989,745**	**5,911,260,701**	**4,736,939,549**	**80%**
Recurrent	3,687,251,222	3,987,106,509	3,529,051,532	**89%**
Development	1,352,325,204	1,924,154,192	1,023,906,323	**53%**
unspent balances	514,873,148		183,981,694	

Table 3: Allocation and Actual Expenditure Executive and Assembly

Particulars	**2020/21 FY Actual**	**2021/22 FY Approved**	**2021/22 FY Actual**	**% Performance**
Total Expenditure	**5,554,449,574**	**5,911,260,701**	**4,736,939,549**	**80%**
Recurrent	3,264,152,002	3,562,693,509	3,135,910,418	88%
Development	1,346,399,471	1,899,154,192	1,017,014,705	54%
County Assembly	429,024,953	449,413,000	400,032,732	89%
Unspent Bal Current FY	514,873,148	-	183,981,694	3.9%

The expenditure by the County assembly was KES 400.03 million representing approximately 8.4 % 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 2021/22 was KES 239.38 million constituting a decrease of 6 per cent from KES 254.75 million realized in FY 2020/21. This represents a 31 percent under collection of the annual CORe target of KES 350 million approved in the FY 2021/22 budget.

2.2.1 Own Revenue performance

The own sources of revenue slightly decreased to KES 239.38 million from KES 254.75 realized in the FY 2020/2021. The own sources of revenue had 68 per cent performance against the target of KES 350,00,000. This represented a 6 per cent decrease from last financial year's revenue collection. This is attributed to the disruption of the election activities and depressed economic environment due to poor rainfall over the last three seasons.

Table 4 gives a breakdown of the revenue streams. Expounded revenue streams as per location are outlined in Annex II.

Table 4: Revenue performance by Stream

S	Revenue stream	Original Budget (Ksh)	Actual 2021/22 FY	% of Realisation
1	Hospital fees	105,300,000.00	102,726,546.00	98%
2	Single Business Permit	60,500,800.00	43,925,142.00	73%
3	Cess Fee	55,084,200.00	30,257,630.00	55%
4	Liquor Inspection	16,000,000.00	13,374,511.00	84%
5	Vehicle Parking	16,900,390.00	8,309,270.00	49%
6	Veterinary Services	300,000.00	7,628,620.00	2543%
7	Market and Slaughter	20,831,200.00	7,545,149.00	36%
8	Building Plan Approval	5,500,000.00	4,740,567.00	86%
9	Advertisement	4,500,000.00	3,999,000.00	89%
10	House and Stalls	4,700,420.00	3,274,326.00	70%
11	Ground Rent	5,974,900.00	3,089,795.00	52%
12	Public Health Approval	1,000,000.00	1,691,200.00	169%
13	Transfer Application & Adjudication	800,000.00	952,200.00	119%
14	Administration Fees and Charges	-	635,096.00	100%
15	Penalties	900,000.00	634,388.00	70%
16	Livestock and Agriculture Produce Cess	500,000.00	519,120.00	104%
17	Search Fees Minutes Ext	250,000.00	380,500.00	152%
18	Miscellaneous	26,000,000.00	321,300.00	1%
19	Mt. Kenya Lodge/Local Tourism	978,000.00	276,200.00	28%
20	Fire Inspection	600,000.00	12,800.00	2%
21	Hire of Halls and Lorry	-	0.00	0%
22	Weights and Measures	300,000.00	0.00	0%
23	Medical Examination	17,500,000.00	0.00	0%
24	Physical Planning	3,150,000.00	0.00	0%
25	Cooperative Services	100,000.00	0.00	0%
26	Enforcement Charges	500,000.00	0.00	0%
27	Excavation	150,000.00	0.00	0%

28	Land and Rate	1,680,090.00	0.00	0%
	Total	**350,000,000.00**	**234,293,360.00**	**67%**

2.2.2 Conditional Loans and Grants

The County received KES 432.1 million (including balances from FY 2020/21) in form of loans and grants which includes DANIDA, KSCAP, KDSP, THSUCP, ASDSP, Emergency Locust Response Programme and Kenya Informal Settlement Programme. The failure to disburse most of the loans and grants continue to hamper the smooth implementation of the key projects and programmes funded by the loans and grants with only 44 per cent of the planned budget for grants realized.

Table 5 below analyzes conditional grants released in FY 2021/22.

Table 5: Summary Release of Conditional Loans and Grants

	Source of Revenue	**FY 2020/21**			**FY 2021/22**		
		2020/21Revised Approved Estimates	**2020/21 Actual Receipts in Kshs**	**% Achieved**	**2021/22 Revised Approved Estimates**	**2021/22 Actual Receipts in Kshs**	**% Achieved**
1	UHDSP – DANIDA	11,160,000	11,160,000	100%	8,695,500	4,347,750	50%
2	Compensation for forgone user fees	8,218,119	8,218,119	100%	-	-	0%
3	Road Maintenance Fuel Levy Fund	115,085,841	115,085,840	100%	-	-	0%
4	Supplement Construction County HQ	76,000,000	-	0%	76,000,000	-	0%
5	THSUCP – WB	101,448,239	101,185,667	100%	83,426,873	32,039,102	38%
6	ASDSP – Sweden	12,178,726	11,679,478	96%	35,126,147	5,500,000	16%
7	KCSAP – WB	320,000,850	266,688,820	83%	350,000,000	222,650,265	64%
8	KDSP – WB	182,242,250	182,242,250	100%	137,242,250	137,242,250	100%
9	KUSP - UDG Grant	50,000,000	27,955,676	56%	50,000,000	0	0%
10	KUSP - UIG Grant	-	-	0%	-	-	0%
11	Youth Polytechnics Grant	60,799,894	60,799,894	100%	0	0	0%
12	Leasing Medical Equipment	132,031,277	-	0%	153,297,872	-	0%
13	Covid 19 Emergency Grant	39,677,000	39,677,000	100%	-		0%
14	Health Workers Covid Risk Allowances		40,470,000	0%	-	-	200%
15	Kenya Informal Settlement Programme	-	0	0%	20,000,000	20,000,000	0%
16	Emergency Locust Response Programme	-	0	0%	49,461,725	10,317,981	
17	Climate Change Programme	-	0	0%	10,000,000	0	
	Total Amount	**1,108,842,196**	**865,162,744**	78%	**973,250,367**	**432,097,348**	44%

2.3 County Expenditure Performance

The total expenditure in the FY 2021/22 amounted to KES 4,553 million against a revised target of KES 5,911 million, representing an underspending of KES 1,358 million (deviation from the total budget). The shortfall in spending was attributed to poor performance in revenue from local sources and conditional grants for both the recurrent and development expenditures. The County Assembly expenditure was KES 400.03 million representing 8.79 percent of the total county expenditure.

Table 6: Expenditure by Vote

Particulars	2020/21 FY Actual	2021/22 FY Approved	2021/22 FY Actual	% Performance
Total Expenditure	**5,039,576,426**	**5,911,260,701**	**4,552,957,855**	**77%**
Recurrent	3,687,251,222	3,987,106,509	3,529,051,532	89%
Development	1,352,325,204	1,924,154,192	1,023,906,323	53%
Recurrent as a % of Total expenditure	73.17%	67.45%	77.51%	
Development as a % of total expenditure	26.83%	32.55%	22.49%	

2.3.1 Expenditure by economic classification

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. Table 7 below gives a breakdown of the county expenditure performance per economic classification.

Table 7: County Expenditure Performance per Economic Classification

DESCRIPTION	Actual Expenditure and Revenue 2020/21	Revised Estimates for FY 2021/22	Actual Expenditure and Revenue 2021/22	%
Total Budget	**4,245,770,182**	**5,911,260,701**	**4,552,957,855**	**100.00%**
Total Recurrent Expenditure	**3,309,403,911**	**4,329,913,617**	**3,603,170,557**	79.14%
Compensation to Employees	2,044,509,882	2,235,622,424	2,105,920,482	46.25%
Use of Goods and Services	574,138,695	1,163,646,724	884,039,924	19.42%
Grants and Other Transfers	690,755,334	930,644,469	613,210,151	13.47%
Total Capital Expenditure	**936,366,271**	**1,581,347,084**	**949,787,298**	20.86%
Other Development	936,366,271	1,581,347,084	949,787,298	20.86%
Financed by:				
Total Revenue	**4,479,904,413**	**5,911,260,701**	**4,736,939,549**	**100.00%**
Equitable Share	3,587,084,400	4,214,198,393	3,877,062,704	81.85%
County Own Revenue [CORe]	271,605,362	350,000,000	239,381,562	5.05%
Conditional Grants	529,563,549	973,250,367	274,855,098	5.80%
Balance b/f	91,651,102	373,811,941	345,640,185	7.30%
Net Financing	**234,134,231**	**-**	**183,981,694**	3.88%

2.3.2 Recurrent Expenditure by Economic Classification

The county's total recurrent expenditure was KES. 3,603.2 million (inclusive of County Assembly allocation) against a target of KES. 4,329.9 million representing an underspending of KES. 726.7 million. The recurrent spending was below target mainly due to lower than targeted absorption on operations and maintenance by KES 279.7 million and for grants and other transfers by KES 317.4 million. Over the same period, spending on wages and salaries was below target by KES 129.7 million.

The total recurrent expenditure comprised of KES 2,105.9 million of total recurrent expenditure (58.45%) spent on payment of wages and salaries, KES 884.04 million (24.53% per cent) spent on operations and maintenance and Ksh 613.21 million (17.02%) as grants and transfers. Figure 2 below gives a graphical comparison of the recurrent expenditures for FY 2020/2021 and FY 2021/2022, inclusive of County Assembly allocation.

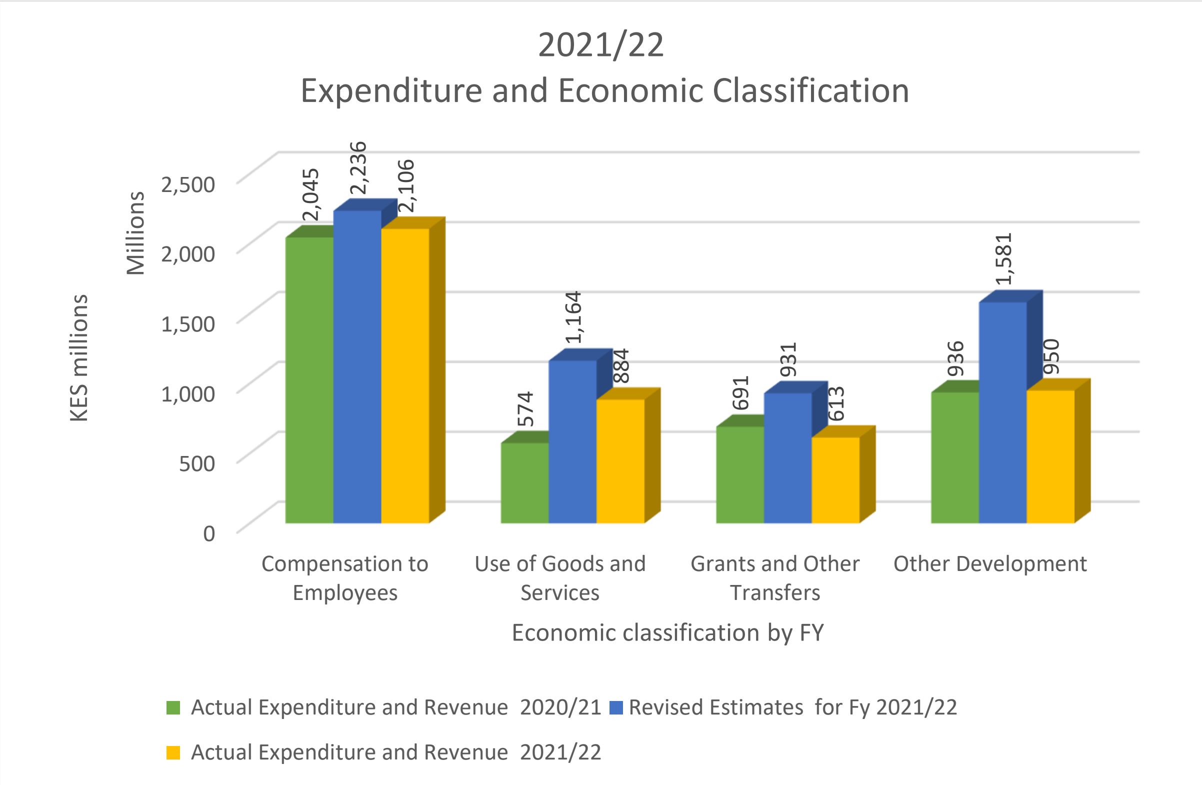

Figure 2: Comparison of recurrent expenditure for FYs 2020/21 and 2021/22.

2.3.3 Other Development expenditure

Other development expenditure for the FY 2021/22 amounted to KES 949.8 million against a revised target of KES 1,581.3 million translating to a shortfall of KES. 631.6 million. This was on account of lower than programed absorption of development expenditure in the financial year.

This expenditure represented 21.1 per cent of the total annual expenditure and a slight decrease of 1.4 per cent compared to the expenditure of KES 936.37 million for FY 2020/21.

2.3.4 Expenditure Performance-Absorption

The total cumulative departmental expenditure for the FY 2021/22 was Ksh 4,308.7 million (72.89 percent absorption) against a target of Ksh 5,911.3 million. Recurrent expenditure was Ksh3,171.1 million (79.5 percent absorption) against a target of Ksh 3,987.1 million, while development expenditure was Ksh 1,137.5 million (59.1 percent absorption) against a target of Ksh 1,924.2 million. The lower than targeted absorption of expenditures was partly due to the delayed release of funds for the equitable share and the grants for some donor funded projects.

As at the end of FY 2021/22, recurrent expenditures by the health sector accounted for 50.6 percent of the total recurrent expenditure. In addition, public administration and agriculture sectors accounted for 27.8 percent and 7.1 percent of total recurrent expenditure, respectively.

Analysis of development outlay indicates that roads, transport, and Infrastructure department accounted for the largest share of the total development expenditure (34.2 percent), Agriculture and cooperatives department (24.9 percent), Finance and economic planning department (12.2 percent), department of lands, physical planning, and urban development (11.1 percent) and for the department of health (9.4 percent).

Overall, absorption rates by most departments were above 70 percent. This includes county assembly (89.01 percent), administration and public service department (88.45 percent), trade industry and cooperative development 985.59 percent), medical services (81.53 percent), energy and ICT (78.74 percent), roads, transport, and infrastructure (76.68 percent), education and vocational training (76.68 percent) and agriculture (75.44 percent) absorption rates.

Table 8: Absorption Rates by Sectors 2021/22 FY

SECTOR	**C-FSP 2021**			**BUDGET ALLOCATION 2021/22**			**Cumulative Expenditure 2021/22**			**Absorption**	**Deviation (%)**
	Recurrent	**Development**	**Total**	**Recurrent**	**Development**	**Total**	**Recurrent**	**Development**	**Total**	**(%)**	**CFSP - BUDGET**
Public Admin.	965,083,300	398,769,540	1,363,852,840	1,194,209,796	193,554,635	1,387,764,431	882,947,907	145,719,175	1,028,667,082	74.12%	1.75%
Energy And ICT	23,759,380	86,000,000	109,759,380	35,299,095	5,200,796	40,499,891	28,688,038	3,200,796	31,888,834	78.74%	-63.10%
Infrastructure	103,423,400	300,605,000	404,028,400	198,508,372	496,605,000	695,113,372	143,411,292	389,618,584	533,029,876	76.68%	72.05%
Health	1,842,759,100	254,245,700	2,097,004,800	1,872,595,542	352,427,410	2,225,022,952	1,605,264,173	106,654,568	1,711,918,741	76.94%	6.10%
Education	248,973,300	70,310,900	319,284,200	260,198,190	69,269,585	329,467,775	173,254,391	59,312,216	232,566,607	70.59%	3.19%
General Economic	107,611,500	-	107,611,500	96,471,630	-	96,471,630	82,567,128	-	82,567,128	85.59%	-10.35%
Agriculture	293,832,034	604,179,260	898,011,294	286,369,820	696,896,766	983,266,586	225,899,432	419,965,955	645,865,387	65.69%	9.49%
Environment And Natural Resources	69,639,350	105,000,000	174,639,350	43,454,064	110,200,000	153,654,064	29,106,779	13,059,380	42,166,159	27.44%	-12.02%
GRAND TOTAL	**3,655,081,364**	**1,819,110,400**	**5,474,191,764**	**3,987,106,509**	**1,924,154,192**	**5,911,260,701**	**3,171,139,140**	**1,137,530,674**	**4,308,669,814**	72.89%	7.98%

Table 9:Absorption rates by Department 2021/22 FY

MINISTE RIAL DEPARTMENTS	**C-FSP 2021**			**BUDGET ALLOCATION 2021/22**			**Cumulative Expenditure 2021/22**			**Absorption**	**Deviation (%)**
	REC	**DEV**	**TOTAL**	**REC**	**DEV**	**TOTAL**	**REC**	**DEV**	**TOTAL**	**(%)**	**CFSP - BUDGET**
Governor's Office	142,275,700	-	142,275,700	194,885,972	-	194,885,972	109,121,904	-	109,121,904	55.99%	36.98%
Finance and Economic Planning	219,519,900	263,769,540	483,289,440	411,622,580	168,554,635	580,177,215	244,284,782	138,827,558	383,112,340	66.03%	20.05%
County Public Service Board	25,333,400	-	25,333,400	23,933,364	-	23,933,364	13,136,557	-	13,136,557	54.89%	-5.53%
Administration and Public Service	122,954,300	-	122,954,300	139,354,880	-	139,354,880	123,263,549	-	123,263,549	88.45%	13.34%
County Assembly	455,000,000	135,000,000	590,000,000	424,413,000	25,000,000	449,413,000	393,141,115	6,891,617	400,032,732	89.01%	-23.83%
SUB-TOTALS	**965,083,300**	**398,769,540**	**1,363,852,840**	**1,194,209,796**	**193,554,635**	**1,387,764,431**	**882,947,907**	**145,719,175**	**1,028,667,082**	74.12%	1.75%
Energy and ICT	23,759,380	86,000,000	109,759,380	35,299,095	5,200,796	40,499,891	28,688,038	3,200,796	31,888,834	78.74%	-63.10%
SUB-TOTALS	**23,759,380**	**86,000,000**	**109,759,380**	**35,299,095**	**5,200,796**	**40,499,891**	**28,688,038**	**3,200,796**	**31,888,834**	78.74%	-63.10%

Roads, Transport and Infrastructure	103,423,400	300,605,000	404,028,400	198,508,372	496,605,000	695,113,372	143,411,292	389,618,584	533,029,876	76.68%	72.05%
SUB-TOTALS	**103,423,400**	**300,605,000**	**404,028,400**	**198,508,372**	**496,605,000**	**695,113,372**	**143,411,292**	**389,618,584**	**533,029,876**	76.68%	72.05%
Medical Services	1,536,348,700	100,947,828	1,637,296,528	1,609,467,187	199,129,538	1,808,596,725	1,367,945,750	106,654,568	1,474,600,318	81.53%	10.46%
Public Health and Sanitation	306,410,400	153,297,872	459,708,272	263,128,355	153,297,872	416,426,227	237,318,423	-	237,318,423	56.99%	-9.42%
SUB-TOTALS	**1,842,759,100**	**254,245,700**	**2,097,004,800**	**1,872,595,542**	**352,427,410**	**2,225,022,952**	**1,605,264,173**	**106,654,568**	**1,711,918,741**	76.94%	6.10%
Youth, Sports, Culture and Tourism	45,826,800	25,200,000	71,026,800	62,701,828	16,200,000	78,901,828	27,811,612	12,623,709	40,435,321	51.25%	11.09%
Education and Vocation Training	203,146,500	45,110,900	248,257,400	197,496,362	53,069,585	250,565,947	145,442,779	46,688,507	192,131,286	76.68%	0.93%
SUB-TOTALS	**248,973,300**	**70,310,900**	**319,284,200**	**260,198,190**	**69,269,585**	**329,467,775**	**173,254,391**	**59,312,216**	**232,566,607**	70.59%	3.19%
Trade, Industry and Cooperatives	107,611,500	-	107,611,500	96,471,630	-	96,471,630	82,567,128	-	82,567,128	85.59%	-10.35%
SUB-TOTALS	**107,611,500**	**-**	**107,611,500**	**96,471,630**	**-**	**96,471,630**	**82,567,128**	**-**	**82,567,128**	85.59%	-10.35%
Agriculture	126,142,340	464,179,260	590,321,600	123,011,122	384,723,733	507,734,855	99,518,401	283,501,991	383,020,392	75.44%	-13.99%
Livestock and Fisheries	86,442,994	30,000,000	116,442,994	79,292,532	34,373,829	113,666,361	61,441,215	10,339,009	71,780,224	63.15%	-2.38%
Lands, Physical Planning and Urban	81,246,700	110,000,000	191,246,700	84,066,166	277,799,204	361,865,370	64,939,816	126,124,955	191,064,771	52.80%	89.21%
SUB-TOTALS	**293,832,034**	**604,179,260**	**898,011,294**	**286,369,820**	**696,896,766**	**983,266,586**	**225,899,432**	**419,965,955**	**645,865,387**	65.69%	9.49%
Environment and Natural Resources	18,439,600	5,000,000	23,439,600	3,206,408		3,206,408	-	-	-	0.00%	-86.32%
Water Services and Irrigation	51,199,750	100,000,000	151,199,750	40,247,656	110,200,000	150,447,656	29,106,779	13,059,380	42,166,159	28.03%	-0.50%
SUB-TOTALS	**69,639,350**	**105,000,000**	**174,639,350**	**43,454,064**	**110,200,000**	**153,654,064**	**29,106,779**	**13,059,380**	**42,166,159**	**27.44%**	-12.02%
GRAND TOTAL	**3,655,081,364**	**1,819,110,400**	**5,474,191,764**	**3,987,106,509**	**1,924,154,192**	**5,911,260,701**	**3,171,139,140**	**1,137,530,674**	**4,308,669,814**	**72.89%**	7.98%

2.3.5 Implications for the FY 2021/2022 performance

During the year under review, several CARA revenues including Equitable Share of National revenue, DANIDA, KCSAP, KUSP (UDG) and ASDSP were not released in full. This in turn affected implementation of the budget hampering service delivery. The performance in the FY 2021/2022 affected the financial objectives set out in the County Fiscal Strategy Paper 2021 in the following ways:

(i) In the FY 2021/22, there were severe cash flow challenges due to delayed release of CARA revenue with funds disbursement from Equitable Share of Revenue due in June amounting to Ksh. 337.1 million not disbursed by National Treasury. The revenue deficit on Own Sources of Revenue amounting to Ksh. 110.6 million which affected service delivery and delayed payment for goods and services rendered to the County by our suppliers.

(ii) Out of the total County Revenues Equitable share constituted 81.85 percent, balances carried forward 7.3 percent, conditional grants 5.8 percent and CORe 5.05 percent. That the CORe base decreased slightly from KES 254 million realized in FY 2020/21 to KES 239 million realized in FY 2021/22 representing about 5 percent of the total county revenues. This can be partly attributed to the fact that it was an electioneering period. The government will seek to improve revenue collection in the FY 2023/24. This will be done by strengthening the revenue administration in a bid to expand the tax base and improve compliance.

(iii) That absorption rates by most County departments were above 70 percent and the overall actual expenditure level reaching 77% of the target. This was still hampered with the delay of release in funds and the requirement to cover pending bill costs. The failure to achieve full funds absorption can be attributed to revenue deficit and unrealized loans and grants. The government will put in place appropriate measures to improve absorption of resources from development partners.

(iv) That the expenditure on personnel emoluments consumed 46.25 percent way above the 35 percent of all revenues to the County Government as required by PFM regulations 2015, which continues to exert pressure on County Resources. The expenditure on use of goods comprised 13.47 percent of the total budget while other development consumed 20.86 percent.

Given the above deviations, the revision of revenues and expenditure ceilings for FY 2022/23 and the medium term will be based on the revised macroeconomic assumptions and be affirmed in the County Fiscal Strategy Paper 2023. The County Government will try to implement the 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 2023 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 the "leaving no one behind" 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 county has supported the efforts of the national government by continuous improvement of transport infrastructure that connect major towns and incentivized new development to be built 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 Recent Economic Developments

3.1.1 World economic outlook

A tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide especially in the United States and major European economies triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID- 19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine.

The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 in addition to inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest. Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies,1.8 and 2.8 percentage points higher than projected last January. Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.

Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022, half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8 percent in 2023

Economic growth in Sub-Saharan Africa (SSA) is estimated at 4 percent in 2021, up from a contraction in economic activity of 2 percent in 2020. However, growth in the region is expected to decelerate in 2022 amid a global environment with multiple (and new) shocks, high volatility, and uncertainty. The economy is set to expand by 3.6 percent in 2022, down from 4 percent in 2021, as it struggles to pick up momentum amid a slowdown in global economic activity, continued supply constraints, high inflation, and rising financial risks due to high and increasingly vulnerable debt levels. Although the direct trade and financial linkages with Russia and Ukraine are small, the war will likely impact Sub-Saharan African economies through higher commodity prices, higher food, fuel and headline inflation, tightening of global financial conditions, and reduced foreign financing flows into the region. The growth effects in the region are expected to be marginal however, the largest impact is on the increasing likelihood of civil strife as a result of food- and energy-fueled inflation amid an environment of heightened political instability.

3.2 Overview of Recent Economic Developments

From 2015 to 2019, Kenya's economy achieved broad-based growth averaging 4.7% per year, significantly reducing poverty (which fell to an estimated 34.4% at the $1.9/day line in 2019). In 2020, the COVID-19 shock hit the economy hard, particularly disrupting international trade and transport, tourism, and urban services activity. Kenya managed to contain the health and economic impacts of multiple Coronavirus (COVID-19) waves in 2021, helped by targeted containment measures and progress on vaccination, but later faced a potentially large economic shock from the war in Ukraine.

Kenya's real gross domestic product (GDP) is projected to grow by 5.5 per cent in 2022 and 5.2 per cent on average in 2023–24. The poverty rate has resumed its trend decline after rising earlier in the pandemic. Although Kenya's economic performance remained strong in the early months of 2022, external challenges have mounted. The economy is vulnerable to the global price impacts of the Russian invasion of Ukraine, particularly through net fuel, fertilizer, wheat and other food imports. The impact of the war in Ukraine is weighing on the global economic recovery from the COVID-19 pandemic. Kenya's public debt is expected to fall to 64.9% of GDP in the 2023/24 (July-June) fiscal year from 67.5% in 2022/23, helped by continued economic growth and lower borrowing costs resulting from an increase in concessional financing.

Domestically, a key risk to the outlook is a further worsening of the current drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance. However, the economy is expected to continue to recover and gradually return to growth of above 5 percent. The near-term economic outlook for Kenya, as elsewhere, remains unusually uncertain and contingent on the course of the pandemic.

With regards to interest and exchange rates, the Kenyan economy continues to register macroeconomic stability with low and stable interest rates and competitive exchange rates to support exports. The year-on-year inflation rate increased to 6.5 percent in April 2022 from 5.8 percent in April 2021 mainly due to higher food and fuel prices. The central bank rate has remained at 7.0 percent since April 2020. Lending to the private sector has remained strong with the credit expanding by 9.1 percent in the 12 months to Feb 2022 from 9.6 percent in Feb

2021. All economic sectors registered positive credit growth rates reflecting improved demand as economic activities picked up. Growth of credit is expected to remain resilient.

Year-on-year overall inflation rate has remained low, steady and within the policy target range of 5+/-2.5 percent since end 2017. Due increase in food prices, inflation rate increased to 6.45 percent in October 2021 from 4.84 percent in October 2020 driven. However, the rate remained within the target range for the given period. Note that, a rising inflation rate in a county with a large consumer base will have a more marked impact on our county revenue projections through the negative impact of inflation on aggregate demand.

The governments prudent policies and targeted stimulus interventions have helped the country during the health crisis and will continue to anchor a strong and stable growth. The Government is currently focusing on the implementation of the Economic Recovery Strategy (ERS) that aims at restoring the economy to a strong growth path, creating jobs and economic opportunities across all regions of the country with a view to tackling social and income inequalities. It is expected that the successful implementation of the Economic Recovery Strategy will promote inclusive growth and transform the lives of Kenyans. As a county, we are focusing on the six main thematic areas that drive our socioeconomic well-being, which includes Agriculture, Health, Road Infrastructure, Urban Development, Trade and Education. This will see an increase in our county's economic growth.

3.3 Progress Report on Budget Implementation

At the time of preparing this CBROP, the transition to the new government was underway. In line with Regulation 56 of the Public Finance Management Regulation, 2015, the County Treasury may be required to revise the budget due to new policies or reorganization of government that may occur. In the event of such reorganization, the County Treasury will give guidance to County entities on the necessary changes which will be required in both the FY2022/23 Budget and preparation of the FY 2023/24 and Medium-Term Budget.

The County Government will focus on budget implementation based on the fiscal responsibility principles outlined in the PFM Act, 2012, Section 107(2). Fewer network downturns are expected, with the near-complete implementation of IFMIS and e-procurement, which have significantly improved utilization of funds in the county. Increased utilization of more functions will also improve budgetary processes which promote smoother process workflows and system acceptance.

The county total revenue increased from KES 4.4 billion in FY 2020/21 to KES 4.7 billion in FY 2021/22, indicating a 5.7 percent increase. This upward trend in total revenue is partly attributed to the increase in equitable share from KES 3587 million in FY 2020/21 to KES 3877 in FY 2021/22 and balances carried forward from KES 91 million to KES345 million. On the other hand, local revenue and loans and conditional grants recorded a decrease in the actual realized amounts over the past year.

3.4 County Economic Outlook and Policies

Between FY 2017/18 and FY 2021/22, the administration focused on upgrading overall county infrastructure development and establishing systems. Today, more people enjoy improved access to commerce and government services. However, the county acknowledges that economic potential is not a fixed endowment. There is need to refine and harness improved approaches that ensure strategic investments are made to help residents realize economic empowerment. The dynamic approaches to find economically viable responses to this challenge have led to prioritization of six thematic areas that are anticipated to redirect the county economic agenda from leaning into infrastructural development to holistic service delivery: agriculture, health, road infrastructure, urban development, trade and education will be the key drivers of socioeconomic well-being in the county.

The agriculture sector remains the county's prime driver of economic growth, with a majority of households relying on the sale of produce for sustenance. Addressing the challenges linked to the sector requires value addition, promotion of subsidies for farm inputs, increased mechanization, contract farming and linking farmers to organized groups that improve bargain power. Specifically, promoting programs that support these and more interventions will improve the utilization of financial resources to improve market linkages and assure minimum returns for overall county growth is a major priority for the county government. In the future, programmes will prioritize training to ensure that modern approaches to marketing are encouraged for enhanced production. Adding value to livestock will unlock the potential of the sector and link the physical infrastructure established will also foster adoption of lucrative practices that will prevent income loss on produce that fails to reach trading centers.

Basic service provision of water and irrigation play a crucial role in ensuring the county realizes food security and is an important driver of development in the county. Partnerships with the national government will be fostered in the current term to secure financing for the establishment of water reservoirs and smallholder irrigation projects in marginalized areas. Further, capitalizing on the establishment of more household connections is expected to improve provision of clean water in the long term. The county government will continue identifying investments to ensure that the county's capacity improves in the next five years will be done through implementation of improved management and conservation through these county funded projects.

The health sector has been at the core of the infrastructure development agenda between FY 2017/18 and FY 2021/22. Focusing on the sector contributed to improved response to the COVID-19 pandemic and other emerging crises that directly impacted national and county growth. Going forward, operationalization of more facilities that boost accessibility and upgrading health centers and dispensaries through laboratory services provision will be promoted to enhance the experiences of patients. Additionally, the county government will support policies and programmes that promote community health units, community outreach programs, equipment distribution and improving primary health care services in facilities such as Chuka Level IV hospital, Marimanti Hospital, Magutuni Hospital, and Mpukoni Health Center.

Ensuring that a conducive atmosphere for trade requires that more entrepreneurs and businesses benefit from the structures developed during the first term. It also requires that county government balance revenue collection and promotion of entrepreneurship. One approach to facilitating this is establishment of Special Economic Zones that promote enterprise development and innovation, which will support local business owners. Specifically, the county government will focus on programmes that promote business optimization for small and medium scale businesses by settling more traders in more modern markets, stalls, artisan garages and encouraging a 24-hour economy for these businesses to further increase the volume of trade.

The county government will illuminate discussions on the facilitative infrastructure and further develop more volume seal roads and maintain and open up more roads at ward level. In the past, these initiatives were linked to better communication and transport networks that improved overall living standards. Going forward, programmes that promote job creation for the youth and facilitate trade and investment will be supported. Socioeconomic growth will be promoted in programmes that are designed to make towns and trading centers vibrant and accessible for all residents.

The county government intends to spur marketing efforts in order to realize better domestic trade and investment indicators in the county and encourage click and mortar approaches for young entrepreneurs seeking to participate in ecommerce through ICT development. Programmes will promote digitization of operations and the use of the toll-free platforms to facilitate delivery of vital information on government services to every part of the county.

Education, youth, social services, culture and tourism all have the ability to address the impasse between socioeconomic development and politics. Improved support for the county's unemployed youth through training and provision of basic education for children is a key priority for the county government, which will resume rehabilitation of training centers, classrooms and provision of learning materials for all. Going forward, policy development will focus on the establishment of a funding platform to support enterprise improvement, support of needy students and talent development. The county government will also remain committed to supporting enterprising mothers to engage in economic activities through supporting expansion of the ongoing crèche programme.

While a clear order cannot be easily determined in the journey to meet the needs of the county in an efficient, unanimously accepted and compatible manner, the county government has advocated for fair policies that prioritize key initiatives that can further transform the lives of residents. These include completion of stalled and ongoing projects, increasing local revenue collection and special focus on the socioeconomic development of the county. Between FY 2022/23 and FY 2026/27, ensuring that gains can be realized by all will be done through strategically organized programmes aligned with those at national government level. This will ensure improved compliance and adherence to progressive policies anticipated to be in place during this period.

3.5 Medium Term Fiscal Framework

The 2022 County Budget Review and Outlook Paper (CBROP) has been prepared while still anticipating for the economic recovery in the short and medium-term. Economic growth has been revised to relatively slower rates in much of especially the Advanced Economies, Emerging Markets and Developing Economies. This has been attributed due to the ongoing battle against the (COVID-19) variants such as Omicron and Delta, coupled with the Russia-Ukraine tension which has had and will continue to have a ripple effect on the rest of the world. Global baseline forecast for growth in 2022 was initially projected at 6.1 percent this has been revised downwards to 3.6 percent to reflect uncertainties and gloomy outlook that is emerging in most countries. The pace is projected by the International Monitory Fund's (IMF) World Economic Outlook (WEO) April 2022 edition. Over the medium term, the IMF forecasts that this should moderate to an average of 3.3 per cent. The economic growth in Sub-Sahara Africa region is projected to slow from 4.2 percent in 2021 to 3.7 percent in 2022.

Table 10: International GDP Growth Estimates and Forecasts (Year-On-Year Percentage Change

World Economic Outlook					
	2019	**2020**	**2021**	**2022**	**2023**
World Output	**2.9**	**-3.1**	**6.1**	**3.6**	**3.6**
Advanced Economies	1.7	-4.5	5.2	3.3	2.4
US	2.3	-3.4	5.7	3.7	2.3
Euro Area	1.6	-6.4	5.3	2.8	2.3
Japan	-0.2	-4.5	1.6	2.4	2.3
China	6.0	2.2	8.1	4.4	5.1
Emerging Markets and Developing Economies	3.7	-2.0	6.8	3.8	4.4

Source: International Monetary Fund, World Economic Outlook (WEO), April 2022

On the domestic scene, Kenya's economy demonstrated remarkable resilience to the COVID-19 shock in 2020 and a staged strong recovery in 2021. Following the easing of COVID-19 restrictions, reopening of the economy as well as targeted stimulus interventions by the government, the economy registered strong recovery of 9.9 percent in the third quarter of 2021. Overall, the economy is estimated to have expanded by 7.6 percent in 2021, a much stronger level from the contraction of 0.3 percent in 2020. In 2022, the economy is projected to stabilize at 6.0 percent.

The outlook in 2022 will be reinforced by the prevailing stable macroeconomic environment by ensuring inflation remains within the government target range while interest rates remain stable to support growth in private sector credit. The fiscal performance in the FY 2021/2022 was satisfactory, revenues recorded positive growth rates reflecting improvement in business environment, impact of reversal of some tax relief measures effected in January 2021, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority. Revenues are expected to improve in the rest of the fiscal year following the reopening of the economy and the increased demand for imports as well as improved domestic sales.

Overall expenditures were within Programme target underpinned by good revenue performance and adequate liquidity in the government securities market. However, ministerial expenditure targets were not fully met partly due to low absorption of foreign financed projects and lower than projected disbursement to Counties.

Table 11: Fiscal Framework (KShs million)

	FY 2019/20	FY 2020/21		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
		Revised Estimates II	*Prel.*	*PROJECTIONS*				
TOTAL REVENUE	**1,796.0**	**1,837.8**	**1,783.7**	**2,063.1**	**2,431.4**	**2,818.2**	**3,146.0**	**3,533.8**
Ordinary revenue	1,573.7	1,578.8	1,562.0	1,800.0	2,141.6	2,516.3	2,822.6	3,189.2
Ministerial Appropriation in Aid	222.2	259.0	221.7	263.0	289.8	302.0	323.3	344.6
TOTAL EXPENDITURE AND NET LENDING	**2,627.5**	**2,886.9**	**2,749.5**	**3,154.3**	**3,324.4**	**3,548.4**	**3,865.3**	**4,214.6**
Recurrent	1,694.1	1,819.0	1,796.6	2,071.8	2,201.0	2,357.3	2,569.3	2,804.9
Development	608.1	668.2	553.9	667.7	711.8	773.8	873.5	962.3
County Transfer	325.3	399.6	399.0	409.9	406.5	412.3	417.5	442.5
Contigency Fund	-	-	-	5.0	5.0	5.0	5.0	5.0
BALANCE EXCLUDING GRANTS	**(831.5)**	**(1,049.0)**	**(965.7)**	**(1,091.3)**	**(893.0)**	**(730.1)**	**(719.4)**	**(680.8)**
Grants	19.8	72.8	31.3	62.0	46.9	48.1	49.3	53.2
BALANCE INCLUSIVE OF GRANTS	**(811.7)**	**(976.2)**	**(934.4)**	**(1,029.3)**	**(846.1)**	**(682.0)**	**(670.0)**	**(627.5)**
Adjustment to cash basis	11.8	-	5.1	-	-	-	-	-
BALANCE INCLUSIVE OF GRANTS(cash basis)	**(799.9)**	**(976.2)**	**(929.3)**	**(1,029.3)**	**(846.1)**	**(682.0)**	**(670.0)**	**(627.5)**
Discrepancy	*(9.1)*	-	*20.9*	-	-	-	-	-
TOTAL FINANCING	**790.8**	**976.2**	**950.2**	**1,029.3**	**846.1**	**682.0**	**670.0**	**627.5**
Net Foreign Financing	340.4	417.6	323.3	412.5	275.9	192.3	95.4	125.5
Net Domestic Financing	450.4	558.7	626.9	616.8	570.2	489.8	574.7	502.1
Nominal GDP (Fiscal year)	**10,620.8**	**11,168.5**	**11,304.1**	**12,628.1**	**14,002.1**	**15,604.6**	**17,401.9**	**19,577.0**

Source of Data: National Treasury

The County Government has the fiscal policy of maintaining a zero-fiscal balance. In this regard, FY 2021/22 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 and 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.

3.6 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) **Domestic Front:** re-emergence of COVID-19 variants and possible adverse weather conditions could reverse the projected economic recovery.

b) **External Front:**

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

Political risk: The ongoing conflict in Eastern Europe has created uncertainties that will affect the global economic outlook through disruption of supply chains, rising global oil prices and increased inflationary pressures.

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, 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 last year. The weather forecast points the possibility of experiencing the same weather conditions pattern in the coming short rains 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 2021 level

Fiscal Risks

Economic risk: on average, inflation is expected to average 7.7% in 2022. For 2023 inflation is expected to average 7.1%

Current debts: Public debt stock is expected to hit 8.6 trillion at the close of June 2022 before rising further to 9.5 trillion next June. By June 2026, the public debt stock is expected to hit 11.6 trillion. 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 counties, 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 departments by setting expenditure ceilings for each government department.   has the following sub-sections as discussed below:

a) Adjustment to the proposed (2022-2023) budget;
b) The medium-term expenditure framework for 2023/24– 2025/26 FYs;
c) Proposed (2023-24) budget framework; and
d) Projected fiscal balance and likely financing.

4.2.5 Recurrent vs Development Budget Expenditure

The FY 2023/24 budget targets a recurrent expenditure of KES 3,764.1 million including KES 495 million allocated to the County Assembly against KES 3,672 million estimated in FY 2022/23 and KES 3,529 million spent in FY 2021/22. This recurrent expenditure represents 67.0% of the total County expenditure.

Table 12 Recurrent and Development Expenditure 2023/24-2025/26

Expenditure classification	Actual Expenditure 2021/22	Approved budget estimates 2022/23	Projected estimates (MTEF) 2023/24	Projected estimates (MTEF) 2024/25	Projected estimates (MTEF) 2025/26
Recurrent	3,529,051,532	3,672,581,364	3,764,087,330	3,952,291,697	4,149,906,281
Development	1,023,906,323	1,817,401,959	1,850,820,983	1,943,362,032	2,040,530,134
Total	**4,552,957,855**	**5,489,983,323**	**5,614,908,313**	**5,895,653,729**	**6,190,436,415**

The development expenditure targeted for FY 2023/24 is estimated at KES. 1,850.8 million which represents 33 percent of total expenditure. This figure is expected to increase marginally in FY 2024/25 at KES 1,943.4 million but projected to increase to KES 2,040.5 million in FY 2025/26 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.

4.1Adjustment to the Proposed 2022/23 Budget

Implementation of the FY 2022/23 Budget has begun slowly due to the post-election transition challenges. This performance coupled with a weak outcome in revenue collection in the FY 2021/22 indicate that the projections for the FY 2022/23 are optimistic and offers a moderate base for supporting the expenditure estimates in the FY 2023/24 and the Medium-Term Budget. Building from this confidence, the revenue projections and the expenditure estimates for the FY 2022/23 will be adjusted to capture emerging issues. Adjustments to the 2022/23 budget will take into account actual performance of departments so far and absorption capacity in the previous financial year 2021/22 and the need to finance completion of key projects. It will also consider priority supporting the projects aimed at achieving the ***leaving no one*** agenda and supporting economic recovery. In addition, the review will also address the new government structure after the unveiling of a new County Executive, pending accounts payables for goods and services rendered and brought forward from previous years.

The total revenues for the FY 2022/23 are projected at KES 5,489.98 million. The recurrent expenditures are projected at Ksh 3,642,58 million (66 percent of total revenue) and development expenditures are projected at Ksh 1,847.40 million (34 percent of total revenue).

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 2022/23. Among the measures, the CG will be strengthening and entrenching revenue automated system and further reforms in revenue administration.

4.2 Medium Term Expenditure Framework

The county government, over the medium term, will allocate adequate resources to the County's priority sectors to enhance their contribution to the county economy and its economic growth is noteworthy. 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. Pharmaceuticals and non-pharmaceuticals supplies 2. Huma resource costs 3. Provision of specialized services 4. New equipment & increased operations costs 5. Completion of health facilities 6. Emergency services 7. Automate services in more health facilities 8. Community health care services
Agriculture	1. Climate change mitigation 2. Post-harvest management 3. Extension services and Training of framers 4. Offering 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
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 5. Urban development
Education	1. Construction of ECDE Classes 2. Promotion of sporting activities 3. Gender and youth Empowerment programmes 4. Improvement of youth polytechnics 5. Tourism promotion and marketing
Public administration	1. Policy formulation and implementation 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 and management 6. Rainwater harvesting 7. Ground water harvesting 8. Waste management 9. Policy development and implementation
Lands and physical planning	1. Land management 2. Survey and mapping 3. Physical planning services

4.2.1 Proposed 2023/24 Budget Framework

In a "Rolling "medium budget plan, the first year forms the starting point for the next financial years. The preparation of the FY 2023/24 and the medium-term budget plan will focus on targeted interventions of economic recovery, programs that aim to reposition the economy on an inclusive and sustainable growth path.

This will be realized through the implementation of the priorities that safeguards livelihoods, create jobs, and achieve faster recovery. In addition, provision of core services, ensuring equity and minimizing costs by eliminating duplication and inefficiencies will be given priority. 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, maintain a zero fiscal deficit will continue to be the primary target in the budget framework.

4.2.2 Revenue Projections

During the financial year 2023/24, total revenues are expected to be KES 5,614.9 million comprising of an equitable share of KES 4,424.9 million, county own revenue (CORe) of KES 300.0 million and grants of KES 890. Million. This is in comparison to the KES 4214.78 million, KES 350.0 million, and KES 925.8 million projected in FY 2022/23 for Equitable share, local revenue and grants respectively. The county own source revenue is expected to maintain a gradual growth trend relatively given the stable economic environment after the elections and the post COVID Crisis. The aim is to mobilize more revenue from those categories that have not been fully exploited including land rates, plot rents, liquor licensing and building approval.

Table 13: MTEF Revenue projections by source 2023/24-2025/26

Description	**Actual 2020/21 FY**	**Actual 2021/22 FY**	**Printed Estimate 2022/23 FY**	**2023/24 FY projected**	**Projection 2024/25 FY**	**Projection 2025/26 FY**
Equitable Share Allocation	4,262,200,932	3,877,062,704	4,214,198,393	4,424,908,313	4,646,153,729	4,878,461,415
Local Revenue	254,745,602	239,381,562	350,000,000	300,000,000	315,000,000	330,750,000
Grant income	785,034,194	274,855,098	925,784,930	890,000,000	934,500,000	981,225,000
Grand Total	**5,301,980,728**	**4,391,299,364**	**5,489,983,323**	**5,614,908,313**	**5,895,653,729**	**6,190,436,415**

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

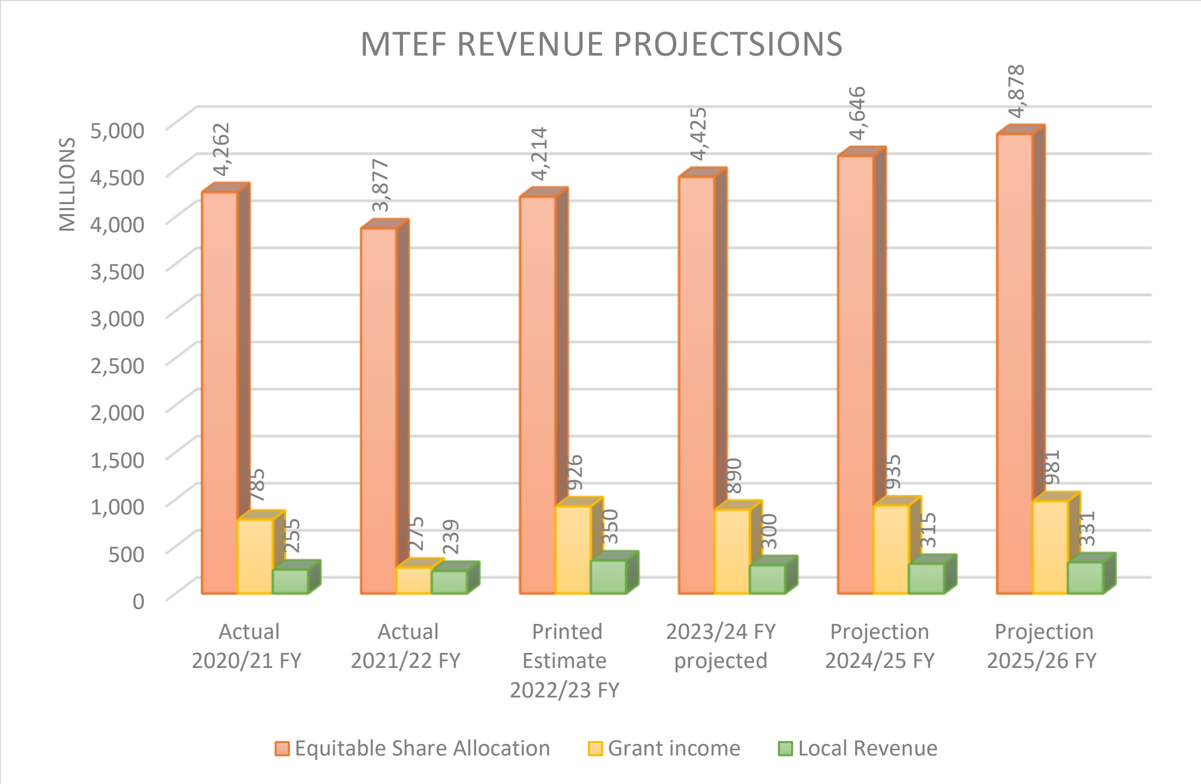

Figure 3: Revenue Projections FY 2022/23-2025/26

Figure 3 shows that there is slight decrease in local (own source) revenue collection from KES 255 million realized in FY 2020/21 to KES 239 million collected in FY 2021/22. The decline is attributed to effects of the electioneering period with reduced economic activities and high default rates in revenue payments.

The revenue and expenditure projections in the medium term are as shown in the Table 13.

Table 14 : Revenue and Expenditure Projections 2021/22-2025/26

Description	**2020/21 FY Actual**	**2021/22 FY Budget**	**2021/22 FY Actual**	**2022/23 FY Budget**	**2022/23 FY (CBROP 2021)**	**2023/24 FY (CFSP 2022)**	**2023/24 FY (CBROP 2022)**	**2024/25 FY (CFSP 2022)**	**2024/25 FY (CBROP 2022)**	**2025/26 FY (CBROP 2022)**
TOTAL REVENUE & GRANTS	5,554,534,906	5,911,260,701	4,736,939,549	5,489,983,323	5,722,403,729	5,682,408,313	5,614,908,313	5,958,028,728	5,895,653,729	6,190,436,415
Unspent Bal b/f \Previous FY	252,554,178	373,811,941	345,640,185	0	0	0	0	0	0	0
Revenue (Total)	**5,301,980,728**	**5,537,448,760**	**4,391,299,364**	**5,489,983,323**	**5,722,403,729**	**5,682,408,313**	**5,614,908,313**	**5,958,028,728**	**5,895,653,729**	**6,190,436,415**
Equitable Share Allocation	4,262,200,932	4,214,198,393	3,877,062,704	4,214,198,393	4,646,153,729	4,424,908,313	4,424,908,313	4,646,153,728	4,646,153,729	4,878,461,415
Local Revenue	254,745,602	350,000,000	239,381,562	350,000,000	367,500,000	367,500,000	300,000,000	385,875,000	315,000,000	330,750,000
Grant income	785,034,194	973,250,367	274,855,098	925,784,930	708,750,000	890,000,000	890,000,000	926,000,000	934,500,000	981,225,000
Grand (Total)	**5,554,534,906**	**5,911,260,701**	**4,736,939,549**	**5,489,983,323**	**5,722,403,729**	**5,682,408,313**	**5,614,908,313**	**5,958,028,728**	**5,895,653,729**	**6,190,436,415**
Total Expenditure	**5,554,534,906**	**5,911,260,701**	**4,736,939,549**	**5,489,983,323**	**5,722,403,729**	**5,682,408,313**	**5,614,908,313**	**5,958,028,728**	**5,895,653,729**	**6,190,436,415**
Recurrent	3,687,336,554	3,987,106,509	3,529,051,532	3,672,581,364	3,874,591,697	3,822,266,713	3,764,087,330	4,066,599,098	3,952,291,697	4,149,906,281
Recurrent as % of CG Total Revenue	*66%*	*67%*	*75%*	*67%*	*68%*	*67%*	*67%*	*68%*	*67%*	*67%*
Personnel Emolument	2,044,509,882	2,235,622,424	2,105,920,482	2,210,371,633	2,578,741,151	2,379,562,899	2,305,943,953	2,427,885,800	2,421,241,151	2,542,303,208
Operations & Maintenance	1,642,826,672	1,751,484,085	1,423,131,050	1,462,209,731	1,295,850,546	1,442,703,814	1,458,143,377	1,638,713,298	1,531,050,546	1,607,603,073
Personnel Emoluments as % of CG Revenue	*37%*	*38%*	*44%*	*40%*	*45%*	*42%*	*41%*	*41%*	*41%*	*41%*
Development	1,352,325,204	1,924,154,192	1,023,906,323	1,817,401,959	1,847,812,032	1,860,141,600	1,850,820,983	1,891,429,630	1,943,362,032	2,040,530,134
Development as % of CG Total Revenue	*24%*	*33%*	*22%*	*33%*	*32%*	*33%*	*33%*	*32%*	*33%*	*33%*
Unspent Bal Current FY	514,873,148	0	183,981,694	0	0	0	0	0	0	0

4.2.4 Expenditure Forecasts

The total expenditure in the 2023/24 FY is projected to amount to KES 5,614.9 million which is projected to increase to KES 5,895.9 million and KES 6,190 million in FY 2024/25 and FY 2025/26 respectively. The recurrent expenditure is estimated at KES 3,764.1 million compared to 3,672.5 million planned in FY 2022/23 and the actual expenditure of KES 3,687 million incurred in FY 2021/22. The projected Recurrent expenditure FY 2023/24 represents 67 percent of total expenditure being comprising personal emoluments of KES 2,306 million and KES 1,458 million for operations costs. The Development expenditure for FY 2023/24 is projected to be KES 1,850.8 million compared to KES 1,817.4 million planned during FY 2022/23 and KES 1,352.3 million incurred in FY 2021/22. Table 14 indicates the projections of expenditure in the medium-term period.

Table 15: Summary of Actual and Projects Expenditure MTEF

Expenditure Classification	**Actual Expenditure 2021/22**	**Approved Budget Estimates 2022/23**	**Projected Estimates (MTEF) 2023/24**	**Projected Estimates (MTEF) 2024/25**	**Projected Estimates (MTEF) 2025/26**
Recurrent	**3,687,251,222**	**3,672,581,364**	**3,764,087,330**	**3,952,291,697**	**4,149,906,281**
Personnel Emoluments	2,105,920,482	2,210,371,633	2,305,943,953	2,421,241,151	2,542,303,208
Operations & Maintenance	1,642,741,340	1,462,209,731	1,458,143,377	1,531,050,546	1,607,603,073
Development	**1,352,325,204**	**1,817,401,959**	**1,850,820,983**	**1,943,362,032**	**2,040,530,134**
County Assembly	***400,032,732***	***449,413,000***	***475,000,000***	***490,000,000***	***520,000,000***
Un spent Bal current FY	514,873,148	-	-	-	-
Total	**5,554,449,574**	**5,489,983,323**	**5,614,908,313**	**5,895,653,729**	**6,190,436,415**

Table 15 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 16:Summary of Indicative departmental Ceilings for the MTEF Period 2023/24- 2025/26

MINISTERIAL DEPARTMENTS	**TOTAL EXPENDITURE KSHS**					**% SHARE OF TOTAL EXPENDITURE**				
	2021/22 Actual Expenditure	**2022/23 Estimates**	**2023/24 Ceilings**	**2024/25 Projections**	**2025/26 Projections**	**2021/22 Actual Expenditure**	**2022/23 Estimates**	**2023/24 Ceilings**	**2024/25 Projections**	**2025/26 Projections**
Governor's Office	109,121,904	142,275,700	155,249,500	163,011,975	171,162,574	2.53%	2.59%	2.76%	2.76%	2.76%
Finance and Economic Planning	383,112,340	555,789,440	520,364,500	546,382,725	573,701,861	8.89%	10.12%	9.27%	9.27%	9.27%
County Public Service Board	13,136,557	25,333,400	28,200,400	29,610,420	31,090,941	0.30%	0.46%	0.50%	0.50%	0.50%
Administration and Public Service	123,263,549	122,844,890	135,000,000	141,750,000	148,837,500	2.86%	2.24%	2.40%	2.40%	2.40%
County Assembly	400,032,732	485,000,000	495,000,000	519,750,000	545,737,500	9.28%	8.83%	8.82%	8.82%	8.82%
Sub Total	**1,028,667,082**	**1,331,243,430**	**1,333,814,400**	**1,400,505,120**	**1,470,530,376**	**23.87%**	**24.25%**	**23.75%**	**23.75%**	**23.75%**
Energy, Housing and ICT	31,888,834	119,759,380	53,940,705	56,637,740	59,469,627	0.74%	2.18%	0.96%	0.96%	0.96%
Roads, Transport, and Infrastructure	533,029,876	616,147,810	580,400,500	609,420,525	639,891,551	12.37%	11.22%	10.34%	10.34%	10.34%
Sub Total	**564,918,710**	**735,907,190**	**634,341,205**	**666,058,265**	**699,361,179**	**13.11%**	**13.40%**	**11.30%**	**11.30%**	**11.30%**
Medical Services	1,474,600,318	1,551,727,187	1,650,113,800	1,732,619,490	1,819,250,465	34.22%	28.26%	29.39%	29.39%	29.39%
Public Health and Sanitation	237,318,423	459,708,272	450,500,400	473,025,420	496,676,691	5.51%	8.37%	8.02%	8.02%	8.02%
Sub Total	**1,711,918,741**	**2,011,435,459**	**2,100,614,200**	**2,205,644,910**	**2,315,927,156**	**39.73%**	**36.64%**	**37.41%**	**37.41%**	**37.41%**
Youth, Sports, Culture and Tourism	40,435,321	71,757,600	80,816,860	84,857,703	89,100,588	0.94%	1.31%	1.44%	1.44%	1.44%
Education and Vocation Training	192,131,286	248,257,400	260,763,408	273,801,578	287,491,657	4.46%	4.52%	4.64%	4.64%	4.64%
Sub Total	**232,566,607**	**320,015,000**	**341,580,268**	**358,659,281**	**376,592,245**	**5.40%**	**5.83%**	**6.08%**	**6.08%**	**6.08%**
Trade, Industry and Cooperatives	82,567,128	107,611,500	115,700,400	121,485,420	127,559,691	1.92%	1.96%	2.06%	2.06%	2.06%
Sub Total	**82,567,128**	**107,611,500**	**115,700,400**	**121,485,420**	**127,559,691**	**1.92%**	**1.96%**	**2.06%**	**2.06%**	**2.06%**
Agriculture	383,020,392	595,821,600	620,012,000	651,012,600	683,563,230	8.89%	10.85%	11.04%	11.04%	11.04%
Livestock and Fisheries Development	71,780,224	132,073,094	148,600,700	156,030,735	163,832,272	1.67%	2.41%	2.65%	2.65%	2.65%
Lands, Physical Planning and Urban Development	191,064,771	86,646,700	94,400,320	99,120,336	104,076,353	4.43%	1.58%	1.68%	1.68%	1.68%
Sub Total	**645,865,387**	**814,541,394**	**863,013,020**	**906,163,671**	**951,471,855**	**14.99%**	**14.84%**	**15.37%**	**15.37%**	**15.37%**
Environment and Natural Resources	0	18,029,600	30,544,580	32,071,809	33,675,399	0.00%	0.33%	0.54%	0.54%	0.54%
Water Services and Irrigation	42,166,159	151,199,750	195,300,240	205,065,252	215,318,515	0.98%	2.75%	3.48%	3.48%	3.48%
Sub Total	**42,166,159**	**169,229,350**	**225,844,820**	**237,137,061**	**248,993,914**	0.98%	3.08%	4.02%	4.02%	4.02%
Grand Total	**4,308,669,814**	**5,489,983,323**	**5,614,908,313**	**5,895,653,729**	**6,190,436,415**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 17: Summary of Indicative Sector Ceilings

SECTOR	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2021/22 Actual Expenditure	**2022/23 Estimates**	**2023/24 Ceilings**	**2024/25 Projections**	**2025/26 Projections**	**2021/22 Actual Expenditure**	**2022/23 Estimates**	**2023/24 Ceilings**	**2024/25 Projections**	**2025/26 Projections**
Public Admiration	1,028,667,082	1,331,243,430	1,333,814,400	1,400,505,120	1,470,530,376	23.87%	24.25%	23.75%	23.75%	23.75%
Infrastructure, Energy, ICT and Housing	564,918,710	735,907,190	634,341,205	666,058,265	699,361,179	13.11%	13.40%	11.30%	11.30%	11.30%
Health	1,711,918,741	2,011,435,459	2,100,614,200	2,205,644,910	2,315,927,156	39.73%	36.64%	37.41%	37.41%	37.41%
Education, Youth and Sports	232,566,607	320,015,000	341,580,268	358,659,281	376,592,245	5.40%	5.83%	6.08%	6.08%	6.08%
General Economic and Commercial Affairs	82,567,128	107,611,500	115,700,400	121,485,420	127,559,691	1.92%	1.96%	2.06%	2.06%	2.06%
Agriculture	645,865,387	814,541,394	863,013,020	906,163,671	951,471,855	14.99%	14.84%	15.37%	15.37%	15.37%
Environment, Water and Natural Resources	42,166,159	169,229,350	225,844,820	237,137,061	248,993,914	0.98%	3.08%	4.02%	4.02%	4.02%
Grand Total	**4,308,669,814**	**5,489,983,323**	**5,614,908,313**	**5,895,653,729**	**6,190,436,415**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

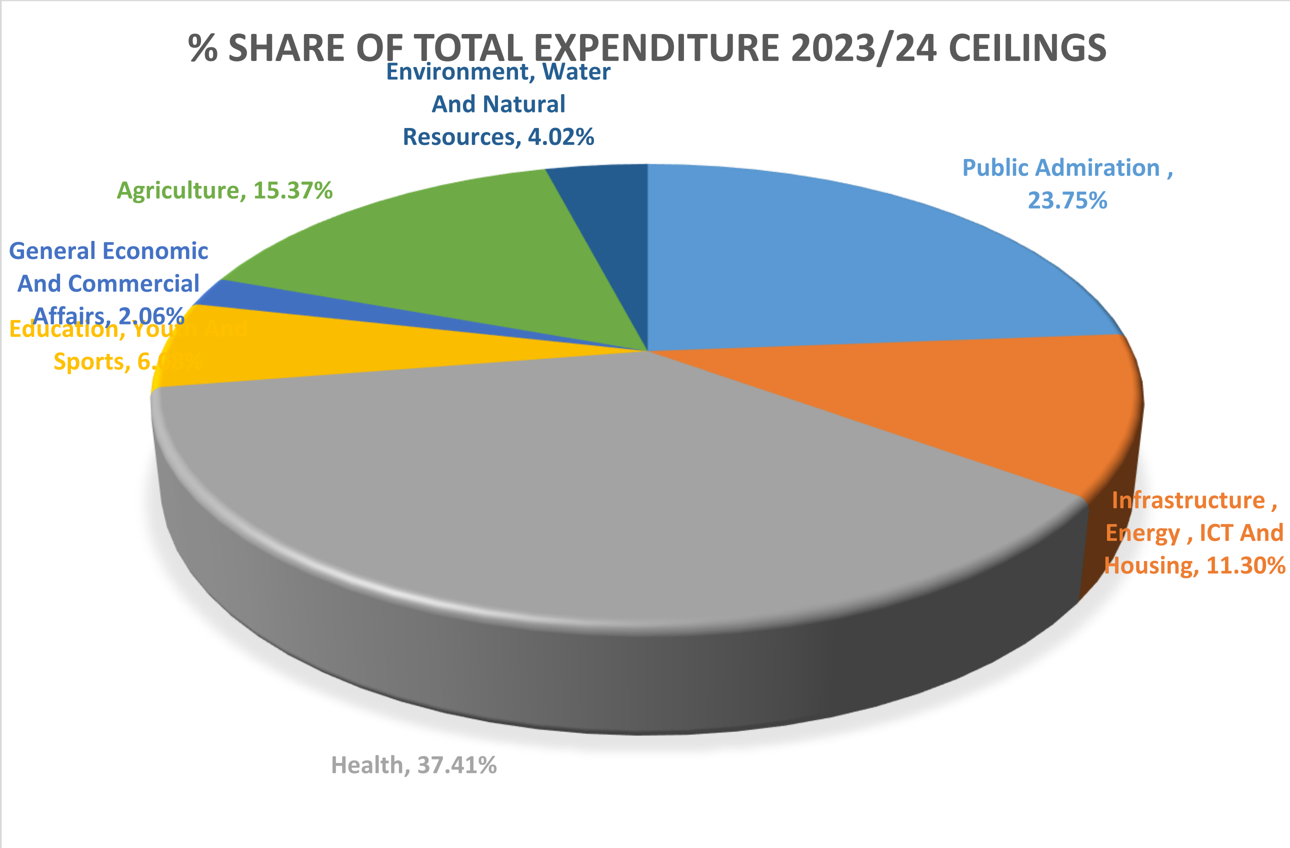

Figure 4: Pie chart sector ceilings

4.2.6 Wage bill

The County Government anticipates to spend a total of KES 2,305.9 million in FY2023/24 towards employee compensation and KES 1,458 million on operations. This is slightly above the recommended limit as per the fiscal responsibility principles as stated in PFM Act, 2012 Section 107(2) (c) which indicates that the expenditure on wages and benefits for County Government shall not exceed a percentage of the total revenue as prescribed in the regulations. In the proposed MTEF budget for FY 2023/24, this percent is expected to remain at 38% in line with the CG focus on stabilizing the wage bill.

4.2.7 Expenditure Ceilings

The final expenditure ceilings for the county departments shall be outlined in the County Fiscal Strategy Paper 2023 which will then guide the final budget submissions. However, the departments are advised to consider baseline ceilings provided in this CBROP as the basis of prioritizing programs.

4.2.8 Projected fiscal Balance (deficit) and likely financing

The proposed 2023/24 county budget framework is balanced, with projected revenues equaling projected expenditures. 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 2021/22 budget shows that the fiscal framework and the updated macroeconomic forecast demands for the need for caution and review of the financial objectives for FY 2022/23. This is basically as a result 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 2021/22 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 County through its long-term development objectives is devoted to ensuring services delivered are aligned to specific needs of our communities as contained in the CIDP 2018-2022. In doing so, the CG will endeavor to mobilize more resources through innovative and enhanced revenue collection mechanisms, embracing private-public partnership and creation of a conducive environment for business to thrive. This will be achieved through equity and fairness in distribution of resources and prioritization of development based on thematic approach for a particular financial year.

ANNEXURES

Annex I: Budget Calendar for the FY 2022/23

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Prepare and issue budget circular with guidelines	CEC Member for Finance	August 30th 2022
1.1 One day sensitization workshop for accounting officers		September 2022
2. Sector Woking Groups and CBEF	County Treasury	
2.1.1 1st CBEF Meeting – Review of FY 2021/2022 and Consideration of ADP FY 2023/24		28th September 2022
2.1.2 Launch and first meeting for SWGs and sensitization on SDGs		October 2022
2.2 Second meeting for SWGs		
Submission of projects and programmes to be implemented for FY 2023/24		9th December 2022
2.3 Third meeting for SWGs		March 2023
3. County Annual Progress Report	County Treasury (Economic Planning Department)	
3.1 Draft CAPR		16th September 2022
3.2 Validation of the CAPR		19th – 23rd Sept 2022
3.3 Submission to CEC for Approval		30th September 2022
3.4 Submission to CA for Approval		21st October 2022
4. Monitoring and Evaluation	County Treasury (Economic Planning Department)	
4.1 M&E field work		September 2022 and January 2023
4.2 Annual M&E week		2nd week November 2022
5. Statistical abstract 2020	County Treasury (Economic Planning Department	
5.1 Draft		October 2022
5.2 Launch		December 2022
6. Development of ADPs for FY 2023/24 and 2022/23	County Treasury (Economic Planning Department)	
6.1. Draft ADP FY 2023-2024		August 2022
6.2 Submission of ADP FY 2023-2024 to CEC		31st August 2022
6.3. Submission of ADP FY 2023-2024 to County Assembly		1st September 2022
6.4. Report of ADP from County Assembly		
6.5. Consolidation of CA recommendations to Final ADP		

6.6. Approval of ADP by County Assembly		*(Within 21 days upon submission)*
6.7. Meeting with TWGs for ADP FY 2024/25		26th May 2023
6.8. First draft ADP FY 2024/25		18th August 2023
6.9. Validation ADP FY 2024/25		14th – 22nd August 2023
6.10. CEC Approval ADP FY 2024/25		25th August 2023
6.11. Submission ADP FY 2024/25 to County Assembly		31st August 2023
7. **Development of county Integrated Development Plan (CIDP) 2023-2027**	County Treasury (Economic Planning Department)	
7.1 Public participation		September 2022
7.2 Drafting process		October 2022
7.3 Validation		November 2022
7.4 Approval, dissemination and implementation		November 2022
9. Development of County Budget Review and Outlook Paper (CBROP) 2022	County Treasury (Budget Unit)	
8.1. Estimation of Resource Envelope		15th Sep 2022
8.2. Determination of policy priorities		“
8.3. Preliminary resource allocation to Sectors		“
8.4. Draft County Budget Review and Outlook Paper		23rd Sep 2022
8.5. Validation		26th -30th September 2022
8.6. Submission and approval of CBROP by CEC		30th September 2022
8.7. Submission of approved CBROP to County Assembly		14th October 2022
9. Preparation of Budget proposals for the MTEF	Departments	
9.1. First retreat to draft Sector Reports (Programmes and projects submitted)	SWGs	24th October 2022
9.2. Public Sector Hearings	County Treasury	August 2022 and February 2023
9.3. Review and Incorporation of stakeholder inputs in Sector proposals	SWGs	30th December 2022
9.4 Submission of Sector Reports to Treasury	Sector Chairpersons	10th March 2023
9.5. Consultative meeting with CECs/COs on budget proposals	County Treasury	18th April 2023
9.6 3rd CBEF Meeting: Consideration of Budget Estimates	County Treasury	24th April 2023
10. Draft County Fiscal Strategy Paper (CFSP) 2020		
10.1. Draft CFSP	County Treasury	30th Jan 2023

10.2. Draft Debt Management Strategy (DMS)	Budget Unit	"
10.3.1 Validation Workshop	Budget Unit	13th – 17th February 2023
10.3.2 2nd CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning)	County Treasury	20th February 2023
10.4. Submission of CFSP and DMS to CEC for approval	County Treasury	22nd February 2023
10.5. Submission of CFSP & DMS to County Assembly for approval	County Assembly	28th February 2023
10. Preparation and approval of Final Departmental Budgets		
11.1. Develop and issue final guidelines on preparation of 2023-2024 MTEF Budget	County Treasury	January, 2023
11.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Line departments	30th March, 2023
11.3. Submission of Budget proposals to County Treasury (First draft)	Revenue Department	30th March, 2023
11.4. Consolidation of the Draft Budget Estimates (final draft)	County Treasury	14th April, 2023
11.5. Submission of Draft Budget Estimates to CEC	County Treasury	25th April, 2023
11.6. Submission of Draft Budget Estimates to County Assembly	County Treasury	30th April, 2023
11.7. Submission of Final Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	30th April, 2023
11.8. Review of Draft Budget Estimates by County Assembly	County Assembly	16th June, 2023
11.9. Report on Draft Budget Estimates from County Assembly	County Assembly	16th June, 2023
11.10. Consolidation of the Final Budget Estimates	County Treasury	16th June, 2023
11.11. Approval of Appropriation Bill by County Assembly	County Assembly	30th June, 2023
11.12. Approval of Vote on Account by County Assembly	County Assembly	30th June, 2023
11.13 Budget Statement	CEC Finance	15th June, 2021
11.14 Appropriation Bill passed	County Assembly	30th June, 2021
11. Public participation	County Treasury	August 2022 - February 2023

Annex II: Revenue Performance per Stream and location

Sub-County	Igaamba Ngo'mbe	Tharaka South	Tharaka North	Chogoria Urban	Chuka Urban	Marimanti Urban	Mwimbi Sub County	Muthambi Sub County	Chuka Sub County	Public Health	Veterinary Services	Weight And Measure	Chuka Hospital	Magutuni Hospital	Marimanti Hospital	Kibunga Hospital	County Head Quarters	Total
Land & Rate -	-	-	-	-	-	-	-	-	-									**-**
Plot-Rent	-	176,332	303,352	145,643	663,784	337,279	388,115	215,740	324,185								535,365	**3,089,795**
S.B. P	2,579,774	1,245,600	1,613,932	5,236,048	19,434,740	2,587,118	2,315,044	4,601,561	4,311,325									**43,925,142**
Cess Fee	2,292,140	9,538,860	11,308,890	69,460	-	3,664,400	469,490	743,400	2,170,990									**30,257,630**
Market & Slaughter	1,854,350	774,340	1,203,390	549,170	1,995,644	461,440	372,615	118,520	215,680									**7,545,149**
Vehicle Parking -	540,610	20,000		1,143,550	5,726,160	5,200	900	377,850	495,000									**8,309,270**
House & Stalls				1,486,116	1,788,210													**3,274,326**
Hire Of Hall &Lorry-					-													**-**
Plan Approval & Physical Planning Fees-	17,250	10,000	113,000	271,600	1,812,807	124,000	25,800	193,700	104,700								2,067,710	**4,740,567**
Weights & Measures-					-													**-**
Penalties	5,000		3,000	88,050	280,338		1,000	14,500	1,000								241,500	**634,388**
Agriculture Services	79,030	78,230	249,540		-	106,720			5,600									**519,120**
Mt. Kenya Lodge/Tourism-					-		276,200											**276,200**
Trns, Appl, & Adj.	3,000	300,900	102,000	9,000	190,300		32,000	88,000	227,000									**952,200**
Cooperatives					-													**-**
Search, Min, Ext		3,000	99,500	21,000	93,000	51,000	28,000	75,000	10,000									**380,500**
Advertisement	172,000			7,500	3,787,000	2,500	7,500	22,500										**3,999,000**
Motor/C					-													**-**

Miscellaneous							3,200										5,406,302	**5,409,502**
Administrative Fees and General Charges	392,010	2,600	4,540	31,580	173,861	18,530			11,975									**635,096**
Plan App. Fees, Health					-													**-**
Sch.Insp					-													**-**
Food Premises					-													**-**
Liquor Inspection	1,283,500	297,500	558,700	2,011,700	3,622,600	453,000	1,633,510	1,782,000	1,732,001									**13,374,511**
Hospital Fees					-								79,116,247	4,134,979	18,452,445	1,022,875		**102,726,546**
Private Schools R024					-													**-**
Fire Fighting services					12,800													**12,800**
Public Health										1,691,200								**1,691,200**
Veterinary											7,628,620							**7,628,620**
Physical Planning R026																		**-**
Enforcement																		**-**
Total	**9,218,664**	**12,447,362**	**15,559,844**	**11,070,417**	**39,581,244**	**7,811,187**	**5,553,374**	**8,232,771**	**9,609,456**	**1,691,200**	**7,628,620**	**-**	**79,116,247**	**4,134,979**	**18,452,445**	**1,022,875**	**5,406,302**	**239,381,562**