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THE REPUBLIC OF KENYA



**COUNTY GOVERNMENT OF THARAKA NITHI**

**COUNTY BUDGET REVIEW AND OUTLOOK  
PAPER**

**SEPTEMBER 2023**

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**© County Budget Review and Outlook Paper (CBROP) 2023**

The County Treasury

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## **FOREWORD**

The County Budget Review and Outlook Paper (CBROP) 2023 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 2023 County Budget Review and Outlook Paper (CBROP) is the first to be prepared under the Kenya Kwanza Administration. The 2023 CBROP has been prepared at a time when the Government is implementing priority programmes, policies, and reforms under the Bottom-Up Economic Transformation Agenda (BETA) and the governor’s manifesto” leaving *no one behind*” that aims at economic turnaround and inclusive growth. This implies that the County Programs and projects support the BETA Agenda.

CBROP 2023 reviews fiscal performance of the county for the FY 2022/23 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’s 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 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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**COUNTY EXECUTIVE COMMITTEE MEMBER,**  
**FINANCE, ECONOMIC PLANNING, REVENUE AND RESOURCE MOBILIZATION.**

## ABBREVIATIONS AND ACRONYMS

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

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

4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury

# **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 prudence 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 the purpose of financing development expenditure and not for recurrent expenditure.
- 5) The County debt shall be maintained at a sustainable level as approved by the 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, considering 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 with 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 reviews actual fiscal performance for FY 2022/23, macro-economic projections and the sector ceilings for the FY 2023/24 and the medium-term budget. The document also provides information on changes in financial forecast as outlined in the CFSP 2023 and how actual performance of the previous financial year may have affected the fiscal principles and county objectives. The paper gives reasons for deviations in county objectives and proposal in addressing the deviations.

### **1.1 Objective of CBROP**

The objective of CBROP is to provide a review of the previous year's fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in CFSP 2024.

Specifically, the CBROP provides:

- i. Updated economic and financial forecasts in relation to the changes in the County Fiscal Strategy Paper (CFSP) 2023.
- ii. Details of the actual fiscal performance in the FY 2022/23 compared to the budget appropriation.
- iii. Any changes in the forecasts compared with the CFSP 2023.
- 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 that links planning and budgeting processes. 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 2024/25 budget and in the medium term to guide Sector Workings groups (SWGs) before being affirmed in the CFSP 2024.

### **1.3 Structure**

This paper has five sections with Section one presenting the objectives, significance and structure of the CBROP. Section Two reviews the county's fiscal performance for the FY 2022/23. Section three reviews recent economic developments including Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government resource allocation framework. It establishes the resource envelop (total revenues) and then allocates these across departments by setting expenditure ceilings for each department. The last section provides a conclusion of the entire paper.

## **SECTION II: REVIEW OF COUNTY FISCAL PERFORMANCE IN FY 2022/23**

### **2.1 Overview**

The year under review had notable improvements in the total revenues from KES 4,736.9 million realized in FY 2021/22 to KES 5,260.8 million realized in the FY 2022/23. Development expenditure was KES 918 million out of the total development allocation of KES 1,316.77 million representing a 70 percent performance. The development resources were utilized in financing key projects and programs like school infrastructure for early childhood education, construction of roads, promotion of agriculture, domestic and irrigation water supply, development of markets and operationalization of health facilities.

On recurrent expenditure, the allocation was used to cover payment of staff emoluments and use of goods and services including purchase of essential commodities and other medical supplies. The recurrent expenditure performance was 94 percent amounting to KES 4,089.9 million, from approved estimates of KES 4,364.6 million. The county assembly total expenditure (development and recurrent) was KES 534.98 million from a total allocation of KES 576.9 million translating to 93 percent performance. 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 2023/24 and the medium-term budget, the County Government will continue to implement pragmatic measures to enhance revenue collection and rationalize expenditure.

### **2.2 Fiscal Performance for FY 2022/23**

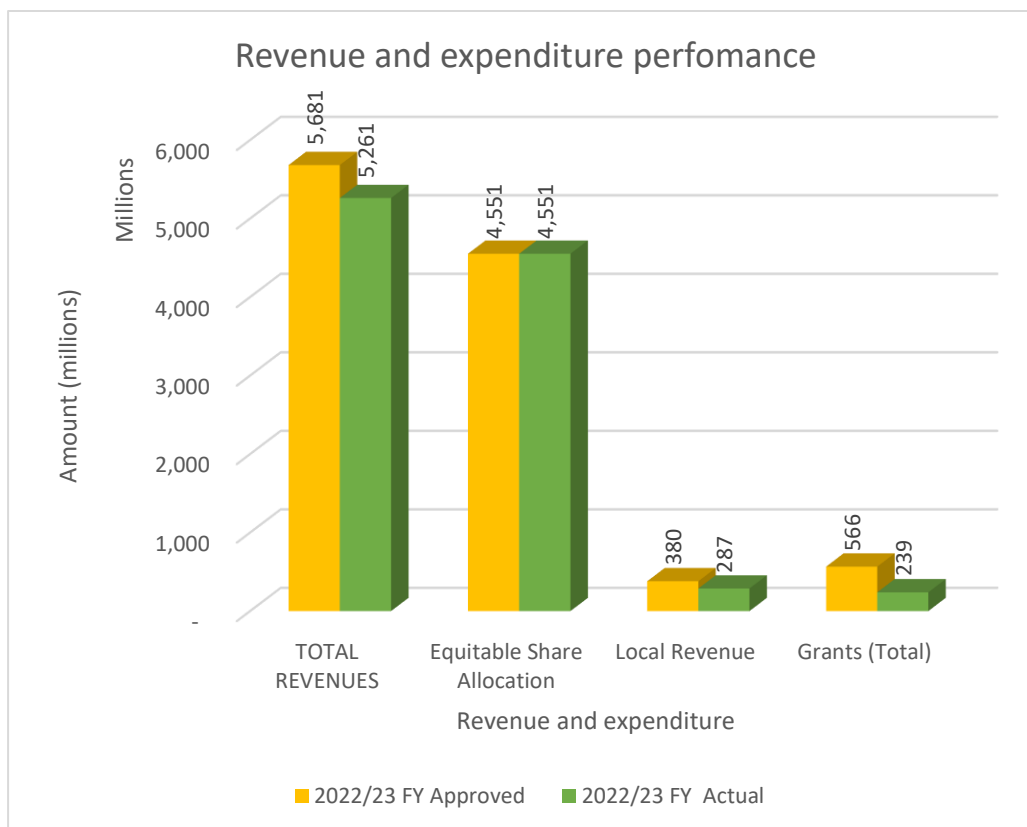
The FY 2022/23 budget was financed by equitable share of KES 4,551.3 million, County Own Revenue of KES 286.7 million, Conditional grants of KES 238.7 million and the balance brought forward of KES 183.98 million amounting to total County revenue of KES 5,260.9 million. The balance of KES 183.98 million excluded KES 50.2 million that had been retained in other Special Purpose accounts and cash in transit at the end of the FY 2021/22. Table 1 summarizes the revenue performance by the County for FY 2021/22 to FY 2022/23.

Table 1: Summary of County Fiscal Performance for FY 2022/23

<b>Particulars</b>	<b>2021/22 FY Actual</b>	<b>2022/23 FY Approved</b>	<b>2022/23 FY Actual</b>	<b>% performance</b>
<b>TOTAL REVENUES</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
Unspent Bal from Previous FY	345,640,185	183,981,694	183,981,694	100%
<b>Revenue (Total)</b>	<b>4,391,299,364</b>	<b>5,497,381,712</b>	<b>5,076,867,831</b>	<b>92%</b>
Equitable Share Allocation	3,877,062,704	4,551,334,282	4,551,334,482	100%
Local Revenue	239,381,562	380,000,000	286,737,650	42%
Grants (Total)	274,855,098	566,047,430	238,795,699	75%

<b>Total Expenditure</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
Recurrent	3,135,910,418	3,817,703,653	3,573,950,014	94%
Development	1,017,014,705	1,286,766,098	898,967,991	70%
County Assembly	400,032,732	576,893,655	534,983,755	93%
<b>Unspent Bal Current FY</b>	<b>183,981,694</b>	<b>-</b>	<b>252,947,765</b>	

Figure 1: *Fiscal Performance for FY 2022/23*



In the year under review, the county realized total revenue of KES 5,260.8 million representing 93% of the annual approved revenues of KES 5,681.4 million which is an increase of 11% from the FY 2021/22 actual revenue of KES 4,736.9 million. As at the end of the FY 2022/23, the county had an unspent balance of KES 252.9 million (KES 229.8 million held in the CRF and KES 33.1 million cash on transit) compared to KES 183.9 million at the beginning of the 2022/23 financial year.

Table 2: Allocation and Actual Expenditure by Type combined.

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>Total Expenditure</b>	<b>4,479,989,745</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
Recurrent	3,529,051,532	4,364,597,308	4,089,863,657	94%
Development	1,023,906,323	1,316,766,098	918,038,103	70%
unspent balances	183,981,694		252,947,765	

In the financial year 2022/23 the county budget absorption level was at 93%, with 70% and 94% absorption rates for development and recurrent expenditures respectively. The County executive absorption was 88% totaling KES 4,472.9 million while the County assembly absorption rate was at 93% totaling KES 534.98 million. This is as outlined in table 3 below.

Table 3: Allocation and Actual Expenditure Executive and Assembly

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>Total</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
<b>County Executive</b>	<b>4,152,925,123</b>	<b>5,104,469,751</b>	<b>4,472,918,005</b>	<b>88%</b>
Recurrent	3,135,910,418	3,817,703,653	3,573,950,014	94%
Development	1,017,014,705	1,286,766,098	898,967,991	70%
<b>County Assembly</b>	<b>400,032,732</b>	<b>576,893,655</b>	<b>534,983,755</b>	<b>93%</b>
Recurrent	400,032,732	546,893,655	515,913,643	94%
Development	-	30,000,000	19,070,112	64%
<b>Unspent in FY</b>	<b>183,981,694</b>	<b>-</b>	<b>252,947,765</b>	<b>4.8%</b>

## 2.3 County Own Revenue Performance and Conditional Grants

### 2.3.1 Own Revenue performance

The County Own Revenue (COPe) collected in FY 2022/23 totaled to KES 286.7 million (including KES 125.05 million collected from hospital fees) from KES 239.38 million realized in FY 2021/22 which constituted an increase of 19.8 percent. This is the best performance in terms of Own source revenue collection by the county over the years. This represented 75 per cent achievement of the annual COPe target of KES 380 million approved in the FY 2022/23 budget.

The increment in the revenue collection realized was achieved because of improved administration, supervision, and expansion of the tax base. Some of the measures put in place to curb revenue losses were automated revenue collection systems, installation of CCTV cameras at cess points and improved enforcement mechanisms. Additionally, there was a two-week Rapid Results Initiative implementation in revenue collection, which registered a great improvement in revenue collection in the month of May 2023. However, the annual revenue target was not met due to challenges like lack of requisite capacity to collect revenue effectively with a good portion of the revenue being consumed at the source, incomplete mapping of revenue sources and delay in updating valuation roll among others. To increase revenue base, there is need to maximize effectiveness and efficiency of County Government's revenue assessment and collection capabilities. The county intends to place measures like installation

of surveillance cameras in the remaining cess points, carrying out comprehensive revenue streams mapping, enhance enforcement mechanisms across all revenue streams, increase collaboration between the revenue generating departments, establish a tariffs and pricing policy and updating valuation roll. The table below gives a breakdown of the revenue streams.

Table 4: Own Source Revenue FY 2022/23

Sno	Revenue Stream	CODE	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)
			A	B	C=B-A
1	Plot Rents	R002	9,654,990.00	2,789,883.00	(6,865,107.00)
2	Single Business Permit	R003	68,500,800.00	59,546,155.00	(8,954,645.00)
3	Cess Fee	R004	55,084,200.00	37,432,401.00	(17,651,799.00)
4	Market And Slaughter	R005	20,831,200.00	9,688,716.00	(11,142,484.00)
5	Vehicle Parking	R006	19,900,390.00	8,684,840.00	(11,215,550.00)
6	House And Stalls	R007	4,700,420.00	2,892,341.00	(1,808,079.00)
7	Hire Of Hall and Lorry	R008	-	572,919.00	572,919.00
8	Plan Approval Fees	R009	-	4,246,180.00	4,246,180.00
9	Weights And Measures	R010	300,000.00	-	(300,000.00)
10	Penalties	R011	-	373,936.00	373,936.00
11	Livestock Sales	R012	500,000.00	1,720,230.00	1,220,230.00
12	Mt. Kenya Lodge/Local Tourism	R013	978,000.00	-	(978,000.00)
13	Transfer Application & Adjudication	R014	-	1,199,508.00	1,199,508.00
14	Search Fees Minutes Ext	R015	-	979,000.00	979,000.00
15	Advertisement	R016	3,900,000.00	12,234,316.00	8,334,316.00
16	Miscellaneous	R018	14,000,000.00	1,217,424.00	(12,782,576.00)
17	Public Health/Plan Approval	R019	-	2,733,600.00	2,733,600.00
18	Liquor Inspection	R022	18,000,000.00	11,862,100.00	(6,137,900.00)
19	Hospital Fees	R023	120,300,000.00	122,312,863.00	2,012,863.00
20	Medical Examination	R025	2,500,000.00	-	(2,500,000.00)
21	Physical Planning	R026	12,150,000.00	-	(12,150,000.00)
22	Veterinary	R027	8,600,000.00	5,963,438.00	(2,636,562.00)
23	Cooperatives	R028	100,000.00	-	(100,000.00)
24	Fire Inspection	R031	-	287,800.00	287,800.00
25	Administration Fees and Charges	R032	20,000,000.00	-	(20,000,000.00)
	<b>TOTAL</b>		<b>380,000,000.00</b>	<b>286,737,650.00</b>	<b>(93,262,350.00)</b>



Table 5 below gives a breakdown of the top ten revenue streams.

Table 5: Top Ten Revenue Streams

Sno	Revenue stream	Original Budget (Ksh)	Actual 2022/23 FY	% of Realization
1	Hospital Fees	120,300,000	122,312,863	102%
2	Single Business Permit	68,500,800	59,546,155	87%
3	Cess Fee	55,084,200	37,432,401	68%
4	Advertisement	3,900,000	12,234,316	314%
5	Liquor Inspection	18,000,000	11,862,100	66%
6	Market And Slaughter	20,831,200	9,688,716	47%
7	Vehicle Parking	19,900,390	8,684,840	44%
8	Veterinary	8,600,000	5,963,438	69%
9	Plan Approval Fees	-	4,246,180	100%
10	House And Stalls	4,700,420	2,892,341	62%

The best performing revenue streams are Advertisement, hospital fees, plan approval fees, single business permit, Veterinary, cess fees and liquor inspection. The streams that performed poorly include plot rent, vehicle parking and market and slaughter in addition to others that did record any revenues.

### 2.3.2 Conditional Loans and Grants

In the year under review 238.8 million for conditional loans and grants was received against a budgeted amount of 566 million translating to 42% realization. The proceeds from loans and grants comprised of conditional grants from National Ministries, Departments, and other donor grants majorly from the World Bank. They include KSCAP, ELRP, FLLOCA, KISIP, DANIDA, ASDSP and KUSP which complemented the equitable share funds. However, the delayed disbursements of some loans and grants hindered timely implementation of fundamental programmes and projects. Table 6 below analyzes Conditional Grants released in FY 2022/23.

Table 6: Summary Release of Conditional Loans and Grants

	Source of Revenue	FY 2021/22			FY 2022/23		
		2021/22 Revised Approved Estimates	2021/22 Actual (Kshs)	% Achieved	2022/23 Revised Approved Estimates	2022/23 Actual (Kshs)	% Achieved
1	KCSAP – WB	350,000,000	222,650,265	83%	244,843,359	98,599,181	40%
2	Leasing Medical Equipment	153,297,872	-	0%	110,638,298	-	0%
3	Emergency Locust Response Programme	49,461,725	10,317,981	0%	79,341,887	67,160,821	85%
4	THSUCP – WB	83,426,873	32,039,102	100%	32,039,102	-	0%
5	Financing Local Led Climate Action	10,000,000	-	0%	22,000,000	22,000,000	100%
6	ASDSP – Sweden	35,126,147	5,500,000	96%	20,816,232	16,071,032	77%
7	Kenya Informal Settlement Programme	20,000,000	-	0%	20,000,000	20,000,000	100%
8	Aquaculture Business Development Programme	-	-	100%	15,630,100	-	0%
9	UHDSP – DANIDA	8,695,500	4,347,750	100%	12,624,750	12,624,750	100%
10	KDSP – WB	137,242,250	137,242,250	100%	5,773,787	-	0%
11	KUSP - UIG Grant	-	-	0%	2,339,915	2,339,915	100%
12	Supplement Construction County HQ	76,000,000	-	0%	-	-	0%
13	KUSP - UDG Grant	50,000,000	-	56%	-	-	0%
	<b>Total Amount</b>	<b>1,108,842,196</b>	<b>865,162,744</b>	<b>78%</b>	<b>566,047,430</b>	<b>238,795,699</b>	<b>42%</b>

## 2.4 County Expenditure Performance

The county total expenditure for the FY 2022/23 was KES 5,007.9 million of which KES. 4,089.9 million was used to finance the recurrent expenditure (inclusive of County Assembly allocation), while the development expenditure was KES 918 million. The County Assembly expenditure for the year ended 30<sup>th</sup> June 2023 was KES 534.9 million.

### 2.4.1 Expenditure by Type

The recurrent expenditure for the FY 2022/23 was KES 4,089.9 million while the development expenditure was KES 918 million. At the end of the year the unspent balance was KES 252 million. The expenditure by type is resented in table 7 below.

Table 7 : Total expenditure by Type

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>Total Expenditure</b>	<b>4,479,989,745</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
Recurrent	3,529,051,532	4,364,597,308	4,089,863,657	94%
Development	1,023,906,323	1,316,766,098	918,047,103	70%
unspent balances	183,981,694		252,938,765	

Table 8: County Executive and county Assembly Expenditure.

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>Total</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
<b>County Executive</b>	<b>4,152,925,123</b>	<b>5,104,469,751</b>	<b>4,472,927,005</b>	<b>88%</b>
Recurrent	3,135,910,418	3,817,703,653	3,573,950,014	94%
Development	1,017,014,705	1,286,766,098	898,976,991	70%
<b>County Assembly</b>	<b>400,032,732</b>	<b>576,893,655</b>	<b>534,983,755</b>	<b>93%</b>
Recurrent	400,032,732	546,893,655	515,913,643	94%
Development	-	30,000,000	19,070,112	64%
<b>Unspent in FY</b>	<b>183,981,694</b>	<b>-</b>	<b>252,938,765</b>	<b>4.8%</b>

## 2.4.2 Expenditure by Economic Classification

Table 9 below gives a breakdown of the county expenditure performance per economic classification showing expenditure on personnel emoluments, use of goods and services, social benefits, grants and transfers and other development.

Table 9: County Expenditure Performance by Economic Classification

DESCRIPTION	Actual Expenditure and Revenue 2021/22	REVISED ESTIMATES III FY 2022/23	Actual Expenditure and Revenue 2022/23
<b>A. Total Budget [1+2]</b>	<b>4,245,770,182</b>	<b>5,681,363,406</b>	<b>5,007,910,760</b>
<b>1.0 Total Expenditure</b>	<b>3,309,403,911</b>	<b>4,569,662,850</b>	<b>4,237,618,163</b>
1.1 Compensation to Employees	2,044,509,882	2,559,911,587	2,471,960,109
1.2 Use of Goods and Services	574,138,695	1,024,801,042	927,273,663
1.3 Grants and Other Transfers	690,755,334	887,450,221	778,123,586
1.4 Social benefits	-	72,500,000	60,260,805
1.5 Other payments	-	25,000,000	-
<b>2.0 Other Development</b>	<b>936,366,271</b>	<b>1,111,700,556</b>	<b>770,292,597</b>
2.1 Other Development	936,366,271	1,111,700,556	770,292,597
<b>Financed by:</b>			
<b>B. Total Revenue</b>	<b>4,479,904,413</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>
3.1 Equitable Share	3,587,084,400	4,551,334,282	4,551,334,482
3.2 County Own Revenue [CORE]	271,605,362	380,000,000	286,737,650
3.3 Conditional Grants	529,563,549	566,047,430	238,795,699
3.4 Balance b/f	91,651,102	183,981,694	183,981,694
<b>C. Net Financing [B-A]</b>	<b>234,134,231</b>	<b>-</b>	<b>252,938,765</b>

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. The total expenditure of KES 5,007.9 million comprised of 2,472.0 million of total recurrent expenditure spent on payment of wages and salaries, KES 927.3 million spent on use of goods and services, KShs 778.1 as grants and transfers and 60.3 million spend on social benefits. The expenditure on other development expenditure for FY 2022/23 was KES 770.3 million representing 15.2 per cent of the total annual expenditure and 22.5 per cent decrease compared to the expenditure of KES 936.4 million for FY 2021/22. The balance b/f of KES 183.98 million excluded KES 50.2 million that had been retained in other Special Purpose accounts and cash in transit at the end of the FY 2021/22.

Figure 2 below gives a graphical comparison of the expenditures for FY 2021/22 and FY 2022/23, inclusive of County Assembly allocation.

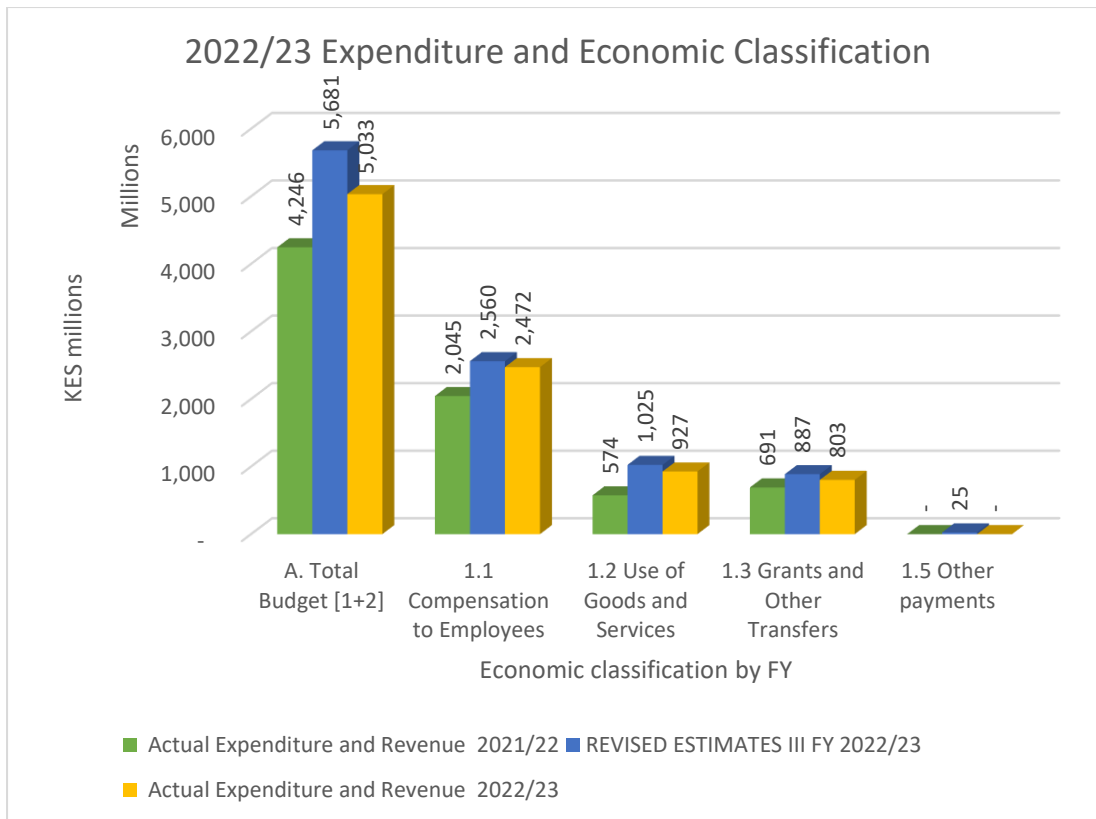


Figure 2: Comparison of recurrent expenditure for FYs 2021/22 and 2022/23

### 2.4.3 Other Development Expenditure

### 2.4.4 Common Causes of Expenditure Underperformance

Some of the reasons for expenditure underperformance include.

1. Effect of August 2022 elections that affected government operations.
2. Delay in release of funds.
3. Delay in enactment of the additional allocations Act.
4. Revenue underperformance especially OSR and conditional grants.

Table 10: Absorption Rates by Sectors 2022/23 FY

SECTOR	C-FSP 2022			BUDGET ALLOCATION 2022/23			Cumulative Expenditure 2022/23			Absorption (%)	Deviation (%) CFSP - BUDGET
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total		
Public Administration	965,083,300	398,769,540	1,363,852,840	1,224,113,432	36,000,000	1,260,113,432	1,047,222,975	19,070,112	1,066,293,087	84.62%	-7.61%
Energy And ICT	38,759,380	81,000,000	119,759,380	35,814,409	20,000,000	55,814,409	34,709,041	11,034,021	45,743,062	81.96%	-53.39%
Infrastructure	130,423,400	380,605,000	511,028,400	231,614,659	510,605,000	742,219,659	212,440,729	380,311,901	592,752,630	79.86%	45.24%
Health Services	1,842,759,100	254,245,700	2,097,004,800	2,204,154,548	129,378,487	2,333,533,035	2,172,121,440	64,645,336	2,236,766,776	95.85%	11.28%
Education And Social Services	248,973,300	70,310,900	319,284,200	258,567,637	67,590,700	326,158,337	250,876,044	25,303,200	276,179,244	84.68%	2.15%
General Economic	107,611,500	-	107,611,500	93,338,118	6,000,000	99,338,118	90,978,068	-	90,978,068	91.58%	-7.69%
Agriculture	251,832,034	529,179,260	781,011,294	227,932,893	407,691,911	635,624,804	213,501,540	322,547,583	536,049,123	84.33%	-18.62%
Environment And Natural Resources	69,639,350	105,000,000	174,639,350	89,061,612	139,500,000	228,561,612	68,013,820	95,134,950	163,148,770	71.38%	30.88%
<b>GRAND TOTAL</b>	<b>3,655,081,364</b>	<b>1,819,110,400</b>	<b>5,474,191,765</b>	<b>4,364,597,308</b>	<b>1,316,766,098</b>	<b>5,681,363,406</b>	<b>4,089,863,657</b>	<b>918,047,103</b>	<b>5,007,910,760</b>	88.15%	3.78%

Table 11: Absorption rates by Department 2022/23 FY

DEPARTMENT	C-FSP 2022			BUDGET ALLOCATION 2022/23			Cumulative Expenditure 2022/23			Absorption (%)	Deviation (%) CFSP - BU
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL		
Governor's Office	142,275,700	-	142,275,700	247,589,827	-	247,589,827	159,436,070	-	159,436,070	64.40%	74.0
Finance and Economic Planning	219,519,900	263,769,540	483,289,440	285,010,349	6,000,000	291,010,349	235,562,319	-	235,562,319	80.95%	-39
County Public Service Board	25,333,400	-	25,333,400	26,232,240	-	26,232,240	22,661,670	-	22,661,670	86.39%	3.5
Administration and Public Service	122,954,300	-	122,954,300	118,387,361	-	118,387,361	113,649,273	-	113,649,273	96.00%	-3.7
County Assembly	455,000,000	135,000,000	590,000,000	546,893,655	30,000,000	576,893,655	515,913,643	19,070,112	534,983,755	92.74%	-2.2
<b>SUB-TOTALS</b>	<b>965,083,300</b>	<b>398,769,540</b>	<b>1,363,852,840</b>	<b>1,224,113,432</b>	<b>36,000,000</b>	<b>1,260,113,432</b>	<b>1,047,222,975</b>	<b>19,070,112</b>	<b>1,066,293,087</b>	84.62%	-7.6
Energy and ICT	38,759,380	81,000,000	119,759,380	35,814,409	20,000,000	55,814,409	34,709,041	11,034,021	45,743,062	81.96%	-53
<b>SUB-TOTALS</b>	<b>38,759,380</b>	<b>81,000,000</b>	<b>119,759,380</b>	<b>35,814,409</b>	<b>20,000,000</b>	<b>55,814,409</b>	<b>34,709,041</b>	<b>11,034,021</b>	<b>45,743,062</b>	81.96%	-53
Roads, Transport and Infrastructure	130,423,400	380,605,000	511,028,400	231,614,659	510,605,000	742,219,659	212,440,729	380,311,901	592,752,630	79.86%	45.2

<b>SUB-TOTALS</b>	<b>130,423,400</b>	<b>380,605,000</b>	<b>511,028,400</b>	<b>231,614,659</b>	<b>510,605,000</b>	<b>742,219,659</b>	<b>212,440,729</b>	<b>380,311,901</b>	<b>592,752,630</b>	79.86%	45.3%
Medical Services	1,536,348,700	100,947,828	1,637,296,528	1,862,882,199	129,378,487	1,992,260,686	1,848,683,521	64,645,336	1,913,328,857	96.04%	21.6%
Public Health and Sanitation	306,410,400	153,297,872	459,708,272	341,272,349	-	341,272,349	323,437,919	-	323,437,919	94.77%	-25.1%
<b>SUB-TOTALS</b>	<b>1,842,759,100</b>	<b>254,245,700</b>	<b>2,097,004,800</b>	<b>2,204,154,548</b>	<b>129,378,487</b>	<b>2,333,533,035</b>	<b>2,172,121,440</b>	<b>64,645,336</b>	<b>2,236,766,776</b>	95.85%	11.1%
Youth, Sports, Culture and Tourism	45,826,800	25,200,000	71,026,800	43,105,575	17,930,800	61,036,375	39,607,685	6,062,650	45,670,335	74.82%	-14.4%
Education and Vocation Training	203,146,500	45,110,900	248,257,400	215,462,062	49,659,900	265,121,962	211,268,359	19,240,550	230,508,909	86.94%	6.7%
<b>SUB-TOTALS</b>	<b>248,973,300</b>	<b>70,310,900</b>	<b>319,284,200</b>	<b>258,567,637</b>	<b>67,590,700</b>	<b>326,158,337</b>	<b>250,876,044</b>	<b>25,303,200</b>	<b>276,179,244</b>	84.68%	2.1%
Trade, Industry and Cooperatives	107,611,500	-	107,611,500	93,338,118	6,000,000	99,338,118	90,978,068	-	90,978,068	91.58%	-7.6%
<b>SUB-TOTALS</b>	<b>107,611,500</b>	<b>-</b>	<b>107,611,500</b>	<b>93,338,118</b>	<b>6,000,000</b>	<b>99,338,118</b>	<b>90,978,068</b>	<b>-</b>	<b>90,978,068</b>	91.58%	-7.6%
Agriculture	126,142,340	464,179,260	590,321,600	125,329,485	339,561,811	464,891,296	118,164,490	305,183,866	423,348,356	91.06%	-21.1%
Livestock and Fisheries	86,442,994	30,000,000	116,442,994	68,172,308	43,130,100	111,302,408	63,729,418	13,077,687	76,807,105	69.01%	-4.4%
Lands, Physical Planning and Urban	39,246,700	35,000,000	74,246,700	34,431,100	25,000,000	59,431,100	31,607,632	4,286,030	35,893,662	60.40%	-19.1%
<b>SUB-TOTALS</b>	<b>251,832,034</b>	<b>529,179,260</b>	<b>781,011,294</b>	<b>227,932,893</b>	<b>407,691,911</b>	<b>635,624,804</b>	<b>213,501,540</b>	<b>322,547,583</b>	<b>536,049,123</b>	84.33%	-18.1%
Environment and Natural Resources	18,439,600	5,000,000	23,439,600	42,127,693	30,000,000	72,127,693	25,101,220	25,457,818	50,559,038	70.10%	207.1%
Water Services and Irrigation	51,199,750	100,000,000	151,199,750	46,933,919	109,500,000	156,433,919	42,912,600	69,677,132	112,589,732	71.97%	3.4%
<b>SUB-TOTALS</b>	<b>69,639,350</b>	<b>105,000,000</b>	<b>174,639,350</b>	<b>89,061,612</b>	<b>139,500,000</b>	<b>228,561,612</b>	<b>68,013,820</b>	<b>95,134,950</b>	<b>163,148,770</b>	<b>71.38%</b>	<b>30.8%</b>
<b>GRAND TOTAL</b>	<b>3,655,081,364</b>	<b>1,819,110,400</b>	<b>5,474,191,765</b>	<b>4,364,597,308</b>	<b>1,316,766,098</b>	<b>5,681,363,406</b>	<b>4,089,863,657</b>	<b>918,047,103</b>	<b>5,007,910,760</b>	<b>88.15%</b>	<b>3.7%</b>

## **2.5 Implications for the FY 2022/23 Performance**

During the year under review, several revenues for conditional grants were not released in full. This in turn affected implementation of the budget hampering service delivery. The performance in the FY 2022/23 has affected the financial objectives set out in the County Fiscal Strategy Paper 2022 in the following ways:

- i. In the FY 2022/23, there were severe cash flow challenges due to delayed approval of CARA with funds disbursement from conditional grants and loans amounting to 327.3 million not disbursed. This includes 0% disbursement of KDSP, ABDP, THSUCP and funds meant for leasing of medical equipment while funds meant for ELRP, ASDSP AND KCSAP partially disbursed. The revenue deficit on Own Sources of Revenue amounting to Ksh. 93.3 million which affected service delivery and delayed payment for goods and services rendered to the County by our suppliers.
- ii. That the absorption rates by most County departments were above 70% for both development and recurrent with the overall actual expenditure level reaching 88 % of the target. This was still hampered by the delay in the release of funds and the requirement to cover pending bill costs. Only two departments recorded an absorption rate of below 65%. The failure to achieve full funds absorption can be attributed to revenue deficit and unrealized CORE, Conditional loans, and grants.
- iii. That the CORE base increased substantially from KSh239.4 million realized in FY 2021/22 to KSh 286.7 million realized in FY 2022/23. This was a great achievement given that it was an electioneering period where mostly revenue collection is disrupted by campaigning and election activities.
- iv. That the expenditure on personnel emoluments consumed 49.3%, above the 35 per cent recommended as per PFM regulations 2015, which continues to exert pressure on County Resources. The recent increase in salaries, restructuring of NSSF and housing levy will increase the cost of employee compensation in the medium term.

Given the above deviations, the revision of revenues and expenditure ceilings for FY 2023/24 and medium term will be based on the revised macroeconomic assumptions and be affirmed in the County Fiscal Strategy Paper 2024. The County Government will not 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 2024 to reflect the changed circumstances.



## **SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

The County Government of Tharaka Nithi has a focus on initiating sustainable social economic programs across all sectors. This has consequently led to improving the lives of the citizens with commitment of ensuring inclusivity for prosperity and livelihood improvement. The administration has tirelessly worked to ensure that the budget threshold, as guided by the PFM Act, 2012 is adhered to. The big picture being universal and non-discriminative universal development, Tharaka Nithi county has invested in improvement of transport infrastructure for connectivity, Agriculture for sustainability, health, education, and water matters among other many areas of focus that has led to better lives.

### **3.1 Recent Economic Developments**

In the 10 years pre-COVID-19 pandemic, the economic growth averaged 5.0 percent whereas in the two years Post COVID-19 pandemic the growth momentum picked up to average 6.2 percent. The Kenyan economy in 2022 demonstrated resilience in the face of severe multiple shocks that included the adverse impact of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. As such, the economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021.

In 2020, the economy received adequate rainfall that resulted in increased production in the agriculture sector growing by 4.6 percent. However, the country subsequently, experienced a severe climate related shock in the form of a severe drought that was also experienced in the Horn of Africa and the East African regions. The drought not only aggravated the inflationary pressures but also subjected millions of people to severe food insecurity, loss of lives, livelihoods and led to loss of livestock. This resulted in the contraction of the agriculture sector by 0.4 percent 2021 and 1.6 percent in 2022.

The performance of the industry sector slowed down to 3.5 percent in 2022 compared to a growth of 6.8 percent in 2021 on account of a slowdown in activities in the manufacturing, electricity and water supply and construction sub-sectors. In the year, services sector remained strong growing at 6.7 percent, with improved performance in information and communication, financial and insurance and professional, administrative and support services sub-sectors. There were also substantial growths in accommodation and food services, and transport and storage sub-sectors.

In the first quarter of 2023, real GDP growth was at 5.3 percent mainly due to a 5.8 percent recovery in the agricultural activities that reflected improved rainfall conditions and the impact of fertilizer and seed subsidies provided to the farmers by the Government. The recovery in agriculture was reflected in enhanced production, especially of food crops that led to significant increase in export of vegetables and fruits.

Manufacturing sub-sector expanded by 2.0 percent in the first quarter of 2023 mainly supported by the manufacture of food products that included bakery products and processing and preservation of fish. In the non-food manufacturing the growth performance was supported 33 by substantial growth in the manufacture of basic metals and fabricated metal products. Electricity and Water Supply sub-sector expanded by 2.3 percent supported by increased generation of electricity from renewable sources such as geothermal and wind that more than offset the decline in generation from hydroelectric sources. However, construction activities slowed down due to the decline in the volume of cement consumption and imports of various construction materials such as bitumen and iron and steel.

The activities in the services sector remained strong in the first quarter of 2023 growing by 6.0 percent largely characterized by significant growths in accommodation and food Service; information and communication technology; transportation and storage; financial and insurance; and wholesale and retail trade sub-sectors. Available economic indicators in the first three quarters of 2023 remain strong with the continued recovery in the agricultural sector and sustained performance of the services sector. In this respect, economic growth is projected at 5.5 percent in 2023 and 5.7 percent in 2024 supported by broad-based private sector growth and sustained government investment in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Additionally, public sector investments in infrastructure and implementation of prudent fiscal and monetary policies will continue to support economic activity.

Inflation remained above the Government target range of  $5\pm 2.5$  percent from June 2022 to June 2023. To anchor inflation expectations and bring down inflation within the target range, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023. The MPC retained 10.50 percent in August 2023. Consequently, inflation declined significantly to 6.7 percent in August 2023,

from a peak of 9.6 percent in October 2022. The decline largely reflects the easing of food prices and impact of monetary policy tightening.

Food inflation remained the dominant driver of overall inflation in August 2023. However, it declined to 7.5 percent in August 2023 from a peak of 15.0 percent in August 2022 reflecting easing of food prices arising from increased supply due to ongoing harvests, seasonally factors, 34 international developments and Government measures on zero rated imports. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

Fuel inflation remained elevated driven by high energy prices. It increased to 14.2 percent in August 2023 from 8.6 percent in August 2022. The increase reflects gradual withdraw of the fuel subsidize from September 2022 and the upward adjustment of electricity tariff from April 2023. In addition, the upward adjustment of VAT on petroleum product in July 2023 from 8.0 percent to 16.0 percent exacted upward pressures on prices. However, prices of cooking gas continued to decline and moderated inflation reflecting the impact of the zero-rating of VAT on liquefied petroleum gas (LPG). 64. Core (non-food non-fuel) inflation increased from 3.2 percent in August 2022, to a peak of 4.4 percent in March 2023, and has declined to 3.7 percent in August 2023. The decline is attributed to the contractionary monetary policy aimed at taming the spillover effects of high energy prices.

### **3.2 Progress report on budget implementation**

Despite all the challenges, the County government is committed to realizing all the set objectives to achieve the proposed outcomes as per the plans and policies. This will be achieved by ensuring the budget is implemented as required and adheres to the guidelines. Budget implementation will be guided on the fiscal responsibility principles outlined in the PFM Act, 2012, Section 107(2). The fiscal outcomes proposed within this paper are consistent with the national financial objectives as outlined in relevant policy documents and various legislations. Due to improved adoption, utilization, and mastery of financial systems, including IFMIS and e-procurement, the budget process is expected to be efficient thus improving funds utilization.

In FY 2021/22 the county total revenue basket was KES 4,736.4 million which rose to KES 5,260.85 million in the FY 2022/23, an increase of KES 523.91 million, representing 10 percent growth. This was made possible due to increase in equitable and Own source revenue. In FY 2022/23, the total amount of County Own Revenue collected was KES 286. 7 million, an increase of KES 47.4 million (19.8 percent) from KES 239.4 million realized in FY 2021/22.

### 3.3 County Economic Outlook and Policies

The 2023 CBROP has been prepared at a time when the County Government is implementing priority programmes, policies, and reforms under the Bottom-Up Economic Transformation Agenda (BETA) and the governor’s manifesto” leaving *no one behind*” that aims at economic turnaround and inclusive growth. The priority programmes and policies are detailed in the Fourth Medium-Term Plan (MTP) IV and County Integrated Development Plan for the period 2023-2027 which are anchored on Kenya vision 2030.

The third CIDP 2023-2027 is being implemented at a time when the economy is facing three major shocks, among them, the conflict between Russia and Ukraine that disrupted global trade leading to increased fuel, increase in fertilizer and food prices; the lingering effects of the COVID-19 pandemic; and a severe drought witnessed in the most parts of the county associated with locust invasion and climate change which gravely impacted on food security. The drought not only aggravated the inflationary pressures but also subjected thousands of homesteads to severe food insecurity, loss of lives, livelihoods, and loss of livestock.

To ease the burden to the residents of Tharaka-Nithi there is a 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 these challenges have led to prioritization of seven thematic areas that are anticipated to redirect the county economic agenda from leaning into infrastructural development to holistic service delivery: Agriculture and food security, water and environment health, infrastructure, General Economics and Commercial Affairs, urban development 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 contributing approximately 33 percent of Kenya’s Gross Domestic Product (GDP). Addressing the challenges linked to the sector requires promotion of livestock and crop value chain addition, promotion of crop subsidies for farm inputs, increased mechanization, contract farming, farmers capacity building, promotion of aquaculture development and research, mitigating the impacts of desert locust invasion 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. Partnerships

with the national government and World Bank will be fostered in the current term to secure financing for the programmes.

Basic service provision of clean and safe water, sanitation, hygiene, climate resilience actions and irrigation play a crucial role in ensuring the county realizes decent health, improved quality of life and 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, smallholder irrigation projects in marginalized areas and strengthen county's capacity to manage climate risks. Further, capitalizing on the establishment of more household connections is expected to improve provision of clean and safe 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 2020/21 and FY 2022/23. 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.

The General Economic and Commercial Affairs sector is a significant player of Bottom-Up Economic Transformation Agenda (BETA) and the governor's manifesto" leaving *no one behind*". The sector contributes to employment and wealth creation, promotion of industrial investment trade, tourism, and County Integration. Addressing the challenges linked to the sector requires supporting the growth of Micro, Small and Medium Enterprise (MSMEs), Development of industrial park, Capacity building for MSMEs, Development of Jua kali skills, Enhance market access for MSMEs through creation of market linkages, Provide credit facilities to women, youth and PWDs, Establishment and management of County Tourism Information centres, Branding of tourism sites, Development of Tharaka-Nithi County Guide and Promotion of Tharaka-Nithi Annual Cultural Festivals. Partnerships with the national government will be fostered in the current term to secure financing for the programmes.

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 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, and culture all can 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.

### 3.4 Medium Term Fiscal Framework

The 2023 County Budget Review and Outlook Paper (CBROP) has been prepared against a backdrop of continued global uncertainties, reflecting high but easing inflationary pressures, weak global growth outlook, heightened geopolitical tensions particularly the conflict in Ukraine, concerns about financial sector stability in advanced economies, and increased food insecurity due to climate-related shocks. Global growth is projected to slow down to 3.0 percent in 2023 and 2024 from 3.5 percent in 2022, reflecting the impact of the tightening of monetary policy and escalation of geopolitical tensions particularly the ongoing war in Ukraine.

Table 12: International GDP Growth Estimates and Forecasts (Year-On-Year Percentage Change)

Economy	Growth (%)			
	Actual		Projected	
	2021	2022	2023	2024
World	6.3	3.5	3.0	3.0
Advanced Economies	5.4	2.7	1.5	1.4
<i>Of which: USA</i>	5.9	2.1	1.8	1.0
<i>Euro Area</i>	5.3	3.5	0.9	1.5
Emerging and Developing Economies	6.8	4.0	4.0	4.1
<i>Of which: China</i>	8.4	3.0	5.2	4.5
<i>India</i>	9.1	7.2	6.1	6.3
Sub-Saharan Africa	4.7	3.9	3.5	4.1
<i>Of which: South Africa</i>	4.7	1.9	0.3	1.7
Nigeria	3.6	3.3	3.2	3.0
Kenya*	7.6	4.8	5.5	5.6

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

On the domestic scene, In the 10 years pre-COVID-19 pandemic, the economic growth averaged 5.0 percent whereas in the two years post COVID-19 pandemic the growth momentum picked up to average 6.2 percent. The Kenyan economy in 2022 demonstrated resilience in the face of severe multiple shocks that included the adverse impact of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. As such the economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021

Kenya's economic performance is projected to remain strong and resilient over the medium term. In the first quarter of 2023, real GDP growth was at 5.3 percent mainly due to a 5.8 percent recovery in the agricultural activities that reflected improved rainfall conditions and the impact of fertilizer and seed subsidies provided to the farmers by the Government (Table





The County Government has the fiscal policy of maintaining a zero-fiscal balance. In this regard, FY 2022/23 posted a performance without a 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, to tame the rising wage-bill include review of recruitment practices, freeze on employment on need basis, and streamlining payroll and control systems 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.

**Domestic Front:** risks relate to unpredictable weather conditions; including Elnino rains expected in the course of the year; due to the impact of climate change which could adversely affect agricultural production and result to domestic inflationary pressures and food insecurity.

#### **External Front:**

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

**Political risk:** uncertainties in the global economic outlook stemming from the current geopolitical tension could result in higher commodity prices and slowdown the global economic recovery which could impact on the domestic economy. Weaker global demand could adversely affect the Kenya's exports, foreign direct investments, and remittances.

**Sovereign and Exchange rate risk:** High international commodity prices pose a risk to global and domestic inflation outcomes which could lead to further tightening of financial conditions. Continued strengthening of US dollar against other global currencies arising from aggressive

monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

**Trading blocs Risk:** The risks are mostly linked to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances this will be reinforced by faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Optimal coordination between monetary and fiscal policies are expected to result to a stable macroeconomic condition which is a necessary condition for investment and savings thereby promoting economic growth.

**Environmental risks:** The country has so far experienced normal rainfall in last year. The weather forecast points the possibility of experiencing floods in the coming short rains in most parts of the country later in the year. Output of the agriculture sector is therefore likely to be lower than the 2022 level.

### **Fiscal Risks**

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

**Current debts:** The Government will continue to pursue its growth friendly fiscal consolidation plan that will signal debt sustainability and manageable fiscal gap. The plan will see a gradual decline in the fiscal deficit from 5.4 percent of GDP in the FY 2023/24 to 4.4 percent of GDP in the FY 2024/25 and further to 3.6 percent of GDP in the FY 2026/27. This will be supported by enhanced revenue mobilization; reprioritization and rationalization of expenditures but above all grow the tax base through an appropriate tax regime. This will ultimately reduce public debt and create fiscal space over the medium term to finance priority capital projects.

## SECTION IV: RESOURCE ALLOCATION FRAMEWORK

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

- a) Adjustment to the 2023-2024 FY budget.
- b) The medium-term expenditure framework for 2024/25– 2026/27 FYs.
- c) Proposed 2024-25 FY budget framework; and
- d) Projected fiscal balance and likely financing.

### 4.1 Adjustment to the 2023/24 FY Budget

Budget implementation during the first three months of the FY 2023/24 has progressed well with Counties receiving equitable disbursements on time for the first time. Total revenues amounted to Ksh 952.2 million against a target of Ksh 1580.5 million implying a performance rate of 60 percent. The total expenditure for the first quarter 2023/ 2024 was Ksh 907.8 million comprising Ksh 625.6 million, for the recurrent, Ksh 162,5 million for development and county assembly KSh. 119.7 million. There are expenditure needs arising from FY 2022/23 carryover which may necessitate revision of the budget.

Considering the recent economic developments outlined earlier in the review of FY 2022/23 budget and the changes in the outlook discussed: the significant weakening of the economic situation due to the weak shilling and increasing oil prices is likely to affect government revenues. The expected El Nino rains may also affect economic performance, implementation of the budget as well performance of key sectors and project implementation.

Adjustments to the 2023/24 budget will consider actual performance of departments so far and absorption capacity in the previous financial year 2022/23 and the need to finance completion of key projects. It will also consider supporting priority projects aimed at achieving the Bottom-Up Economic Transformative Agenda (BETA) and supporting economic recovery while leaving no one behind. In addition, the review will also address the pending accounts payable for goods and services rendered and brought forward from previous years.

### 4.2 Medium Term Expenditure Framework

The FY 2024/25 and the Medium-Term Framework will focus on the implementation of the '*Leaving no one Behind*' and the (BETA) as prioritized in the Medium-Term Plan (MTP) IV and CIDP III. The agenda is geared towards economic turnaround and inclusive growth and

aims to increase investments in the five core pillars envisaged to have the largest impact to the economy as well as on household welfare. The county government, over the medium term, will optimally allocate available resources to the County’s priority. Efficiency is a key aspect when it comes to the maximum use of the available resources.

#### 4.2.1 Proposed 2024/25 Budget Framework

The FY 2024/25 and the medium-term budget framework will be geared towards achieving the Goal of “*Leaving No one Behind*”. This will be realized through the implementation of the program and interventions identified in the Five-year CIDP 2023-2027. Furthermore, the government will continue the path of fiscal consolidation with a focus on enhanced revenue mobilization from all sources. Program based budgeting with focus of social investments will be key in improving the living and reducing poverty. Additionally, maintaining a zero fiscal deficit will continue to be the priority goal in the budget framework.

#### 4.2.2 Revenue Projections

The projected budget for FY 2024/25 projects total revenues of KES 6,397.7 million out of which KES 4,697.1 million, 420.0 million and KES 1,280.6 million estimated to be received from Equitable share, county own revenue (CORE) and loans and grants respectively. In the current FY 2023/24 the approved estimates comprises of equitable share of KES 4,378.2 million, Own source revenue of KES 400 million, and grants and loans of KES 1,544 million. The County own revenue is expected to maintain an upward increase trend relatively given the improved administrative measures and efforts to increase the tax base. The aim is to mobilize more revenue from those categories to reach the full potential from the local sources.

Table 14: MTEF Revenue Projections by source 2022/23-2026/27

Description	Actual 2021/22 FY	Actual 2022/23 FY	Printed Estimate 2023/24 FY	2024/25 FY projected	Projection 2025/26 FY	Projection 2026/27 FY
Equitable Share Allocation	3,877,148,036	4,551,334,482	4,378,234,821	4,697,146,562	4,932,003,890	5,178,604,085
Grant income	274,855,098	238,795,699	1,543,953,001	1,280,600,500	1,344,630,525	1,411,862,051
Local Revenue	239,381,562	286,737,650	400,000,000	420,000,000	441,000,000	463,050,000
<b>Grand Total</b>	<b>4,391,384,696</b>	<b>5,076,867,831</b>	<b>6,322,187,822</b>	<b>6,397,747,062</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>

Figure 3 shows the revenue performance and the projections over the medium term.

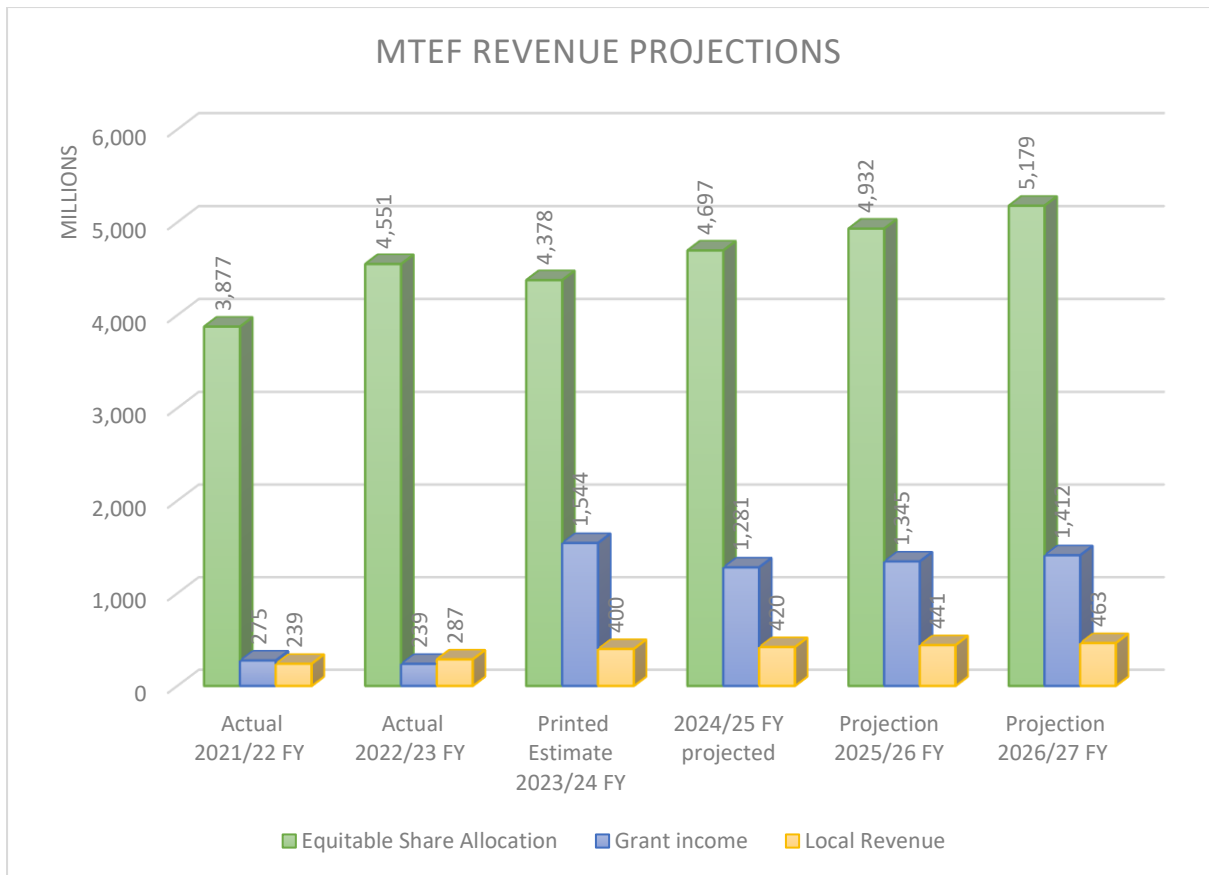


Figure 3: Revenue Projections FY 2022/23-2026/27

Figure 3 shows that there is a marked increase in local (own source) revenue collection from KES 239 million realized in FY 2021/22 to KES 286 million collected in FY 2022/23 representing a 20% increase and 71% achievement of the annual target. This can be attributed to the increased supervision and monitoring of Revenue collection. In the current FY, the County will strive to enhance this further to increase the local revenue performance to more than 90 % of the annual target. The revenue and expenditure projections in the medium term are as shown in Table 10.

Table 15 : Revenue and Expenditure Projections 2022/23-2026/27

Description	2022/23 FY		2023/24			2024/25 FY		2025/26 FY		2026/27
	Budget Estimates	Actual	Budget Estimates	CBROP 2022	CFSP 2023	CFSP 2023	CBROP 2023	CFSP 2023	CBROP 2023	CBROP 2023
TOTAL REVENUE & GRANTS	5,681,363,406	5,260,849,525	6,322,187,822	5,614,908,313	5,682,408,313	5,998,004,862	6,397,747,062	6,297,905,105	6,717,634,415	7,053,516,136
Unspent Bal b/f \Previous FY	183,981,694	183,981,694	0	0	0		0	0	0	0
<b>Revenue (Total)</b>	<b>5,497,381,712</b>	<b>5,076,867,831</b>	<b>6,322,187,822</b>	<b>5,614,908,313</b>	<b>5,682,408,313</b>	<b>5,998,004,862</b>	<b>6,397,747,062</b>	<b>6,297,905,105</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>
Equitable Share Allocation	4,551,334,282	4,551,334,482	4,378,234,821	4,424,908,313	4,424,908,313	4,592,404,136	4,697,146,562	4,822,024,343	4,932,003,890	5,178,604,085
Local Revenue	380,000,000	286,737,650	400,000,000	300,000,000	367,500,000	420,000,000	420,000,000	441,000,000	441,000,000	463,050,000
Grant and Loans	566,047,430	238,795,699	1,543,953,001	890,000,000	890,000,000	985,600,726	1,280,600,500	1,034,880,762	1,344,630,525	1,411,862,051
<b>Grand (Total)</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>5,614,908,313</b>	<b>5,682,408,313</b>	<b>5,998,004,862</b>	<b>6,397,747,062</b>	<b>6,297,905,105</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>
<b>Total Expenditure</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>5,614,908,313</b>	<b>5,682,408,313</b>	<b>5,998,004,862</b>	<b>6,397,747,062</b>	<b>6,297,639,800</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>
Recurrent	4,364,597,308	4,089,863,657	3,801,154,503	3,764,087,330	3,822,266,713	3,999,273,949	4,301,126,079	4,245,856,391	4,516,182,383	4,741,991,502
<i>Recurrent as % of CG Total Revenue</i>	77%	78%	60%	67%	67%		67%	67%	67%	67%
Personnel Emolument	2,559,911,587	2,471,960,686	2,176,953,017	2,305,943,953	2,379,562,899	2,499,562,930	2,525,943,953	2,587,885,800	2,652,241,151	2,784,853,208
Operations & Maintenance	1,804,685,721	1,617,902,971	1,624,201,486	1,458,143,377	1,442,703,814	1,499,711,019	1,775,182,126	1,657,970,591	1,863,941,232	1,957,138,294
<i>Personnel Emoluments as % of CG Revenue</i>	45%	47%	34%	41%	42%	42%	39%	41%	39%	39%
Development	1,316,766,098	918,047,103	2,521,033,319	1,850,820,983	1,860,141,600	1,998,730,913	2,096,620,983	2,051,783,409	2,201,452,032	2,311,524,634
<i>Development as % of CG Total Revenue</i>	23%	17%	40%	33%	33%	33%	33%	33%	33%	33%
Unspent Bal Current FY	0	252,938,765	0	0	0	0	0	0	0	0

### 4.2.3 Expenditure Forecasts

The FY 2024/25 revenue and expenditure is projected to be about KES 6,397.8 million. This is projected to increase to KES 6,717.6 million and KES 7,053.5 million in FY 2025/26 and FY 2026/27 respectively. The recurrent expenditure is estimated at KES 4,301.3 million compared to 3,801.1 million planned in budget FY 2023/24 and KES 4,089.1 million being actual expenditure incurred in FY 2022/23. The projected recurrent expenditure for FY 2024/25 represents 67 percent of total expenditure being driven by projected wage bill at KES 2,525.9 million, allocation to County Assembly of KES 490 million and KES 1,775.2 million for operations costs.

The capital expenditure for FY 2024/25 is projected to be KES 2,096.6 million compared to KES 2,521.03 million planned during FY 2023/4 and KES 918.04 million incurred in FY 2022/23. This decrease in projected development expenditure is attributed to the one off national counter funding of KES 500 million for the Industrial park. The major focus of investments will be in universal health care, service delivery, infrastructure development, agriculture, water and environment and food security and MSMEs. The County Government investment in the medium term will prioritize completion of on-going and stalled projects such upgrading of Chuka Level IV Hospital to referral services, upgrading Gatunga, Mpukoni, Kiangondu and Muthambi to level IV, operationalization of new dispensaries, water reticulation programmes, enhancement of agriculture value chains and supporting climate change adaptation and resilience. Table 16 indicates the projections of expenditure in the medium-term period.

Table 16: Summary of Actual and Projected Expenditure MTEF

<b>Expenditure Classification</b>	<b>Actual Expenditure 2022/23</b>	<b>Approved Budget Estimates 2023/24</b>	<b>Projected Estimates (MTEF) 2024/25</b>	<b>Projected Estimates (MTEF) 2025/26</b>	<b>Projected Estimates (MTEF) 2026/27</b>
<b>Recurrent</b>	<b>3,529,051,532</b>	<b>3,801,154,503</b>	<b>4,301,126,079</b>	<b>4,516,182,383</b>	<b>4,741,991,502</b>
Personnel Emoluments	2,471,960,686	2,176,953,017	2,525,943,953	2,652,241,151	2,784,853,208
Operations & Maintenance	1,484,541,650	1,624,201,486	1,775,182,126	1,863,941,232	1,957,138,294
<b>Development</b>	<b>1,023,906,323</b>	<b>2,521,033,319</b>	<b>2,096,620,983</b>	<b>2,201,452,032</b>	<b>2,311,524,634</b>
County Assembly	534,983,755	604,516,596	490,000,000	514,500,000	540,225,000
Un spent Bal current FY	183,981,694	-	-	-	-
<b>Total</b>	<b>4,736,939,549</b>	<b>6,322,187,822</b>	<b>6,397,747,062</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>

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 17: Summary of Indicative departmental Ceilings for the MTEF Period 2022/23- 2026/27

MINISTERIAL DEPARTMENTS	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2022/23 Actual Expenditure	2023/24 Estimates	2024/25 Ceilings	2025/26 Projections	2026/27 Projections	2022/23 Actual Expenditure	2023/24 Estimates	2024/25 Ceilings	2025/26 Projections	2026/27 Projections
Governor's Office	159,436,070	151,075,700	155,249,500	163,011,975	171,162,574	3.18%	2.39%	2.43%	2.43%	2.43%
Finance and Economic Planning	235,562,319	206,414,400	220,364,500	231,382,725	242,951,861	4.70%	3.26%	3.44%	3.44%	3.44%
County Public Service Board	22,661,670	40,333,400	42,200,400	44,310,420	46,525,941	0.45%	0.64%	0.66%	0.66%	0.66%
Public Administration, Intergovernmental Coordination and Devolution Affairs	113,649,273	135,954,299	155,000,000	162,750,000	170,887,500	2.27%	2.15%	2.42%	2.42%	2.42%
County Assembly	534,983,755	604,516,596	490,000,000	514,500,000	540,225,000	10.68%	9.56%	7.66%	7.66%	7.66%
<b>Sub Total</b>	<b>1,066,293,087</b>	<b>1,138,294,395</b>	<b>1,062,814,400</b>	<b>1,115,955,120</b>	<b>1,171,752,876</b>	<b>21.29%</b>	<b>18.00%</b>	<b>16.61%</b>	<b>16.61%</b>	<b>16.61%</b>
Energy, Housing and ICT	45,743,062	0	0	0	0	0.91%	0.00%	0.00%	0.00%	0.00%
Roads, Transport, and Infrastructure	592,743,630	719,346,770	800,400,500	840,420,525	882,441,551	11.84%	11.38%	12.51%	12.51%	12.51%
<b>Sub Total</b>	<b>638,486,692</b>	<b>719,346,770</b>	<b>800,400,500</b>	<b>840,420,525</b>	<b>882,441,551</b>	<b>12.75%</b>	<b>11.38%</b>	<b>12.51%</b>	<b>12.51%</b>	<b>12.51%</b>
Medical Services and ICT	1,913,328,857	1,542,985,513	1,720,113,800	1,806,119,490	1,896,425,465	38.21%	24.41%	26.89%	26.89%	26.89%
Public Health and Sanitation	323,437,919	411,575,554	420,500,400	441,525,420	463,601,691	6.46%	6.51%	6.57%	6.57%	6.57%
<b>Sub Total</b>	<b>2,236,766,776</b>	<b>1,954,561,067</b>	<b>2,140,614,200</b>	<b>2,247,644,910</b>	<b>2,360,027,156</b>	<b>44.66%</b>	<b>30.92%</b>	<b>33.46%</b>	<b>33.46%</b>	<b>33.46%</b>
Gender, Children and Social Services	3,400,630	26,150,000	30,200,350	31,710,368	33,295,886	0.07%	0.41%	0.47%	0.47%	0.47%
Youth and Sports	34,619,405	67,618,800	72,400,430	76,020,452	79,821,474	0.69%	1.07%	1.13%	1.13%	1.13%
Culture and Tourism	7,650,300	36,513,250	40,960,700	43,008,735	45,159,172	0.15%	0.58%	0.64%	0.64%	0.64%
Education and Vocation Training	230,508,909	254,646,500	275,763,472	289,551,646	304,029,228	4.60%	4.03%	4.31%	4.31%	4.31%
<b>Sub Total</b>	<b>276,179,244</b>	<b>384,928,550</b>	<b>419,324,952</b>	<b>440,291,200</b>	<b>462,305,760</b>	<b>5.51%</b>	<b>6.09%</b>	<b>6.55%</b>	<b>6.55%</b>	<b>6.55%</b>
Trade, Investment Promotion, Energy, and Industry	34,277,638	583,831,880	295,700,400	310,485,420	326,009,691	0.68%	9.23%	4.62%	4.62%	4.62%
Revenue and Resource Mobilization	56,700,430	125,039,000	128,700,670	135,135,704	141,892,489	1.13%	1.98%	2.01%	2.01%	2.01%
<b>Sub Total</b>	<b>90,978,068</b>	<b>708,870,880</b>	<b>424,401,070</b>	<b>445,621,124</b>	<b>467,902,180</b>	<b>1.82%</b>	<b>11.21%</b>	<b>6.63%</b>	<b>6.63%</b>	<b>6.63%</b>
Fisheries And Ecosystem Development	18,500,230	36,815,688	40,680,700	42,714,735	44,850,472	0.37%	0.58%	0.64%	0.64%	0.64%
Agriculture, Livestock, Veterinary Services, and Cooperative Development	481,655,231	851,420,022	920,400,300	966,420,315	1,014,741,331	9.62%	13.47%	14.39%	14.39%	14.39%
Lands and physical Planning	35,893,662	180,406,700	193,400,250	203,070,263	213,223,776	0.72%	2.85%	3.02%	3.02%	3.02%
<b>Sub Total</b>	<b>536,049,123</b>	<b>1,068,642,410</b>	<b>1,154,481,250</b>	<b>1,212,205,313</b>	<b>1,272,815,578</b>	<b>10.70%</b>	<b>16.90%</b>	<b>18.05%</b>	<b>18.05%</b>	<b>18.05%</b>
Environment and Natural Resources	50,559,038	207,550,000	210,400,450	220,920,473	231,966,496	1.01%	3.28%	3.29%	3.29%	3.29%
Water Services and Irrigation	112,589,732	139,993,750	185,310,240	194,575,752	204,304,540	2.25%	2.21%	2.90%	2.90%	2.90%
<b>Sub Total</b>	<b>163,148,770</b>	<b>347,543,750</b>	<b>395,710,690</b>	<b>415,496,225</b>	<b>436,271,036</b>	<b>3.26%</b>	<b>5.50%</b>	<b>6.19%</b>	<b>6.19%</b>	<b>6.19%</b>
<b>Grand Total</b>	<b>5,007,901,760</b>	<b>6,322,187,822</b>	<b>6,397,747,062</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Table 18: Summary of Indicative Sector Ceilings

SECTOR	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2022/223 Actual Expenditure	2023/24 Estimates	2024/25 Ceilings	2025/26 Projections	2026/27 Projections	2022/223 Actual Expenditure	2023/24 Estimates	2024/25 Ceilings	2025/26 Projections	2026/27 Projections
Public Administration	1,066,293,087	1,138,294,395	1,062,814,400	1,115,955,120	1,171,752,876	21.29%	18.00%	16.61%	16.61%	16.61%
Infrastructure, Energy, ICT and Housing	638,486,692	719,346,770	800,400,500	840,420,525	882,441,551	12.75%	11.38%	12.51%	12.51%	12.51%
Health Services	2,236,766,776	1,954,561,067	2,140,614,200	2,247,644,910	2,360,027,156	44.66%	30.92%	33.46%	33.46%	33.46%
Education and Social Services	276,179,244	384,928,550	419,324,952	440,291,200	462,305,760	5.51%	6.09%	6.55%	6.55%	6.55%
general economic and commercial affairs	90,978,068	708,870,880	424,401,070	445,621,124	467,902,180	1.82%	11.21%	6.63%	6.63%	6.63%
Agriculture	536,049,123	1,068,642,410	1,154,481,250	1,212,205,313	1,272,815,578	10.70%	16.90%	18.05%	18.05%	18.05%
Environment, Water and Natural Resources	163,148,770	347,543,750	395,710,690	415,496,225	436,271,036	3.26%	5.50%	6.19%	6.19%	6.19%
<b>Grand Total</b>	<b>5,007,901,760</b>	<b>6,322,187,822</b>	<b>6,397,747,062</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

#### 4.2.4 Projected Fiscal Balance (Deficit) and likely financing.

The proposed 2024/25 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).

#### 4.2.5 Recurrent vs Development Budget Expenditure

The FY 2024/25 budget targets a recurrent expenditure of KES 4,301.1 million including KES 490 million allocated to the County Assembly against KES 3,801.2 million estimated in FY 2023/24 and KES 4,089.9 million spent in FY 2022/23. This recurrent expenditure represents 67.0% of the target in the FY 2024/25.

Table 19: Recurrent and Development Expenditure 2022/23-2026/27

Expenditure classification	Actual Expenditure 2022/23	Approved budget estimates 2023/24	Projected estimates (MTEF) 2024/25	Projected estimates (MTEF) 2025/26	Projected estimates (MTEF) 2026/27
Recurrent	4,089,863,657	3,801,154,503	4,301,126,079	4,516,182,383	4,741,991,502
Development	918,047,103	2,521,033,319	2,096,620,983	2,201,452,032	2,311,524,634
<b>Total</b>	<b>5,007,910,760</b>	<b>6,322,187,822</b>	<b>6,397,747,062</b>	<b>6,717,634,415</b>	<b>7,053,516,136</b>

The development expenditure targeted for FY 2024/25 is estimated at KES. 2,096.6 million which represents 33 percent of total expenditure. This figure is expected to increase marginally in FY 2025/26 to KES 2,201.4 million and to KES 2,311.5 million in FY 2026/27 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.

#### 4.2.5 Wage bill

The County Government anticipates spending a total of KES 2,5255.9 million in FY2024/25 as compensation to employees representing 39% of total county government projected revenues. The review of salaries, pension costs and new NHIF rates have pushed up the employee costs to the County. This has made it difficult for the county to comply with 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. The recommended rate is 35 percent of total revenues for the County Government. In the proposed MTEF budget for FY 2023/24, this percent is expected to remain at 39 % in line with the CG focus on stabilizing the wage bill.

#### **4.2.6 Expenditure Ceilings**

The final expenditure ceilings for the county departments shall be outlined in the County Fiscal Strategy Paper 2024 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.

#### **4.2.8 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 30<sup>th</sup> June and donor funds not received before the end of a financial year.

## **SECTION V: CONCLUSION**

The review of implementation of FY 2022/23 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 2023/24. This is basically as a result of the uncertainty in the expected revenue both for the equitable share, own source revenue and grants and loans. Therefore, the reviewed expenditures reflect the real circumstances that surrounded the implementation of FY 2022/23 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 2023-2027. 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 2023/24

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Prepare and issue budget circular with guidelines	CEC Member for Finance	August 18 <sup>th</sup> 2023
1.1 Two-day sensitization workshop for accounting officers		2 <sup>nd</sup> -3 <sup>rd</sup> August 2023
<b>2. Sector Working Groups and CBEF</b>	County Treasury	
2.1.1 1 <sup>st</sup> CBEF Meeting – Review of FY 2022/2023 and Consideration of ADP FY 2024/25		21 <sup>st</sup> -23 <sup>rd</sup> August 2023
2.1.2 Launch and first meeting for SWGs and sensitization on 2023-2027 CIDP		October 2023
2.2 Second meeting for SWGs		February 2024
Submission of projects and programmes to be implemented for FY 2024/25		December 2023
2.3 Third meeting for SWGs		April 2024
<b>3. County Annual Progress Report</b>		County Treasury (Economic Planning Department)
3.1 Draft CAPR	28 <sup>th</sup> July 2023	
3.2 Validation of the CAPR	2 <sup>nd</sup> – 3 <sup>rd</sup> August 2023	
3.3 Submission to CEC for Approval	22 <sup>nd</sup> August 2023	
3.4 Submission to CA for Approval	31 <sup>st</sup> August 2023	
<b>4. Monitoring and Evaluation</b>	County Treasury (Economic Planning Department)	
4.1 M&E field work		August 2023, October 2023, January 2024 and May 2024
4.2 Annual M&E week		2 <sup>nd</sup> Week November 2023
<b>5. Statistical abstract 2022</b>	County Treasury (Economic Planning Department)	
5.1 Draft		October 2023
5.2 Launch		December 2023
<b>6. Development of ADPs for FY 2024/25</b>	County Treasury (Economic Planning Department)	
6.1. Draft ADP FY 2024-2025		11 <sup>th</sup> August 2023
6.2 Public Participation of ADP FY 2024-2025		15 <sup>th</sup> -17 <sup>th</sup> August 2023
6.3 Submission of ADP FY 2024-2025 to CEC		22 <sup>nd</sup> August 2023

6.4 Submission of ADP FY 2024-2025 to County Assembly		31 <sup>st</sup> August 2023
6.5. Report of ADP from County Assembly		
6.6. Consolidation of CA recommendations to Final ADP		
6.7. Approval of ADP by County Assembly		<i>(Within 21 days upon submission)</i>
<b>7. Development of County Budget Review and Outlook Paper (CBROP) 2023</b>	County Treasury (Budget Unit)	
7.1. Estimation of Resource Envelope		8 <sup>th</sup> September 2023
7.2. Determination of policy priorities		“
7.3. Preliminary resource allocation to Sectors		“
7.4. Draft County Budget Review and Outlook Paper		15 <sup>th</sup> Sep 2023
7.5. Validation		26 <sup>th</sup> September 2023
7.6. Submission and approval of CBROP by CEC		28 <sup>th</sup> September 2023
7.7. Submission of approved CBROP to County Assembly		13 <sup>th</sup> October 2023
<b>8. Preparation of Budget proposals for the MTEF</b>	Departments	
8.1. First retreat to draft Sector Reports (Programmes and projects submitted)	SWGs	17 <sup>th</sup> -19 <sup>th</sup> October 2023
8.2. Public Sector Hearings	County Treasury	August 2023 and February 2024
8.3. Review and Incorporation of stakeholder inputs in Sector proposals	SWGs	12 <sup>th</sup> January 2024
8.4 Submission of Sector Reports to Treasury	Sector Chairpersons	16 <sup>th</sup> February 2024
8.5. Consultative meeting with CECs/COs on budget proposals	County Treasury	12 <sup>th</sup> April 2024
8.6 3 <sup>rd</sup> CBEF Meeting: Consideration of Budget Estimates	County Treasury	24 <sup>th</sup> April 2024
<b>9. Draft County Fiscal Strategy Paper (CFSP) 2024</b>		
9.1. Draft CFSP	County Treasury	9 <sup>th</sup> February 2024

9.2. Draft Debt Management Strategy (DMS)	Budget Unit	“
9.3.1 Validation Workshop	Budget Unit	12 <sup>th</sup> - 15 <sup>th</sup> February 2024
9.3.2 2 <sup>nd</sup> CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning)	County Treasury	20 <sup>th</sup> February 2024
9.4. Submission of CFSP and DMS to CEC for approval	County Treasury	22 <sup>nd</sup> February 2024
9.5. Submission of CFSP & DMS to County Assembly for approval	County Assembly	27 <sup>th</sup> February 2024
<b>10. Preparation and approval of Final Departmental Budgets</b>		
10.1. Develop and issue final guidelines on preparation of 2024-2025 MTEF Budget	County Treasury	January, 2024
10.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Line departments	29 <sup>th</sup> March, 2024
10.3. Submission of Budget proposals to County Treasury (First draft)	Revenue Department	29 <sup>th</sup> March, 2024
10.4. Consolidation of the Draft Budget Estimates (final draft)	County Treasury	15 <sup>th</sup> April, 2024
10.5. Submission of Draft Budget Estimates to CEC	County Treasury	25 <sup>th</sup> April, 2024
10.6. Submission of Draft Budget Estimates to County Assembly	County Treasury	30 <sup>th</sup> April, 2024
10.7. Submission of Final Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	30 <sup>th</sup> April, 2024
10.8. Review of Draft Budget Estimates by County Assembly	County Assembly	18 <sup>th</sup> June, 2024
10.9. Report on Draft Budget Estimates from County Assembly	County Assembly	18 <sup>th</sup> June, 2024
10.10. Consolidation of the Final Budget Estimates	County Treasury	18 <sup>th</sup> June, 2024
10.11. Approval of Appropriation Bill by County Assembly	County Assembly	28 <sup>th</sup> June, 2024
10.12. Approval of Vote on Account by County Assembly	County Assembly	28 <sup>th</sup> June, 2024
10.13 Budget Statement	CEC Finance	20 <sup>th</sup> June, 2024
10.14 Appropriation Bill passed	County Assembly	28 <sup>th</sup> June, 2024



11. Public participation	County Treasury (Economic Planning Department)	August 2023 - February 2024
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**Annex II: Revenue Performance per Stream and location**