



**REPUBLIC OF KENYA
COUNTY GOVERNMENT OF NYANDARUA
COUNTY TREASURY**



COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

2023

SEPTEMBER, 2023

© Nyandarua County Budget Review and Outlook Paper, 2023

To obtain copies of the document, please contact:

Nyandarua County Treasury

P. O. Box 701 - 20303

Ol Kalou,

KENYA

Contents

FOREWORD	v
ABBREVIATIONS	vii
CONCEPTS AND TERMINOLOGIES	viii
CHAPTER ONE	1
FISCAL PERFORMANCE FOR THE FY 2022/23	1
1.0 Overview	1
1.1 Legal Background	1
1.2 APPROVED FY 2022/23 BUDGET ESTIMATES	3
1.2.1 REVENUE	3
1.2.2 PROJECTED EXPENDITURES IN THE 2022/23 FY	5
1.2.3 DEPARTMENTAL ALLOCATIONS	6
1.3 ACTUAL REVENUE PERFORMANCE FY 2022/23	9
1.3.1 EQUITABLE SHARE	11
1.3.2 CONDITIONAL GRANTS FROM NATIONAL GOVERNMENT AND DONORS	12
1.3.3 OWN SOURCE REVENUE (OSR)	13
1.3.4 UNSPENT BALANCES	18
1.4 ACTUAL EXPENDITURE PERFORMANCE FY 2022/23	18
1.4.1 COUNTY EXPENDITURE	18
1.4.2 DEPARTMENTAL EXPENDITURE	22
1.5 CHALLENGES EXPERIENCED	32
1.6 FISCAL PERFORMANCE IN RELATION TO FISCAL RESPONSIBILITY PRINCIPLES	33
CHAPTER TWO	36
ECONOMIC AND FINANCIAL FORECAST FOR FY 2024/25 AND THE MEDIUM-	36
2.1 MACROECONOMIC OUTLOOK AND POLICIES	36
2.2 RECENT ECONOMIC DEVELOPMENTS	36
2.2.1 Global and Regional Economic Development	36
2.2.2 Domestic Economic Development	39
2.3 County Outlook	43
2.4 MEDIUM TERM FISCAL FRAMEWORK	45
2.4.1 FINANCIAL FORECAST FOR 2024/25 FY AND THE MEDIUM TERM	45
CHAPTER THREE	48
SECTORAL PRIORITIES AND RESOURCE ALLOCATION IN THE MEDIUM TERM	48
3.1 OVERVIEW	48

3.1.1.1 Fiscal Consolidation Policy.....	49
3.1.1.2 Bottom-up Economic Transformation Agenda (BETA).....	49
3.1.1.3 Vision 2030 Medium Term Plan IV (2023-2027)	49
3.2 Sector Priorities.....	50
3.3 Criteria for resource allocation	54
CHAPTER FOUR.....	57
RISKS TO THE COUNTY ECONOMY	57
CHAPTER FIVE	60
CONCLUSION AND WAY FORWARD	60

List of tables

Table 1: Approved Revenue Estimates per Stream	3
Table 2: Approved Revenue Estimates (Itemized)	4
Table 3: Approved Departmental allocations for the FY 2022/23	6
Table 4: Revenue performance in FY 2022/23 (In Kes).....	9
Table 5: Exchequer Releases for the period ending 30th June 2023	11
Table 6: Releases per quarter	11
Table 7: Projected Revenue Estimates Versus Actual Collections.....	14
Table 8: Unspent balances	18
Table 9: County overall expenditure for the period ending 30 th June 2023	18
Table 10: Summary of Departmental allocations versus the actual expenditures by County Executive Departments (Kes.)	20
Table 11: Expenditure on Other transfers & payments	33
Table 12: Analysis of the County's adherence to the fiscal responsibility principles for the period ending 30 th June 2023	33
Table 13: Financial forecast for FY 2024/25 and the Medium Term (Kes.) ...Error! Bookmark not defined.	
Table 14: Sector Ceilings for FY 2024/25 and the Medium Term (Kes.)	55
Table 15: FY 2024-2025 Indicative Recurrent and Development Ceilings	56

List of figures

Figure 1: Distribution of Departmental Allocations	8
Figure 2: Allocation vis-à-vis actual expenditure	21

FOREWORD

In compliance with the Public Finance Management Act 2012 and PFM (County Governments) Regulations 2015, the County Budget Review and Outlook Paper (CBROP) provides a report on the fiscal performance of the previous financial year and compares it with the budget appropriations for the same year. Additionally, the CBROP examines recent economic developments affecting the financial and non-financial forecast to show changes from projections espoused in the most recent County Fiscal Strategy Paper.

The County Budget Review and Outlook Paper (CBROP 2023) has been prepared against the backdrop of volatility in the global and national economy marked by rising inflation mainly caused by the rising cost of food and crude oil prices, a depreciating shilling among other factors. This budgeting tool has therefore been prepared as a strategy to ensure that all the County entities are working towards achieving the objective of cushioning the Citizenry from the economic downturns.

Under the Financial year in review, 2022/23, the County received Kes. 7,245,534,087 against an expected revenue estimate of Kes. 7,582,066,351. Further, the County collected the highest Own Source Revenue amounting to Kes. 505,913,306. The County overall absorption rate was at 71.15% for development expenditure and 94.9% for recurrent expenditure.

Moving forward, we will endeavour to further focus on service delivery in all sectors by employing proper fiscal strategies. This will ensure that resources are well utilized as per the fiscal principles stipulated in the PFM Act and to foster efficiency, effectiveness, transparency and accountability in use of public resources.

Finally, I reiterate the zeal of the government through the able leadership of H.E. Dr. Moses Kiarie Badilisha and its commitment to improving the livelihoods of the county's Citizenry through ensuring resources are directed to priority programmes and projects. The County is thus on the path to change for socio-economic development as envisaged in H.E. the governor's manifesto.

HON. MARY W. KAMANDE
COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE, ECONOMIC PLANNING & ICT

ACKNOWLEDGEMENT

I am pleased to present the Nyandarua County Budget Review and Outlook Paper (CBROP) 2023, which was prepared in accordance with the provisions of the Public Financial Management Act, 2012 Article 118 (1) (a). We acknowledge the concerted efforts of various stakeholders, whose commitment and determination made this task possible.

I extend our sincere gratitude to His Excellency, Dr. Moses K. Ndirangu Badilisha, the Governor and Hon. Mary Kamande, the County Executive member for Finance, Economic planning and ICT for their leadership and policy guidance in the preparation and finalization of this planning document.

I also recognize the County Executive Committee Members, Chief Officers, and Departmental staff for their input to the paper. Special thanks go to the Economic Planning Directorate team for their invaluable technical contributions and tireless efforts in the development of this paper.

While it is not possible to mention every individual who participated in the preparation of this document, we acknowledge all those who directly or indirectly contributed to its success. Your collective efforts have been instrumental in the development and production of this paper.

JORAM KIARIE
CHIEF OFFICER
ECONOMIC PLANNING AND DEVELOPMENT

ABBREVIATIONS

ADP:	Annual Development Plan
ASDSP:	Agricultural Sector Development Support Program
BETA:	Bottom-up Transformation Agenda
CARA:	County Allocation Revenue Act
CBR:	Central Bank Rate
CBROP:	County Budget Review and Outlook Paper
CEC:	County Executive Committee
CECM:	County Executive Committee Member
CG:	County Government
CIDP:	County Integrated Development Plan
CIMES:	County Integrated Monitoring and Evaluation System
COB:	Controller of Budget
CPSB:	County Public Service Board
CRF:	County Revenue Fund
ECDE:	Early Childhood Development Education
EU:	European Union
FY:	Financial Year
ICT:	Information Communication Technology
IDEAS:	Instruments for Devolution Advice and Support
IFMIS:	Integrated Financial Management Information System
KCSAP:	Kenya Climate Smart Agriculture Project
KDSP:	Kenya Devolution Support Program
KES:	Kenya Shillings
KUSP:	Kenya Urban Support Project
M&E:	Monitoring and Evaluation
MTEF:	Medium Term Expenditure Framework
MTP:	Medium Term Plan
NG:	National Government
OSR:	Own Source Revenue
PFMA:	Public Finance Management Act
PPP:	Public Private Partnership

CONCEPTS AND TERMINOLOGIES

Bottom-up Economic Transformation Agenda: This is an economic model that aims at economic turnaround and uplifting the lives and livelihoods of those at the bottom of the pyramid.

Programme: This is a grouping of similar projects and/or services performed by a National/County Department to achieve a specific objective. The Programmes must be mapped to strategic objectives. **Project:** A project is a set of coordinated activities implemented to meet specific objectives within defined time, cost and performance parameters. Projects aimed at achieving a common goal form a programme.

Sectors: This a composition of departments, agencies and organizations that are grouped together according to the services and products they provide. They produce or offer similar or related products and services, and share common operating characteristics.

Own Source Revenue: This is the County Government's local collections.

Equitable Share: This is the National Government's revenue share to the County Government.

Exchequer releases: This refers to the funds that are released by the National Government for expenditure by the County Governments.

Balance of payments: This is a systematic record of all economic transactions that occur between residents of one country and residents of other countries during a specific period.

Foreign Exchange Reserves: This is a country's holdings of foreign currencies that are primarily used to facilitate international trade and manage its exchange rate.

Macro-economic outlook: This is the forecast of overall state and future direction of the overall state and future direction of an economy which involves analysing various economic indicators, trends and other factors that provide insights into the expected performance of an economy.

CHAPTER ONE

FISCAL PERFORMANCE FOR THE FY 2022/23

1.0 Overview

The Constitution of Kenya 2010, in the fourth schedule delves on the distribution of functions between the National Government and the County Governments. Departments discharge the County Government's mandate as stipulated by the Fourth Schedule through the implementation of projects and programmes. These projects and programmes are allocated funds through the County Budgeting process that is cyclical in nature.

Section 104. (1) of the PFM, 2012 stipulates that; subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County Government including coordinating the implementation of the Budget.

The CBROP 2023 provides a review of the fiscal performance for the 2022/23 FY including adherence to the objectives and principles outlined in the PFM Act 2012 and the outlook for the fiscal year 2024/25 and the medium-term.

The global economic slowdown from the effects of COVID-19 pandemic and the Russia – Ukraine war, the delays in the release of monies by the National Government, transition of Government and the depreciation of the Kenya shillings against the major currencies were among the major hindrances in the implementation of the FY 2022/23 budget.

1.1 Legal Background

The Nyandarua County Budget Review and Outlook Paper is prepared in accordance to **Section 118** of the Public Financial Management Act (PFMA), 2012 which states that the County Treasury shall:

- i. Prepare a County Budget Review and Outlook Paper in respect of the County for each financial year, and
- ii. Submit the paper to the County Executive Committee by the 30th of September of that year.

Section 118 (2) of the same Act further provides that the CBROP should contain:

- i. The details of the actual financial performance in the previous year compared to the Budget appropriation for that year;
- ii. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
- iii. Information on:
 - a) Any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - b) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
- iv. Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

The preparation of this paper is further supported by the County Governments Act, 2012 and the Constitution of Kenya, 2010 which compels County Governments to plan for their Counties and requires the appropriation of the funds to be within the approved planning framework.

The **main objectives** of a CBROP are to specify:

- i. The broad strategic priorities and policy goals that will guide the County Government in preparing its Budget for the coming financial year and over the medium term;
- ii. The financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term;
- iii. An assessment of the current financial year and the projected state of the economy for the succeeding three years;
- iv. Targets for overall revenues, total aggregate expenditure and domestic and external borrowing for the succeeding financial year and the medium term;
- v. The total resources to be allocated to individual programmes within a sector indicating the outputs expected from each programme during that period;
- vi. The criteria used to allocate or apportion the available public resources among the various programmes; and
- vii. Forecast financial position for the financial year to which the Budget relates and the next two financial years.

After preparation of the Paper by the County Treasury, the County Executive Committee (CEC) will consider the County Budget Review and Outlook Paper to approve it, with or without amendments, publish and publicize the Paper and escalate the same to the County Assembly.

The CBROP's sector ceilings, as per the PFM Regulations 30(1) of 2015 are to form basis for the sector working groups' consultations.

1.2 APPROVED FY 2022/23 BUDGET ESTIMATES

1.2.1 REVENUE

The County prepared the FY 2022/23 budget and two subsequent supplementary budgets and submitted them to the County Assembly for approval. The approved budget estimates were at **Kes 7,002 million**, **Kes. 7,840 million** during the first supplementary and **Kes. 7,582 million** in the second supplementary budget.

In the second supplementary budget, **Kes 5,307 million** was appropriated to fund the recurrent expenditure budget accounting for 70% of the approved supplementary estimates with a development expenditure of **Kes. 2,274 million** accounting for 30% of the total appropriations. The revenue estimates constituted of **Kes. 5,670 million** (75%), equitable share from the national government **Kes 670 million** (8.8%) own source revenue inclusive of Linda Mama, **Kes 714.6 million** (9.4%) as conditional grants and loans and **Kes 527 million** (7%) as balance brought forward from the FY 2021/22.

Table 1: Approved Revenue Estimates per Stream in Kes.

Description	FY 2022/23 Second Supplementary Budget as approved	Percentage of Total Budget
REVENUES		
Equitable Share Transfers	5,670,444,228.00	74.79
Own Source Revenue	670,000,000.00	8.84
Conditional Loans and Grants	714,601,931.63	9.42
B/F from FY 2021/22	527,020,191.00	6.95
Grand Total	7,582,066,350.63	100.00

Source: County Treasury

The analysis shown above is indicative of the overreliance of the County Government on equitable share transfer, loans and grants from development partners and the national government. Thus, there is need to enhance own source revenue to ensure sustainability.

The county anticipated revenues increased from an approved estimate of Kes 7,002 million in the first approved budget estimates to Kes 7,582 million in the county's second supplementary budget for the FY 2022/23. This was largely attributable to unremitted equitable share from the FY 2021/2022 amounting to Kes. 453.6 million among other additional revenue streams. The resource envelope comprised of unspent balances from the previous financial years that include; Road Maintenance Levy Fund - B/f 2016-17 of Kes 7.2 million, Transfers to Village Polytechnics bal b/f of Kes 5.7 million, World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) b/f of Kes. 43.5 million and other unspent balances b/f of Kes. 73.4 million.

Table 2: Approved Revenue Estimates (Itemized) in Kes.

Description	FY 2022/23 estimates as Approved	Approved 1 st supplementary FY 2022/23	Approved 2 nd supplementary FY 2022/23
REVENUES			
Equitable Share	5,670,444,228	5,670,444,228	5,670,444,228
Local Collections	630,000,000	630,000,000	630,000,000
Linda Mama	30,000,000	30,000,000	40,000,000
CONDITIONAL GRANTS			-
Supplement for Construction of County Headquarters	90,800,000	90,800,000	59,000,000
Leasing of Medical Equipment	110,638,298	110,638,298	110,638,298
DANIDA Grant For Primary Health Care in Devolved Context	10,271,800	10,271,800	15,679,125
World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP)	289,609,680	289,609,680	75,718,650
Sweden- Agricultural Sector Development Support Programme (ASDSP) Level II	8,725,383	8,725,383	4,496,557
World Bank Grant for Kenya Urban Support Programme (KUSP UIG)		-	1,145,356
World Bank Grant for Kenya Urban Support Programme (KUSP UDG)			1,194,559
World Bank -Kenya Informal Settlement Improvement Project- KISIP II	25,497,691	25,497,691	25,000,000
World Bank Grant for KDSP (Level 1) b/f from FY 2020-21	-	-	-
World Bank Grant for KDSP (Level II)	-	98,191,994	98,191,994

Description	FY 2022/23 estimates as Approved	Approved 1st supplementary FY 2022/23	Approved 2nd supplementary FY 2022/23
EU Grant- -Instruments for Devolution Advice and Support (IDEAS)-Potato Tissue Culture Lab	-	-	-
EU Grant -Instruments for Devolution Advice and Support (IDEAS)	11,000,000	11,000,000	18,896,348
World Bank- Financing Locally Led Climate Action Program (FLLOCA)	125,000,000	125,000,000	22,000,000
World Bank Loan for Transforming Health Systems for Universal Care Project	-	-	-
Road Maintenance Levy Fund - B/f 2016-17		7,154,957	7,154,957
Kenya Devolution Support Programme Level 1- B/f		27,904,654	27,904,654
Transfers to Village Polytechnics Bal B/f		5,661,342	5,661,342
World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) B/F		43,480,659	43,480,659
DANIDA Grant For Universal Healthcare for Devolved System Programme		25,639,079	25,639,079
World Bank (IDA) Loan for Transforming Health Systems		97,400,728	97,400,728
DANIDA Grant For Universal Healthcare for Devolved System Programme		5,399,625	5,399,625
IDA(World Bank) - National Agricultural Value Chain Development Project (NAVCDP)			70,000,000
Unremitted Equitable Share		453,635,542	453,635,542
Unspent Balances B/F		73,384,649	73,384,649
Total Revenue	7,001,987,080	7,839,840,310	7,582,066,351

Source: County Treasury

1.2.2 PROJECTED EXPENDITURES IN THE 2022/23 FY

In the year under review, the County projected a total expenditure amounting to Kes. **7,582,066,351** as tabulated in the next table.

Table 2: Approved summary of projected expenditure estimates for the FY 2022/23 in Kes.

Description	FY 2022/23 estimates as Approved	FY 2022/23 First Supplementa ry Budget as Approved	FY 2022/23 Second Supplementa ry Budget as approved
SUMMARY OF EXPENDITURE ESTIMATES			
Compensation to employees	2,150,000,000	2,158,950,000	2,113,950,000
Use of Goods and Services	1,245,983,308	1,228,845,304	1,339,120,769
Current Transfers	297,157,098	415,618,793	461,026,118
County Funds (Rec.)	286,200,000	338,600,000	348,200,000
KDSP	-	27,904,654	27,904,654
Acquisition of Non -Financial Assets	125,856,122	128,007,710	132,197,680
Development expenditure	1,885,085,638	1,889,834,396	1,588,270,777
County Funds (Dev.) - Trade /Biashara	15,000,000	10,000,000	-
Pending bills- Recurrent	25,055,066	83,375,789	74,940,691
Pending bills- development	141,205,619	636,955,979	584,707,975
County Assembly	830,444,228	921,747,686	911,747,686
Total	7,001,987,080	7,839,840,311	7,582,066,351

Source: County Treasury

Compensation to employees had the highest expenditure estimate at Kes. 2,114 million¹. Development expenditure amounted to Kes. 2,172.7 million exclusive of the county assembly. Use of goods and services, part of the recurrent expenditure was at Kes. 1,339 million. Recurrent pending bills comprised the least proportion of estimates allocated Kes 74.9 million. The County Assembly had been budgeted to expend Kes. 911.7 million.

1.2.3 DEPARTMENTAL ALLOCATIONS

In the year under review, the departmental allocations were as highlighted in the table below.

Table 3: Approved Departmental allocations for the FY 2022/23 in Kes.

Department/ entity	Recurrent	Development	Total	Percentage of the total budget
Governor's Office	141,148,320		141,148,320	1.86

¹ This did not include pension, gratuity and medical cover for the employees.

Department/ entity	Recurrent	Development	Total	Percentage of the total budget
Office of the County Secretary	2,410,061,080		2,410,061,080	31.79
Office of the County Attorney	32,050,000		32,050,000	0.42
Public Administration and ICT	51,220,957	999,969	52,220,926	0.69
County Public Service Board	30,250,000	-	30,250,000	0.40
Finance & Economic Development	547,905,376	8,221,124	556,126,500	7.34
Health Services	637,265,326	283,826,662	921,091,988	12.15
Education, Gender, Youth, Culture, Gender and Social Services	78,240,123	102,422,946	180,663,069	2.38
Industrialization, Trade and Cooperative Development	46,925,391	87,650,881	134,576,272	1.78
Ol -Kalou Municipality	26,800,356	31,594,559	58,394,915	0.77
Youth, Sports and Arts	114,446,826	50,796,732	165,243,558	2.18
Water, Environment, Tourism & Natural Resources	85,226,122	355,540,822	440,766,944	5.81
Transport, Energy & Public Works	105,193,790	920,214,952	1,025,408,742	13.53
Lands, Housing, Physical Planning and Urban Development	44,597,271	65,137,709	109,734,980	1.45
Agriculture Livestock & Fisheries	146,322,975	264,572,396	410,895,371	5.42
County Assembly	809,747,686	102,000,000	911,747,686	12.03
Total	5,307,401,599	2,272,978,753	7,580,380,351	100.00

Source: county Treasury

The County had an annual approved budget estimate of Kes. 7,580 million. The Office of the County Secretary had the highest allocation at 31.79% amounting to Kes. 2,410 million. The larger proportion of the allocated resource to the office was to be expended on compensation to employees and their welfare. This was followed by Transport, Energy & Public Works at Kes. 1,025 million (13.5%) and the County Assembly amounting to Kes 921 million (12%). Industrialization, Trade and Cooperative Development had the second least allocation amounting

to Kes 134.6 million (2%) with Lands, Housing, Physical Planning and Urban Development the least at Kes 109.7 million, 1.45 % of the total estimates.

The next chart illustrates the distribution of the appropriations per department:

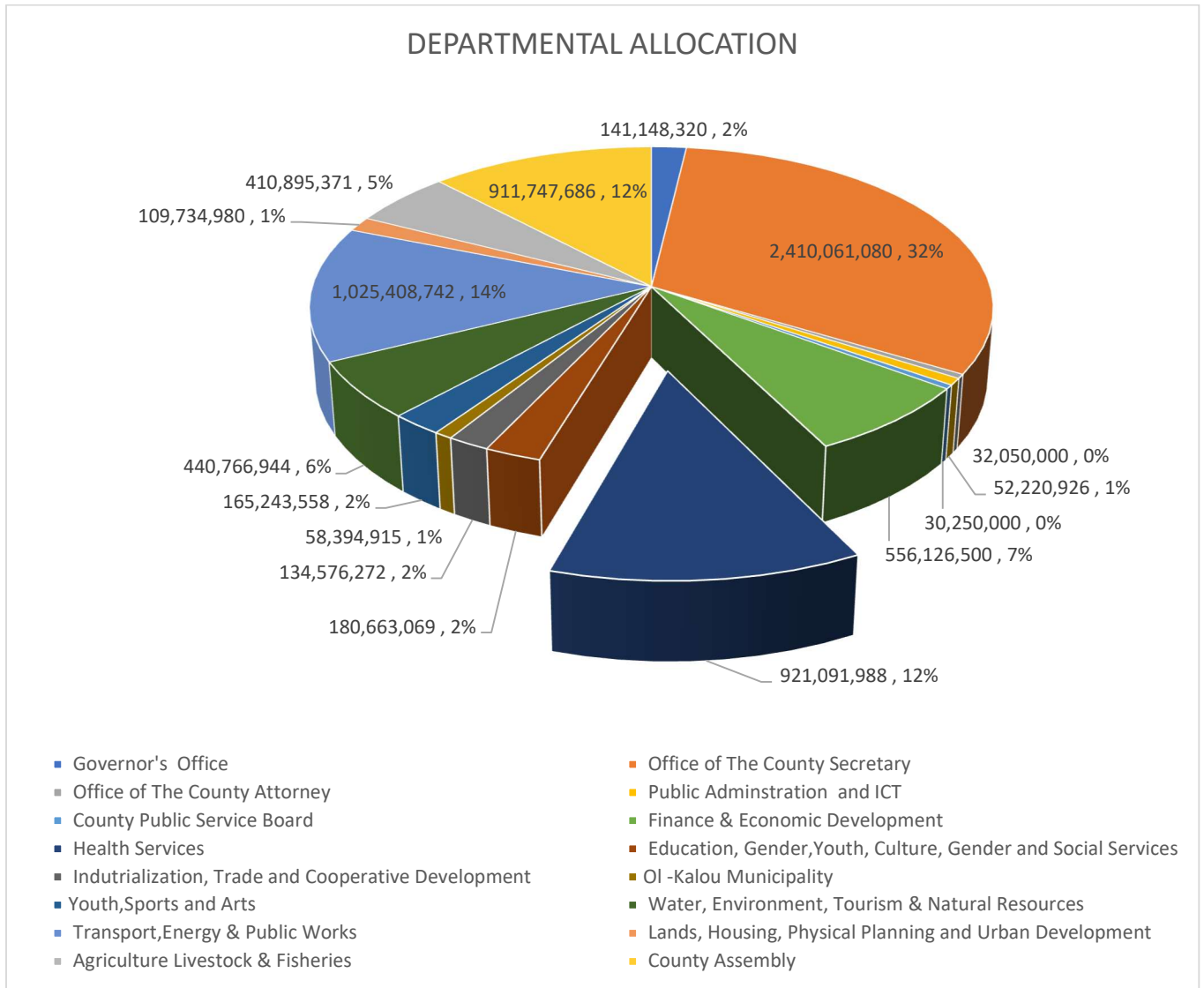


Figure 1: Distribution of Departmental Allocations

1.3 ACTUAL REVENUE PERFORMANCE FY 2022/23

Table 4: Revenue performance in FY 2022/23 (In Kes)

Description	FY 2022/23 Second Supplementary Budget as approved	Actual Revenue Receipt	Deficit/Surpluses	Percentage of revenue receipt
REVENUES				
Equitable Share	5,670,444,228	5,670,444,228	0	100.00
Own source revenue inclusive of linda mama	670,000,000	505,913,306	164,086,694	75.51
CONDITIONAL GRANTS	-		0	
Supplement for Construction of County Headquarters	59,000,000			100.00
Leasing of Medical Equipment	110,638,298	59,000,000 ²		100.00
DANIDA Grant For Primary Health Care in Devolved Context	15,679,125	110,638,298 ³	0	100.00
World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP)	75,718,650	75,718,650	0	100.00
Sweden- Agricultural Sector Development Support Programme (ASDSP) Level II	4,496,557	4,496,557	0	100.00
World Bank Grant for Kenya Urban Support Programme (KUSP UIG)	1,145,356	1,145,356	0	100.00
World Bank Grant for Kenya Urban Support Programme (KUSP UDG)	1,194,559	1,194,559	0	100.00
World Bank -Kenya Informal Settlement Improvement Project- KISIP II	25,000,000	25,000,000	0	100.00
World Bank Grant for KDSP (Level II)	98,191,994	98,191,994	0	100.00
EU Grant -Instruments for Devolution Advice and Support (IDEAS)	18,896,348	18,896,348	0	100.00
World Bank- Financing Locally Led Climate Action Program (FLLOCA)	22,000,000	22,000,000	0	100.00
Road Maintenance Levy Fund - B/f 2016-17	7,154,957	7,154,957	0	100.00
Kenya Devolution Support Programme Level 1- B/f	27,904,654	27,904,654	0	100.00
Transfers to Village Polytechnics Bal B/f	5,661,342	5,661,342	0	100.00

² These grants were spent at source i.e. at the National Government level

Description	FY 2022/23 Second Supplementary Budget as approved	Actual Revenue Receipt	Deficit/Surplu s	Percentage of revenue receipt
World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) B/F	43,480,659	43,480,659	0	100.00
DANIDA Grant For Universal Healthcare for Devolved System Programme	25,639,079	25,639,079	0	100.00
World Bank (IDA) Loan for Transforming Health Systems	97,400,728	97,400,728	0	100.00
DANIDA Grant For Universal Healthcare for Devolved System Programme	5,399,625	5,399,625	0	100.00
IDA(World Bank) - National Agricultural Value Chain Development Project (NAVCDP)	70,000,000	67,192,729	2,807,271	95.99
Unremitted Equitable Share	453,635,542	453,635,542	0	100.00
Unspent Balances B/F	73,384,649	73,384,649	0	100.00
Total Revenue	7,582,066,351	7,415,172,385	166,893,965	97.80

Source: County Treasury

1.3.1 EQUITABLE SHARE

In the FY 2022/23, the County received Kes. 5,670,444,228 (100%) as equitable share from the National Government. The year was unique since the county received all its equitable share as stipulated in the CARA 2022.

Table 5: Exchequer Releases for the period ending 30th June 2023

RELEASE	REVENUE ESTIMATE IN KES.	TOTAL EXCHEQUER RECEIPTS IN KES.	SURPLUS/DEFICIT IN KES.
Amount	5,670,444,228.00	5,670,444,228	0
% of the total	100	100	0

Source: County Treasury

During the year, the County expected to receive exchequer releases of Kes. 472,537,019 per month and Kes. 1,417,611,057 per quarter. This was not the case as the monies were not received on time. In the first quarter, the County received Kes 1,389 million into its county revenue fund account as equitable share for the financial year 2022/23. Disbursements were fast-tracked in the last quarter of the implementation of the budget with the last quarter recording Kes 2,410 million.

Table 6: Releases per quarter

RELEASE	QUARTER 1 IN KES	QUARTER 2 IN KES	QUARTER 3 IN KES	QUARTER 4 IN KES	TOTAL IN KES
Amount	1,389,258,839	935,623,299	935,623,299	2,409,938,791	5,670,444,228
% Release	24.50	16.50	16.50	42.50	100.00

Source: County Treasury

From the analysis above, the county received the highest allocation in the 4th quarter (April to June 2023) when it received Kes 2,409,938,791. The lowest disbursements were in the second and third quarter when the county received Kes. 935,623,299 in the two quarters. The county received 24.5% of its allocation in the first quarter with receipts amounting to Kes 1,389,258,839.

1.3.2 CONDITIONAL GRANTS FROM NATIONAL GOVERNMENT AND DONORS

The County anticipated receiving 11 conditional grants, which include the Supplement for the Construction of County Headquarters at Kes 59 million and Kes 110.6 million appropriated for the lease of medical equipment which were paid at source. DANIDA Grant for Primary Health Care in a Devolved Context had a budgeted amount of Kes 15.7 million, and the full amount was received within the financial year whilst the World Bank Grant for the Kenya Climate Smart Agriculture Project (KCSAP) received the entire budgeted estimate of Kes 75.7 million.

To contribute to food and nutrition security and promote manufacturing, the Sweden-Agricultural Sector Development Support Programme (ASDSP) Level II received the total budgeted revenue estimate of Kes 4.5 million while the World Bank Grant for the Kenya Urban Support Programme (KUSP UIG) received Kes 1.1 million, as budgeted in support of urbanization. The World Bank Grant for the Kenya Urban Support Programme (KUSP UDG) received Kes 1.2 million, as budgeted.

To enhance the welfare of persons living in informal settlements, the World Bank - Kenya Informal Settlement Improvement Project - KISIP II received Kes 25 million, as budgeted. The World Bank Grant for KDSP (Level II) had a budgeted amount of Kes 98.2 million, and the full amount was received. The EU Grant - Instruments for Devolution Advice and Support (IDEAS) had a budgeted estimate of Kes 18.9 million while World Bank - Financing Locally Led Climate Action Program (FLLOCA) received the total budgeted revenue estimate of Kes 22 million.

1.3.3 OWN SOURCE REVENUE (OSR)

The County anticipated to collect Kes. 670,000,000 as its own source revenue in the FY 2022/23. The County collected Kes. 505,913,306 (75.51%) resulting in a shortfall of Kes. 164,086,694. This is the county's highest revenue collection since devolution.

An analysis of revenue streams shows that JM Kariuki Memorial Hospital had the highest collection of revenue at Kes 110.3 million, fees and charges emanating from single business permits came in second at Kes 99.8 million. A critique of revenue collection shows that the health department had the highest collection in revenue at Kes. 188,860,892. Trade, Industrialization & Cooperatives department collected Kes 116.3 million. The shortfall in collection registered in the department was Kes 16.5 million. The Agriculture, Livestock and Fisheries Department had a target of 93.5 million and managed to collect Kes. 66.9 million registering a Kes 26.6 million shortfall. Liquor licensing, inspection and application registered a shortfall of Kes 25.2 million to collect Kes 34. 8 million.

Table 7: Projected Revenue Estimates Versus Actual Collections in Kes.

Revenue source	Targets 2022/2023	1st quarter total	2nd quarter total	3rd quarter total	4th quarter total	Grand total	Variance
Health services							
Revenue streams	Targets 2022/2023						
J.m. Hospital	120,000,000	26,716,494	35,194,075	28,950,869	19,461,542	110,322,980	- 9,677,021
Engineer hospital	30,000,000	4,023,789	7,065,656	13,362,638	3,996,845	28,448,928	- 1,551,072
N.h.i.f fee/Insurance	40,000,000	5,711,911	14,410,121	21,500,335	8,466,618	50,088,985	10,088,985
Total	190,000,000	36,452,194	56,669,852	63,813,842	31,925,005	188,860,892	8,860,892
Others		-		-	-	-	
Public health fees	9,000,000	1,336,900	816,500	1,300,580	2,558,590	6,012,570	- 2,987,430
Grave fees	30,000	7,300	4,600	17,750	7,800	37,450	7,450
Medical certificate fees	1,000,000	159,000	242,000	430,100	324,300	1,155,400	155,400
Total	10,030,000	1,503,200	1,063,100	1,748,430	2,890,690	7,205,420	- 2,824,580
Water, environment, tourism and natural resources		-		-	-	-	
Revenue streams	Targets 2022/2023	-		-	-	-	
Conservancy	1,000,000	10,000	5,400	163,600	38,600	217,600	- 782,400
Exhauster and exh. Milage	1,000,000	2,700	14,000	21,000	7,000	44,700	- 955,300
Water fee	500,000	17,422	37,228	51,762	13,362	119,774	- 380,226
Hire of water tanker	350,000	-	0	10,000	13,400	23,400	- 326,600
Dumping fee	100,000	-	0	-	-	-	- 100,000
Park entrance fee	10,000	-	0	-	-	-	- 10,000
Logging fees	2,500,000	107,880	76,770	116,360	198,690	499,700	- 2,000,300
Sale of trees		70,000	0	-	-	70,000	70,000
Hire of stadium	-	-	12,000	-	20,000	32,000	32,000
Noise control	-	-	2,000	-	5,000	7,000	7,000
Borehole drilling	-	-		20,000	-	20,000	20,000
Motorsport exhibition					50,000	50,000	50,000
Licence for water providers					520,000	520,000	520,000
Total	5,460,000	208,002	147,398	382,722	866,052	1,604,174	- 3,855,826
Public administration & ict		-		-	-	-	
Revenue streams	Targets 2022/2023	-		-	-	-	
Impounded fees	5,000,000	87,600	220,370	150,510	304,760	763,240	- 4,236,760

Revenue source	Targets 2022/2023	1st quarter total	2nd quarter total	3rd quarter total	4th quarter total	Grand total	Variance
Storage fees	50,000	12,690	3,780	5,320	29,040	50,830	830
Motor cycle penalty	2,500,000	12,950	140,300	80,760	41,300	275,310	- 2,224,690
Betting	50,000	-	0	10,000	-	10,000	- 40,000
Total	7,600,000	113,240	364,450	246,590	375,100	1,099,380	- 6,500,620
Land, housing & physical planning		-		-	-	-	
Revenue streams	Targets 2022/2023	-		-	-	-	
Plot rates	25,000,000	712,112	622,890	5,073,762	2,570,029	8,978,793	- 16,021,207
Land rates	20,000,000	214,280	314,068	1,271,399	623,398	2,423,145	- 17,576,855
Market stall rent	2,500,000	467,800	450,900	499,300	318,800	1,736,800	- 763,200
Ground rent/kiosk rent	3,500,000	48,800	78,200	602,838	124,280	854,118	- 2,645,882
House/office rent	1,500,000	217,720	242,100	304,347	499,950	1,264,117	- 235,883
Sub-division of land	9,000,000	815,500	876,500	835,340	758,100	3,285,440	- 5,714,560
Building plan inspection fee	600,000	108,425	32,100	77,800	78,700	297,025	- 302,975
Site indication	50,000	1,000	500	-	1,500	3,000	- 47,000
Change of user	4,000,000	300,500	230,500	276,450	248,700	1,056,150	- 2,943,850
Land/plot reg. Fees	1,000,000	25,900	21,860	46,350	50,050	144,160	- 855,840
Dev.(ppa forms)	3,000,000	96,000	85,800	132,000	160,240	474,040	- 2,525,960
App. Of building plans	15,000,000	1,076,391	1,380,776	2,041,234	2,703,388	7,201,789	- 7,798,211
Transfer fees	4,000,000	314,500	280,550	486,800	607,200	1,689,050	- 2,310,950
Clearance certificate	4,500,000	411,000	402,400	618,000	533,650	1,965,050	- 2,534,950
Hire of hall/chairs	10,000	2,500	4,000	-	-	6,500	- 3,500
Survey fees	3,000,000	-	0	-	-	-	- 3,000,000
Lease extension	3,000,000	11,500	45,900	11,500	11,500	80,400	- 2,919,600
Search fee	2,000	-	0	-	1,100	1,100	- 900
Certificate of compliance	1,500,000	182,500	195,700	202,500	163,500	744,200	- 755,800
Advertisement	13,500,000	482,716	431,583	3,005,055	1,264,820	5,184,174	- 8,315,826
Wayleave	-	10,000	0	-	-	10,000	10,000
Imprest surrender/salary rec.		-	489,473	183,519	58,489	731,481	731,481
Total	114,662,000	5,499,144	6,185,800	15,668,194	10,777,394	38,130,532	- 76,531,468
Road, transport & infrastructure		-		-	-	-	
Revenue streams	Targets 2022/2023	-		-	-	-	

Revenue source	Targets 2022/2023	1st quarter total	2nd quarter total	3rd quarter total	4th quarter total	Grand total	Variance
Bus and matatu fees	14,393,000	2,223,800	2,658,830	2,779,250	2,842,480	10,504,360	- 3,888,640
Motor cycle fees (parking)	8,500,000	580,950	1,446,050	2,145,650	1,594,500	5,767,150	- 2,732,850
Town parking fee	1,500,000	148,370	141,610	283,020	273,900	846,900	- 653,100
Project management fee	30,000,000	1,204,519	996,219	2,832,865	17,094,535	22,128,138	- 7,871,862
Disposal of assets	-	-	0	-	-	-	-
Fire certificate	1,500,000	25,250	5,500	2,387,000	1,602,790	4,020,540	2,520,540
Motor vehicle insurance compensation					5,524,000		
Total	55,893,000	4,182,889	5,248,209	10,427,785	28,932,205	43,267,088	- 12,625,912
Trade, industrialisation & cooperatives		-		-	-	-	
Revenue streams	Targets 2022/2023	-		-	-	-	
Single business permits	110,000,000	3,031,585	2,470,657	72,997,508	21,389,733	99,889,482	- 10,110,518
SBP penalties	3,000,000	272,108	288,486	13,500	2,203,640	2,777,734	- 222,266
Sale of application/renewal	2,000,000	163,372	136,005	815,084	456,300	1,570,761	- 429,239
Open air market fees	15,000,000	2,686,261	2,675,985	2,913,125	2,864,472	11,139,843	- 3,860,157
Change of business	300,000	5,500	500	15,000	26,150	47,150	- 252,850
Weights and measures	1,500,000	-	182,100	43,000	205,850	430,950	- 1,069,050
Cooperative audit fees	1,000,000	26,215	71,260	103,880	230,650	432,005	- 567,995
Total	132,800,000	6,185,041	5,824,993	76,901,097	27,376,795	116,287,925	- 16,512,075
Education culture, gender & social services		-		-	-	-	
Revenue streams	Targets 2022/2022	-		-	-	-	
Reg.and renewal of groups	5,000	1,350	4,950	500	13,950	20,750	15,750
Liquor licence/inspection/app	60,000,000	9,555,469	1,740,610	155,050	23,369,670	34,820,799	- 25,179,202
Total	60,005,000	9,556,819	1,745,560	155,550	23,383,620	34,841,549	- 25,163,452
Agriculture, livestock and fisheries		-	0	-	-	-	
Revenue streams	Targets 2022/2023	-	0	-	-	-	
Cattle dips	250,000	12,550	18,112	21,519	12,530	64,711	- 185,289
Produce cess royalties	58,000,000	8,768,270	8,800,785	11,352,066	21,216,766	50,137,887	- 7,862,113
Slaughter fees	2,000,000	124,260	117,390	115,120	141,750	498,520	- 1,501,480
Hire of machines(agriculture)	2,500,000	255,000	245,360	340,500	92,900	933,760	- 1,566,240
Meat inspection	7,000,000	1,114,830	1,072,135	1,085,730	976,090	4,248,785	- 2,751,215

Revenue source	Targets 2022/2023	1st quarter total	2nd quarter total	3rd quarter total	4th quarter total	Grand total	Variance
Vet department (AI services)	5,000,000	544,564	379,295	720,308	632,283	2,276,450	- 2,723,550
Vaccination	4,000,000	5,000	0	-	8,850	13,850	- 3,986,150
C.o.t	300,000	64,260	61,210	65,420	69,290	260,180	- 39,820
Movement permit	300,000	42,060	48,080	64,770	126,820	281,730	- 18,270
ATC Njabini	300,000	44,500	87,200	34,000	103,000	268,700	- 31,300
ATC Oljoro Orok	1,500,000	186,240	115,085	122,375	1,171,140	1,594,840	94,840
Fisheries	100,000	-	434,152	-	-	434,152	334,152
Motorcycle mortgage fees	-	29,000	85,400	40,500	-	154,900	154,900
Subsidized fertilizer sale	12,000,000	-	0	-	5,207,872	5,207,872	- 6,792,128
Reg. Of transporters (agri)	250,000	2,000	1,000	1,000	-	4,000	- 246,000
Shamba rent	50,000	-	0	68,600	-	68,600	18,600
AMS -njabini	-	-	-	33,250	423,500	456,750	456,750
Slaughter man's licence					3,100	3,100	3,100
Slaughter house licence					10,000	10,000	10,000
Milk cess					10,276	10,276	10,276
Total	93,550,000	11,192,534	11,465,204	14,065,158	30,206,167	66,929,063	- 26,620,937
Direct banking	-					2,163,283	2,163,283
Grand total	670,000,000	74,893,061	88,714,565	183,409,368	156,733,028	505,913,306	- 164,086,694

Source: County Treasury

1.3.4 UNSPENT BALANCES

In the FY 2022/23, the County had a total of Kes. 837,853,230 as balance brought forward from the FY 2021/22 budget. The unremitted equitable share had the highest proportion of the balances at Kes 453.6 million. Others that were significant are World Bank (IDA) Loan for Transforming Health Systems with unspent balances of Kes 97.4 million and Kes 98.2 million from the World Bank Grant for KDSP (Level II). The other receipts from the unspent balances are as captured in the table below:

Table 8: Unspent balances

Description	FY 2022/23 Second Supplementary Budget as approved
World Bank Grant for KDSP (Level II)	98,191,994
Road Maintenance Levy Fund - B/f 2016-17	7,154,957
Kenya Devolution Support Programme Level 1- B/f	27,904,654
Transfers to Village Polytechnics Bal B/f	5,661,342
World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP) B/F	43,480,659
DANIDA Grant For Universal Healthcare for Devolved System Programme	25,639,079
World Bank (IDA) Loan for Transforming Health Systems	97,400,728
DANIDA Grant For Universal Healthcare for Devolved System Programme	5,399,625
Unremitted Equitable Share	453,635,542
Unspent Balances B/F	73,384,649
Total Revenue	837,853,230

Source: County Treasury

1.4 ACTUAL EXPENDITURE PERFORMANCE FY 2022/23

1.4.1 COUNTY EXPENDITURE

In the period under review, the County spent 98.42 % of its recurrent budget and 73.74 % of its development Budget. Overall, absorption stood at 91.01 % of the entire Budget as shown in table 9.

Table 9: County overall expenditure for the period ending 30th June 2023 IN Kes.

	FY 2022/23 Second Supplementary Budget as approved	Expenditure in Kes.	% utilization of Budget
Recurrent	5,307,087,599	5,223,067,408	98.42
Development	2,274,978,752	1,677,661,103	73.74
Total	7,582,066,351	6,900,728,511	91.01

Source: County Treasury

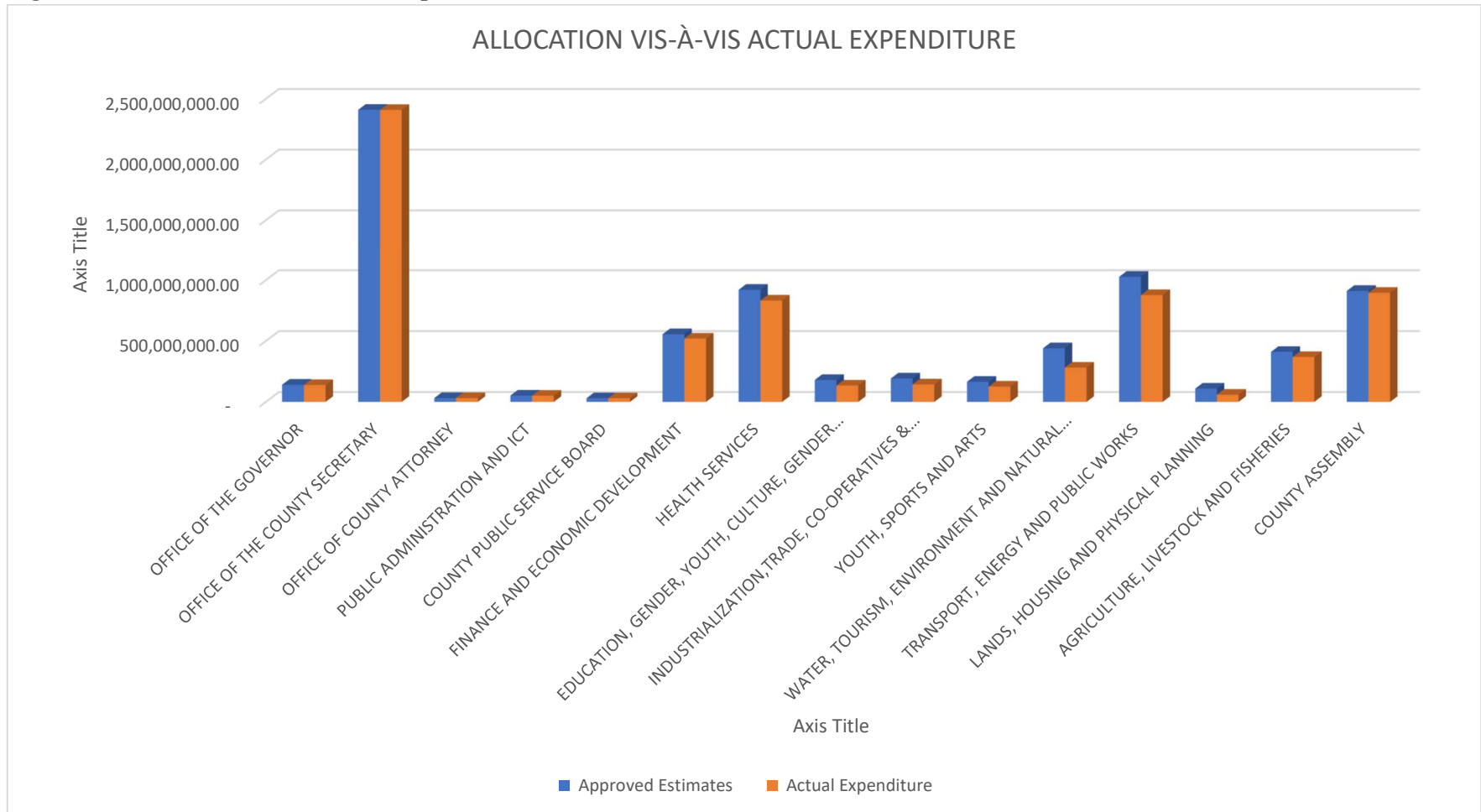
Table 10 shows that the county recorded an absorption of 98.42 % of its recurrent expenditure. The Office of the County Attorney and the County Public Service Board recorded the highest absorption at 99.99%. On recurrent expenditure, the department of agriculture livestock and fisheries had the least absorption at 90.88%. Development expenditure for the county stood at 73.74 %. The department of Lands, Housing and Physical Planning recorded the lowest development expenditure of 33.32% which was majorly attributed to the complexities of land transactions. The Department of Youth, Sports Gender and Social services also recorded a low absorption rate of 38.18% in its development expenditure.

Table 10: Summary of Departmental allocations versus the actual expenditures by County Departments and Entities (Kes.)

Programme	Recurrent Expenditure			Development Expenditure		
	Approved Estimates	Actual Expenditure	Absorption Rate (%)	Approved Estimates	Actual Expenditure	Absorption Rate (%)
OFFICE OF THE GOVERNOR	141,148,320.00	138,686,205.50	98.26	-	-	
OFFICE OF THE COUNTY SECRETARY	2,410,061,080.00	2,408,456,058.93	99.93	-	-	
OFFICE OF COUNTY ATTORNEY	32,050,000.00	32,049,525.00	99.99		-	
PUBLIC ADMINISTRATION AND ICT	51,220,957.00	50,346,236.00	98.29	999,969.00	999,969.00	100.00
COUNTY PUBLIC SERVICE BOARD	30,250,000.00	30,245,478.00	99.99	-	-	
FINANCE AND ECONOMIC DEVELOPMENT	547,905,376.24	512,031,499.00	93.45	8,221,123.65	8,221,124.00	100.00
HEALTH SERVICES	637,265,325.95	636,632,220.00	99.90	283,826,662.04	195,990,011.00	69.05
EDUCATION, GENDER, YOUTH, CULTURE, GENDER AND SOCIAL SERVICES	78,240,121.95	76,503,549.00	97.78	102,422,946.47	58,032,278.00	56.66
INDUSTRIALIZATION, TRADE, CO-OPERATIVES & URBAN DEVELOPMENT	73,415,746.56	72,280,865.00	98.45	119,245,439.89	71,465,853.00	59.93
YOUTH, SPORTS AND ARTS	114,446,826.00	106,075,464.00	92.69	50,796,731.70	19,395,849.00	38.18
WATER, TOURISM, ENVIRONMENT AND NATURAL RESOURCES	85,222,123.00	78,254,639.00	91.82	355,540,821.80	203,435,710.00	57.22
TRANSPORT, ENERGY AND PUBLIC WORKS	105,193,790.00	104,357,485.00	99.20	922,214,952.49	772,818,288.00	83.80
LANDS, HOUSING AND PHYSICAL PLANNING	44,597,271.00	37,490,917.00	84.07	65,137,708.50	21,704,481.00	33.32
AGRICULTURE, LIVESTOCK AND FISHERIES	146,322,975.00	132,972,953.00	90.88	264,572,396.35	236,165,030.00	89.26
COUNTY ASSEMBLY	809,747,686.00	806,684,314.00	99.62	102,000,000.00	89,432,510.00	87.68
TOTAL	5,307,087,598.70	5,223,067,408.43	98.42	2,274,978,751.89	1,677,661,103.00	73.74

Source: County Treasury

Figure 2: Allocation vis-à-vis actual expenditure



1.4.2 DEPARTMENTAL EXPENDITURE

Office of the Governor

The Office had no development expenditure. However, for its recurrent expenditure, it had an absorption of 98.26% having expended Kes 138.7 million out of the allocated Kes 141.2 million. Key achievements/deliverables within the year under review are as captured below;

- Transition of county administration
- Chaired cabinet meetings,
- Championed for additional resources to county government through the Council of Governors fora,
- Spearhead investment agenda for the County,
- Held Governor Mashinani fora at village level across the County,
- Participated in various intergovernmental relations fora with the National Government, development partners, the Council of Governors among others,
- Signing and follow up on various Memorandum of Understanding for projects geared towards improving the County,
- Promotion of the Central Region Economic Block,
- Delivered state of the County address,
- Coordinated county service delivery,
- Participated in International and National day celebrations;
- Greening of the Environment through tree planting programmes;
- Citizen empowerment programmes through civic education and public participation activities, and

Office of the County Secretary

The office of the County Secretary under which the payroll management programme was appropriated in the year under review recorded an absorption of 99.93%. The Department had no development expenditure. In the year under review, key undertakings and deliverables by the Office of the County Secretary were;

- Coordination of Cabinet meetings,
- Dissemination and follow-up on the implementation of cabinet resolutions,
- Coordination of KDSP, EU IDEAS and other programmes in conjunction with the line departments,
- Enhancement of a Complaints and Compliment system,
- Maintenance of County Headquarters,
- Custody of County Assets,

- Insurance for all the county assets,
- Implemented the integrated records management policy,
- Held regular inter-departmental meetings for county service delivery coordination, and
- Coordinated the transition to the new administration.

Human resource management

- Human resource planning and management,
- Staff remuneration for 12 months,
- Staff welfare and support, and
- Digitization of payroll records.

Office of the County Attorney

The Office of the Attorney is charged with the provision of county legal services and advisory. Further, the office is charged to ensure operationalization of a seamless legal framework in support of the county's operations. The office recorded a 99.99% absorption rate having expended all the appropriated resources. Key achievements of the office were;

- Legislative drafting and litigation,
- Conveyancing,
- Alternative Dispute Resolution mechanism (A.D.R.)
- Provision of general legal service
- Legal Registry and legal resource centre, and
- Publishing and printing of Bills and Acts.

County Public Service Board

The department had an allocation of Kes 30.2 million with all the appropriated budget expended recording a 99.99% absorption. Key deliverables achieved in the year under review were;

- Promotion and confirmation of staff,
- Participated in the development of schemes of service for ECDE teachers and public administration officers,
- Coordinated the preparation and sensitization of the County Human Resource Manual,
- Monitoring on levels of service delivery in the county public service,
- Liaised with Salaries and Remuneration Commission (SRC) on various remunerative issues,
- Implementation of the internship programme, and
- Appointment of officers on need basis.

Public Administration and ICT

Public Administration and ICT had a 100% absorption of its development expenditure although this was partly Kes 1 million and a 98.29% absorption of the recurrent expenditure with Kes 50.3 million expended. Key deliverables attained by the department within the year under review were;

Public administration

- Coordination of County functions,
- Coordination, order and control of meetings across the county,
- Disaster response and management,
- Coordination and management of key Government programmes namely bursary and liquor licensing
- Training and capacity building of officers

Citizen engagement

- Civic education
- Public participations
- Feedback mechanism
- Peer learning

Enforcement

- Facilitation of Enforcement officers.
- Provision of security and safety of County property and staff within the County premises.
- Security and crowd control during county functions.

ICT

- Maintenance of computer networks and ICT networks and technical support
- Digi-truck training program
- LAN Installation at the new NHIF/PAY point office
- Configuration of Landrates Waiver on Laifoms Systems

Finance and Economic Planning

The Finance and Economic Planning department had an approved recurrent budget expenditure of Kes 547.9 million with a development expenditure of Kes 8.2 million. Development expenditure recorded a 100% absorption with recurrent expenditure registering a 93.5% absorption rate. The recurrent expenditure captured under Finance encapsulates expenditures on county funds such as bursary, emergency fund, and county mortgage fund among others.

Key achievements of the Department were:

- Prepared timely periodical financial reports;
- Coordinated the external audit by Office of the Auditor General for the FY 2021/22;
- Facilitated payments for the development and recurrent expenditure for all the departments to achieve an absorption of 91%.

- Processing of requisitions and payments to enhance project implementation through absorption of resources;
- Prepared various reports and responses to the County Assembly;
- Prepared all planning and budget documents i.e. CIDP3, Budget circular, Annual development plan, CBROP, CFSP, Debt Management Strategy Paper, programme and Itemized budget, Appropriation Acts, An annual cash flow projection and 2 supplementary budgets;
- Coordinated the preparation County work plans;
- Coordinated the preparation and implementation of the County's Rapid Result Initiatives.
- Prepared projects implementation plans, and annual progress report for 2022/2023 FY;
- Prepared the Finance Act, 2022;
- Coordination of publicity and civic education fora on planning and budgeting;
- Mobilized Kes. 505 million of Own Source Revenue;
- Conducted various internal audits; 6/11 risk-based work plans presented, audited 4/5 sub counties, Special Audit of Olkalou VTC, Financial Risk Based Audit for Nyandarua Water Company done, Data analysis for Training Internal Auditors, Fixed asset audit Verification Exercise audit Finalization.
- Facilitated the acquisition of goods, services and works for all County Departments;
- Prepared consolidated County procurement plan;
- Initiated the records management unit; and
- Facilitated the implementation of various County Funds i.e. Bursary, mortgage and emergency fund.

Transport, Public Works and Energy

Transport, Energy and Public Works had an absorption rate for the development expenditure at Kes. 713.8 million (83%). The recurrent expenditure recorded a 99.2% absorption rate expending Kes 104 million out of the apportioned Kes 105 million. Key sectional achievements are as captured below;

Transport section

- Grading of 469.01 kilometers, gravelling of 71.99 kilometers and opened 13.8 kilometers of new roads within the County

Energy section

Installation of 13meters and 20meters floodlights in various wards within the county was done in the year under review. This was undertaken in 11 wards. Further, installation of Transformers (3) transformers was initiated at Kiganjo A and B, Area 22 – Geta Ward and Wangumba in Engineer ward.

Public works section

The Public Works Directorate primarily handled the following responsibilities:

- Supervising and overseeing the construction programs of the County.

- Preparation of Bills of Quantities for various departments within the County government.
- Rehabilitating and maintaining the public infrastructure of the county.

Housing Development section

- Affordable Housing Transformation.
 - a. Lease land for the proposed site for affordable housing acquired
 - b. Market survey was conducted in partnership with NHC
 - c. Geotechnical survey conducted by the combined technical team and designs are underway

Health Services

In pursuit of ensuring access to county health services, the Department of Health Services expended 99.90% of its recurrent budget. Kes 637 Million was spent on recurrent programmes and projects. The Department managed to absorb 69.05% of its development expenditure expending Kes 196 million. Key deliverables by the department in the year under review were;

- Upgrade of JM Kariuki Hospital through;
 - Mashujaa complex at 60% level of builders' work done.
 - Operationalization of Pathology department/mortuary
- Upgrade of Manunga, Ndaragwa and Bamboo Health Centres- Theaters constructed equipping ongoing.
- Renovations and maintenance of various Health Facilities
- Procurement of Health products for all the Health Facilities
- Procurement of Equipment for various facilities
- Completion of new facilities; Kieni, Muhakaini and Matindiri dispensaries. Awaiting equipping.
- Kiganjo, Mosset, Kagaa and Kangubiri were still work in progress.
- One ambulance was procured.
- Strategic stocks for all facilities procured.

Lands, Housing & Physical Planning

Under absorption was evident in the Lands, Housing and Physical Planning Department which was attributed to the complications of land transactions. The absorption rate was 33.32% for its development expenditure. However, the recurrent expenditure of the department recorded an 84% absorption rate. The milestones achieved by the department in the year under review were;

- Acquired 18 parcels of Land for various public utilities and access roads,
- Initiated and commenced development of a county land bank,

- Re-establishment of boundaries for Kiandege primary, Nyakambi, Dumpsite (Ol'kalou) and Kahuhu ECDE,
- Surveyed 9 dams (Githunguri, Kirima, Ndemi Salient/1249, Munoru, Khanji, Olkalou s/156, Mutamaiyo, Githima,
- Topographical surveys were done in Mutanga, Mawingo and Ol'bolossat townships and Manunga & Chamuka health centres, and
- Surveyed land acquired by the county for 6 ECDEs, 12 Access roads, 9 social amenities and 5 water projects.

Ol kalou municipality

Olkalou municipality is the only municipality in the county and hosts the county headquarters.

In the year under review, the following milestones were achieved;

- Construction of Ol'Kalou Multipurpose Social Hall
 - ✓ Ol'Kalou Multipurpose social Hall structure
 - ✓ Structural works (walling and roofing)
 - ✓ Walling works complete
 - ✓ Fixing of roofing sheets complete
- Installation of 6 metal gates at Ol'kalou new market
- Completion of Ol'kalou new Market
- Drainage works
- Renovation of Ol'kalou old market stalls and construction of new stalls

Trade, Industrialisation & Cooperative Development

The Department is an integral component of the county's productive sector. It had an allocation of Kes 73.4 million for recurrent expenditure and an appropriation of Kes 119.2 million for development expenditure. The Department registered 84.1% and 57.22% absorption rate for the recurrent and development expenditure respectively. Key milestones achieved by the department within the year under review were;

- Training and capacity building of cooperative societies
- Cooperative infrastructure support for 3 cooperative societies
- Support to SMEs in Magumu, North Kinangop and Engineer
- Held capacity building for SMEs
- Promotion of Tourism in Lake Olbollosat through the acquisition of motor boat and erection of signages
- Conducted tourism promotion events such as Miss Tourism and International tourism day
- Verified 1507 weighing equipment and 152 measuring equipment with 825 trade premises inspected
- Upgrade of markets in Kaimbaga, Njabini, and Leshau Pondo

Education, Culture and the Arts

Investment in Human resources is essential for socio-economic development. In the year under review, the department expended Kes. 76.5 million on recurrent expenditure and Kes 58 million on development expenditure which was 97.8% absorption of its recurrent expenditure and 56.7% absorption rate for the development expenditure. Key milestones are highlighted below;

i. Early Childhood Development Education

- Construction and completion of 14 ECDE classrooms
- Construction and completion of 10 ECDE toilets
- Renovation of 3 classrooms
- Fencing of Tumaini ECDE centre
- Procurement and distribution of ECDE furniture, for 15 ECDE centres
- Provision of County Education Bursaries to needy learners with 64,324 beneficiaries.

ii. Youth Training

- Trainees' capitation of Ksh. 25.78M was provided for all the trainees.
- Construction of Ngano VTC Toilet
- Registration of 619 candidates for national exams

iii. Culture

- Kinyahwe Cultural Museum Phase One-Fencing completed
- Coordination of National Kikuyu prayers day at Ol-kalou

Agriculture, Livestock & Fisheries

The Department is key in the productive sector. With approved expenditures at Kes 146 Million for development and Kes. 264.6 million of the recurrent expenditure. The department recorded an absorption rate of Kes 90.9% and 89.3% for the development and recurrent expenditure having expended Kes 132.8 million and Kes 236 million respectively. The key milestones in the year under review were:

- Purchase and distribution of 145 heifers to livestock farmer groups;
- Purchase and distribution of 264 Alpine dairy goats breeding stock to farmers in Shamata ward;
- Purchase and distribution of 30,000 poultry;
- 31,500 livestock farmers trained on various livestock production management practices;
- 170 ha of improved fodder and pastures established;
- 270 farmers were trained on Total Mixed Rations preparation;
- Preservation of 750 tonnes of fodder;
- Construction of Githabai livestock sale yard through SIVAP project;

- Purchase and distribution of 20 breeding sheep to women groups;
- Purchase and distribution of 15 CAB hives to bee keeping groups;
- 3,275 bags of subsidized fertilizer procured and distributed;
- Approximately 36,817 farmers trained good agricultural practices;
- 3,440 Avocado seedlings availed to farmers;
- Subsidized farm inputs, maize and fertilizer distribution was done to farmers in various wards in the County;
- 9,299 field days were held in collaboration with stakeholders such as GIZ, IFDC, Sygenta, ASDSP, KCSAP and FtMA;
- 11,138 group visits and trainings were held;
- 2,925 farmer demonstrations on good farming practices held;
- Veterinary extension services conducted;
- Meat inspection -10,771 bovines, 57,439 ovine and 4,694 caprine;
- Kamuyu cattle dip rehabilitated;
- Vaccinations done – 1,592 on rabies, 2,518 on FMD, 100 on Anthrax and 50 on Enterotoxemia.

Youth, Sports, Gender and Social Services

In the year under review, Kes 114.4 million was for recurrent expenditure whilst Kes 50.8 million was appropriated for the development expenditure. The Department recorded a low absorption at 38.18% in development expenditure with the recurrent expenditure recording an absorption of 98.55%. Key achievements for the department are highlighted below;

Youth Empowerment

- Funding and support for youth enterprises - 245 youth groups were issued with equipment.
- 1,200 youth were trained on reproductive and mental health, career literacy, anti-doping, enterprise development, AGPO opportunities, wealth management, career guidance and counselling.

Sports Development

- Construction of Ol Kalou Stadium and 7 playing fields across the County were acquired and developed.

Arts Development

- 648 artists were trained on vocals, instruments, song writing and studio performance. With 1,633 songs recorded since its inception.
- Annual talent show events were held Countywide where **1,240** youth participated.

Gender Affairs and Social Services

- Celebration of National and International Days
- Provision of foodstuff to 3,000 vulnerable persons (Christmas festive season)
- Carried out corrective surgeries to 31 persons in collaboration with AIC Kijabe Hospital
- Recruited 2073 NHIF indigents

- Carried out sensitization and advocacy to the citizenry on gender and social matters
- Provided hygiene kits to 10,000 boys and girls Countywide
- Provided support to 219 PWDs by provision of assistive devices
- Carried out 387 PWDs assessments
- Provided social economic support to groups by provision of income generating equipment

iv. Alcoholic drinks control

- Overseeing the implementation of the County alcoholic drinks regulations

Water, Environment, Tourism and Natural Resources

The Department had an allocation of Kes 85.2 million for the recurrent expenditure with Kes. 355.5 million appropriated for the development expenditure. Subsequently, in the financial year under review, the department recorded an absorption rate of 91.80% and 57.22% for the recurrent and development expenditure respectively. The milestones achieved in the in the year were;

Water Resource Development

- 80 km of water piping network for water reticulation was laid and operationalized
- Pump testing was done to 12 borehole projects.
- The department constructed 5 masonry water storage and distribution tanks which are already complete and in use
- Plastic tanks of different sizes ranging from 10m³, 5m³ and 210 litres were distributed to various water projects, public institutions and vulnerable persons in the county.
- 12 boreholes were drilled and equipped to enhance water supply in the county
- 6 boreholes were equipped with solar panels and inverters, solar-powered submersible pumps. Panel support structures and power-houses were also constructed.
- 3 boreholes were repaired by having the pump motors or the solar controllers replaced
- 1 dam was de-silted to improve on stormwater management and storage
- 2 water kiosks were constructed

Climate change

- Trained staff on PCRA and CCAP development as well as M&E of the FLLoCA Program implementation, proposal writing and fund mobilization for climate financing.
- Developed County Participatory Climate risk assessment (PCRA) Report
- Developed Nyandarua County Climate Change Action Plan 2023-2027
- Implemented the First FLLoCA CCIS workplan

- Reconstitution and operationalization of the County Climate Change Planning Committee
- Appointing and training of Grievance and Conflict resolution Committee to deal with grievances raised in FLLoCA Program implementation
- Training and capacity building of Ward Climate Change Committee members

Environment

- Development of the County Environmental Action Plan (CEAP), the County Environment Policy and Environment Bill in the Directorate of Environment Management (DEM)
- The DEM engaged the 33-member gazetted County Environment Committee (CEC).
- Provided environmental technical input and monitors compliance to the county departments.
- Surveillance, control and management of pollution.
- A baseline assessment of the status of environmental parameters and priority actions was done in over 30 institutions with 1000 indigenous trees planted at Olkalou Polytechnic.

Natural resources

- Over 120,000 trees planted together with stakeholders across the county.
- A total of 3,200 Giant bamboo seedlings distributed and planted in Ol’Jororok and Kinangop Sub-county.
- Implementation of the **Transition Implementation Plans (TIPs) for Devolved Forestry Functions (2021 – 2025)**
- Implementation of the **Nyandarua County Forest Landscape Restoration Strategy (2021 – 2030)**
- Implementation of the **Lake Ol Bolossat Integrated Management Plan 2021 – 2030**
- Drafting of the Natural Resources Policy and an Advanced Draft Natural Resource Management Bill.

The County Assembly

The County Assembly plays an essential role in the oversight and approval of various Planning and Budgeting Policy documents among other roles and responsibilities as stipulated in the Constitution of Kenya 2010 and the County Government Act, 2012.

For the facilitation of programmes and projects that are recurrent, the County Assembly had appropriations of Kes. 911,747,686 vis-à-vis an actual expenditure of Kes. 896,116,824.00. The absorption rate of the County Assembly was 98. 29%.

1.5 CHALLENGES EXPERIENCED

(i.) Government Transition

Under the review period, the County experienced a slump in activities across all the sectors translating to reduced progress in the implementation of programmes and projects in the FY 2022/23. The County Government during this period transitioned with the Chief Officers and the County Executive Committee Members having reported. The process required time and impacted the implementation of projects and programmes set for FY 2022/23.

(ii.) Delays in exchequer releases

The whole Financial Year was characterized by delays in the release of exchequer releases. The County experienced delays in equitable share remittance.

(iii.) Delays in requisition processing/issuance of approvals for withdrawal by the Controller of Budget

The County Treasury also noted undue delay in the issuance of approvals by the Controller of Budget on requisitions forwarded to the CoB. These delays affected the overall payment process.

(iv.) The budget process/supplementary budget

The supplementary budget preparation experienced challenges due to the wide outlay of demands and pending bills amidst constrained resources. In the year under review, contractors delayed the implementation of programmes and projects within the county as they waited for the process to be completed.

(v.) Pending bills

Pending bills accrued from the previous financial years acted as a hurdle in the implementation of contractual works. This tend to delay contractual works as the contractors wait for their settlement.

(vi.) Unmet own source revenue targets

The target set for collection of Own Source revenue was not met. This resulted to pending bills which will be funded using the resources for 2023/24 FY.

Table 11: Expenditure on Other transfers & payments in Kes

OTHER TRANSFERS & PAYMENTS IN KES.	
Bursary fund	228,200,000
Mortgage fund	70,000,000
Medical, Pension and retirement benefits	202,060,782
Emergency fund	50,000,000
Hospital transfers and other transfers	461,026,118
Sub totals	1,011,286,900
Expenditure by Departments	4,993,324,787
County Assembly	896,116,824
Un surrendered imprest at 30th June 2023 b/f	0
Total Expenditure	6,900,728,511
Unrealized revenue	166,893,965
Unspent balances (including surrendered imprests at 30th June 2023)	514,443,874
Grand total	7,582,066,351

Source: County Treasury

From the analysis above, the County total expenditure amounted to Kes. 6,900,728,511. This was composed of transfers and other payments that included: Kes. 228,200,000 to bursary fund; Kes. 70,000,000 to mortgage fund; Kes. 202,060,782 to medical insurance, pension and gratuity; Kes. 50,000,000 to emergency fund; Kes; 461,026,118 to hospitals and other current transfers; Kes; 896,116,824 to County Assembly; and Kes. 4,993,324,787 as departmental expenditures in the year.

Further, during the financial year, the County had Kes. 166,893,965 as unrealized revenues. At the closure of the year, the county had Unspent balances (including surrendered imprests at 30th June 2023) amounting to Kes. 514,443,874.

1.6 FISCAL PERFORMANCE IN RELATION TO FISCAL RESPONSIBILITY PRINCIPLES

Section 107 of the PFM Act, 2012 and regulation 25 of the PFM (County Governments) Regulations, 2015 sets out the fiscal responsibility principles which the County Governments have to observe. The extent of adherence to the Fiscal Responsibility Principles in the implementation of the 2022/23 FY budget is as follows:

Table 12: Analysis of the County's adherence to the fiscal responsibility principles for the period ending 30th June 2023

Indicator	Budgeted (Kes.)		Ratio (%) in relation to the total Budget
County expenditure	Recurrent	5,307,087,599	70.00

Indicator	Budgeted (Kes.)		Ratio (%) in relation to the total Budget
	Development	2,274,978,752	30.00
	Total	7,582,066,351	100.00
	Expenditure on wages & benefits (County Executive- 2,386,010,782 and County Assembly- 412,300,683)	2,798,311,465	36.9
Expenditure by County Assembly	Recurrent	809,747,686	10.68
	Development	102,000,000.00	1.35
	Total	911,747,686	12.03
County Debt financing		659,648,666	8.70
Emergency fund		50,000,000.00	

Source: County Treasury

- i. The County Public Debt shall not exceed twenty per cent of the County Government's total revenue at any one time**

The County factored **Kes. 659,648,666** for the settlement of pending bills. This falls within this principle as this represents **8.7%** of the revenue estimates.

- ii. The County Government's expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) per cent of the County Government's total revenue**

The County's expenditure on wages and benefits accounted for **36.9 %** of the total expenditure. This includes the employees' pension, mortgage gratuity, and medical insurance for both the County Executive and County Assembly. This proportion of 36.9% implies that the county was not within the stipulated threshold of 35%.

- iii. The approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.**

The County Assembly's allocation was **12.03%** of the total revenues. This was not within the stipulated principle.

- iv. The County Government's actual expenditure on development shall be at least thirty per cent.**

The Development Expenditure accounted for **30%** of the total County expenditure thus within the confines of this principle.

v. Fiscal risks shall be managed prudently

Fiscal risks were managed prudently through various control measures, and checks and balances by the County Treasury. Further, a provision of **Kes. 50 million** was factored in to cater for emergencies. The amount was meant to cushion the County from unforeseen occurrences whilst following the Plans and Budgets as set out under the PFM Act, 2012 and its Regulations.

vi. A reasonable degree of predictability concerning the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future

The County collected revenues as stipulated in the Finance Act. Further, the County embarked on resource mapping and mobilization initiatives to ensure that the resource envelope is enhanced without placing an unnecessary burden on the citizenry/residents of the County.

CHAPTER TWO

ECONOMIC AND FINANCIAL FORECAST FOR FY 2024/25 AND THE MEDIUM-TERM

2.1 MACROECONOMIC OUTLOOK AND POLICIES

The Macroeconomic Outlook and policies gives recent Economic Developments and County Economic Outlook and policies. It allows the County to review and analyze the recent economic performance for purposes of positioning its outlook in the next financial year and over the medium term.

2.2 RECENT ECONOMIC DEVELOPMENTS

2.2.1 Global and Regional Economic Development

The Global community has been experiencing socio-economic turbulence in the recent past. These is as a result of a myriad of factors ranging from the Covid-19 pandemic, energy crisis, climate change, cross border wars, political instability in some countries and terrorism. The COVID-19 pandemic which was experienced in the entire globe resulted in grave negative impacts including the death of the populace, diversion of resources from productive sectors towards its combat as well as restrictions on critical services such passenger travel and transportation of essential commodities. It also resulted to the “new normal” with the world compelled to re-engineer how systems operate with one of the biggest beneficiaries being the information, communication and technology sector. It was discovered that the world can function without physical interaction through the use of ICT. The Covid-19 pandemic though still prevalent has been managed satisfactorily. In May 2023, the World Health Organization (WHO) declared that COVID-19 no longer constitutes a "global health emergency." Consequently, supply chains have largely returned to their pre-pandemic state, including shipping costs and suppliers' delivery times returning to normal.

Climate change has hit the globe hard with most countries struggling to cope with its effects. Manifestation of the climate Change is evident in both developing and developed nations. It has resulted to the entire globe diverting its attention towards its combat again diverting resources from sectors with immediate economic gains to interventions aimed at mitigation, adaptation and resilience. Closely related to climate change is the subject of energy as a driver of development through powering production. The use of coal and other fossil fuels as sources of energy has accelerated global warming which has had catastrophic externalities. There is need for a deliberate shift from the use of these traditional sources to cleaner and safe ones

commonly referred as green energy. It is commendable that industrialized countries which have contributed to the high emissions of hazardous gases have been at the forefront in allocating resources and playing the advocacy role in combating the negative effects.

Nevertheless, positive interventions are being put in place to address the negative impacts of climate change. Through the United Nations, Climate Change Conference of Parties (COP) has been convening regularly to address the climate change scourge and its impact. In the last COP27 meeting held in Egypt, the communique resolved to establish a Loss and Damage Fund where the larger developed countries (and biggest emitters/polluters) will contribute funds to help the smaller developing countries (the lowest emitters) to adapt to the impacts of climate change. Periodical Global Stock take on the implementation of the various COP resolutions will provide an indicator of how the globe is curing the adverse effects of the climate change.

The Global insecurity associated with terrorism, coups and cross border wars presents serious threats to global prosperity. This has been a key deterrent to the free flow of capital, investments and technology across the borders. The recent coups in Africa mostly in West Africa portends a threat to trade and technology transfers within the continent. The threat of terrorism especially al-shabab has become an impediment to free cross border interactions in the affected countries at the Horn of Africa. On the positive side, Russia's invasion of Ukraine is slowing, paving way for improved access to the two very crucial nations that produce various products being used across the world.

The Global financial access scenario has not been very kind to the developing countries especially in Africa. The perceived riskiness of developing countries by the Bretton woods institutions and other development partners has shrunk the potential benefits of the support granted as result of high interest rates and other conditionalities attached. This has decelerated the growth rate and development in developing countries further escalating the dependency syndrome on the developed world. Developing countries are however working out on modalities to cushion themselves against any imminent shocks through various caucuses such the East African Community.

The various global, continental and regional goals namely; Sustainable Development Goals, African Agenda 2063 and East African Community Vision 2050 if effectively implemented will be crucial in expanding the financial and economic sectors requisite for sustained development of Kenya and the region at large.

Global GDP growth is projected to slow to 3.0 percent in 2023 and 2024 from 3.5 percent in 2022. In advanced economies, growth is expected to reach 1.5 percent, marking a decline from the 2.7 percent growth seen in 2022. Transitioning from 2022 to 2023, growth is forecasted to decrease from 2.1 percent to 1.8 percent in the United States and further to 1.0% in 2024. In the Euro area, decline is expected from 3.5 percent (2022) to 0.9 percent (2023) and rebound to 1.4 percent in 2024. The United Kingdom will experience a decline from 4.1 percent to 0.4 percent in 2022 and 2023 respectively. However, Japan's growth is projected to increase from 1.0 percent to 1.4 percent (IMF World Economic Outlook, July 2023).

Global headline inflation is expected to ease from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. This is premised on the assumption that there are no further supply-based shocks, extreme weather and escalations of Russia –Ukraine crisis.

Emerging markets and developing economies including Asia are projected to modestly grow from 4.5% in 2022 to 5.3% in 2023 before declining slightly to 5.0% in 2024. This will be mainly driven by recovery activities in China. Nevertheless, this average figure conceals disparities, with about 61 percent of economies in this group expected to grow faster in 2023, while the remaining economies experience slower growth (IMF World Economic Outlook, July 2023).

Shifting to Sub-Saharan Africa, the growth rate is expected to slow to 3.5 percent in 2023 from 3.9 percent in 2022. Thereafter, it is expected to rebound to 4.1% in 2024. Key contributors to African expansion are Nigeria and South Africa which are both projected to experience reduced growth. Specifically, Nigeria's growth is expected to gradually decline by 0.1 percent to 3.2 percent in 2023, primarily due to security issues in the oil sector. Similarly, South Africa's growth is anticipated to decrease from 2.0 percent in 2022 to 0.3 percent in 2023, reflecting challenges related to power shortages (IMF World Economic Outlook, July 2023).

From the foregoing, the challenges that hindered growth in 2022 are still prevalent, primarily due to persistent high inflation eroding household purchasing power, prompting central banks to tighten policies. This, in turn, has led to an increase in borrowing costs, constraining economic activity (IMF World Economic Outlook, July 2023).

2.2 National Macro-Economic Outlook

The global economy is expected to decelerate in 2023 on account of tightening of monetary policies, high inflation, ongoing effects of Russia-Ukraine war and the lingering effects of COVID-19 pandemic. However, the economic outlook for Kenya is expected to improve over

the medium term. Kenya's economy is expected to remain resilient in 2023 and grow by 6.0% and maintain that momentum in the medium term. This growth will be supported by a robust performance in the private services sector and expected recovery in agriculture. Leading indicators in the first quarter of 2023 point to strong activities in wholesale and retail trade, accommodation and food services, education, and information & communication. The public sector interventions will also help consolidate this growth.

The agriculture sector is likely to rebound in the medium term from two consecutive annual contractions supported by favourable weather conditions, supply of subsidized inputs as well as adoption of modern and climate smart farming technologies. Economic performance in 2023 and medium term is likely to be reinforced by the Government's development agenda aimed at achieving economic turnaround and inclusive growth.

On the downside, the 2023 growth will be hampered by a decline in domestic demand as a result of elevated inflation and sustained high interest rates. The reduction in domestic demand is likely to suppress private investment. The weakening of the Kenya Shilling against the US Dollar is likely to make imports expensive and slow trade with the rest of the world. Additionally, the projected decline in global demand due to deceleration in the global economy is expected to reduce demand for Kenyan goods (KNBS Economic survey, 2023).

2.2.2 Domestic Economic Development

On the domestic scene, the growth momentum slowed down to 4.8 percent in 2022 from 7.6 percent in 2021 as a result of suppressed agricultural production, owing to adverse weather conditions. The growth in 2022 was supported by the services sector particularly transport and storage, financial and insurance, information and communication, and accommodation and food services. The economy is expected to remain resilient in 2023 and grow by 6.0 percent and maintain that momentum over the medium-term supported by a broad-based private sector growth and ongoing public sector investments. This growth outlook over the medium term will be reinforced by the implementation of the strategic priorities under the Government's Bottom-Up Economic Transformation Agenda (BETA) (National treasury price stability and economic policy report, 2023).

The Agenda will involve increasing investments in five strategic sectors that have the largest impact and linkages to the economy as well as on household welfare as the starting point. These include: Agricultural Transformation; Micro, Small and Medium Enterprise Economy;

Housing and Settlement; Healthcare; and, Digital Superhighway and Creative Industry. Special focus will be placed on the interventions that: reduce the cost of living; create jobs; achieve more equitable distribution of income; enhance social security, expand tax base for more revenues to finance development; and increase foreign exchange earnings. The Government has identified nine key value chain areas for implementation, namely: Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials. This approach will ensure that there is no break in the cycle of resource allocations and that adequate resources are allocated to the entities along the value chain. This will help to eliminate duplication of both roles and enhance efficiency of available budgetary resources (National treasury price stability and economic policy report, 2023).

Inflation Rate

The year-on-year inflation rate eased for the second consecutive month in December 2022 but was still above the 7.5 percent upper bound of the policy target range. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices as a result of favourable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.7 percent recorded in December 2021. Overall annual average inflation increased to 7.6 percent in December 2022 compared to the percent recorded in December 2021 due to relatively higher international food and fuel prices.

Food inflation remained the main driver of overall year-on-year inflation in December 2022, contributing 5.5 percentage points, an increase, compared to a contribution of 3.2 percentage points in December 2021. The increase was mainly attributed to unfavourable weather conditions and supply constraints of key food items particularly maize grain (loose), fortified maize flour, cooking oil (salad), cabbages, beef with bones and mangoes.

Fuel inflation also increased to contribute 2.2 percentage points to year-on-year overall inflation in December 2022 from a contribution of 1.7 percentage points in December 2021. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices. The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy.

While inflation has been rising and remains high in most economies, Kenya's inflation rate at 9.1 percent in December 2022 was much lower than that of some countries in the Sub-Saharan African region that have double digits' inflation.

In the medium term inflation is expected to be maintained within the target range of $\pm 2.5\%$ of 5%.

Kenya Shillings Exchange Rate

The foreign exchange market largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies weakened to exchange at Ksh. 122.9 in December 2022 compared to Ksh. 112.9 in December 2021. Against the Euro, the Kenya shilling also weakened to Ksh. 130.0 from Ksh. 127.6 over the same period. The Kenyan Shilling strengthened against the Sterling Pound to exchange at Ksh. 149.8 in December 2022 from Ksh. 150.2 in December 2021.

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate remained relatively low, depreciating at a rate of 8.9 percent against the US Dollar in December 2022. The depreciation rate of the Kenya Shilling was lower than that of Botswana Pula and Malawi Kwacha. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts

Interest rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022. The interbank rate remained stable at 5.4 percent in December 2022 compared to 5.0 percent in December 2021 while the 91-day Treasury Bills rate increased to 9.4 percent in December 2022 compared to 7.3 percent in December 2021 due to tight liquidity conditions.

Commercial banks' lending rates slightly increased in November 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.6 percent in November 2022 from 12.1 percent in November 2021 while the average deposit rate increased to 7.1 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in November 2022 from 5.7 percent in November 2022.

The Stock Market

Activity in the capital markets slowed down in December 2022 compared to December 2021 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,676 points in December 2022 compared to 1,903 points in December 2021 while Market capitalization also declined to Ksh. 1,986 billion from Ksh. 2,593 billion over the same period.

Balance of Payments

Expenditure on merchandise imports rose by 17.5 per cent to Ksh 2,490.8 billion and earnings from exports of goods grew by 17.4 per cent to Ksh 873.1 billion in 2022. The growth in total exports was not sufficient to offset the growth in imports, resulting to the widening of the balance of trade deficit to Ksh. 1,617.6 billion in 2022. The Country's GDP in 2022 was Kes. 13,368,340 millions.

Increase in import expenditure was largely on account of continued increase in imports of petroleum products which amounted to Ksh 597.7 billion, accounting for nearly a quarter of the total import bill in 2022. Tea recorded the highest earnings of Ksh 163.3 billion due to improved international tea prices and was the leading export commodity in 2022.

The Current Account balance widened to a deficit of Ksh 679.6 billion in 2022, resulting from an increase in expenditure on imports of goods and services and increased pay outs in the primary income account. The country recorded increased inflows from exports of goods, services and remittances. Transport, travel and telecommunications services were among services that recorded increased inflows in 2022 resulting to a surplus of Ksh 136.4 billion in 2022. Remittance inflows rose by 15.8 per cent to Ksh 478.5 billion in the review period.

Net inflows in the Financial Account reduced to Ksh 494.9 billion in 2022, largely recorded in Other Investment liabilities which dropped to Ksh 473.6 billion in 2022 on account of reduced disbursements to Deposit taking Corporations and General Government. There were increased out-flows of foreign equity investment liabilities on Portfolio Investments attributable to increased disinvestments by foreign investors from developing and emerging markets in preference to more developed markets such as the United States and the United Kingdom. The strengthening of the US dollar, coupled with increased interest rates in these countries, further drove investments into these markets. Increased debt servicing in 2022 resulted in a Ksh 176.2

billion draw down in Reserve Assets. Consequently, the overall BOP position recorded a deficit of Ksh 251.5 billion in 2022 compared to a surplus of Ksh 90.1 billion in 2021 (KNBS Economic Survey 2023).

Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at USD 11,407.7 million in November 2022 from USD 13,503.0 million in November 2021. The official foreign exchange reserves held by the Central Bank stood at USD 7,548.8 million compared to USD 9,306.3 million over the same period. Commercial banks holdings decreased to USD 3,859.2 million in November 2022 from USD 4,196.8 million in November 2021.

The official reserves held by the Central Bank in November 2022 represented 4.2 months of import cover as compared to the 5.6 months of import cover in November 2021. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market.

2.3 County Outlook

The medium term performance of the County's economic outlook is directly impacted by the national and global economy. Just like the national economy, the County's economic outlook is highly susceptible to shocks should there be change in global monetary and fiscal performance. The priority areas outlined in the County Integrated Development Plan 3 will be actualized if the County sets an implementation strategy that is Specific, Measurable, Attainable, Realistic and Time bound. The CIDP3 under implementation has the theme "*Change Agenda for Socio-Economic Development and Wealth Creation*".

In the medium term, the various sectors within the County have designed programmes which are in tandem with the existent international, continental, regional and national agendas. The priorities contained in the fourth Medium Term Plan (MTP IV) of the Kenya Vision 2030, Sustainable Development Goals, the African Union Agenda 2063 among others are further cascaded down to the County planning frameworks to the extent that are functionally devolved.

The county medium term priorities have also assimilated the Bottom-Up Economic Transformation Agenda (BETA) in the identified agendas of Agricultural Transformation, Micro, Small, and Medium Enterprises, Housing and Settlement, Healthcare, and the Digital Superhighway, and Creative Industry.

To effectively adapt to the ever changing global socio-economic variables, the County will employ various mitigating, adaption and resilience measures targeting both the resource mobilization and application sides of the equation.

Public sector has been greatly affected by the recent pandemic and economic meltdown experienced in the last four years which have led to contracting financial space. Own source revenue targets have not of late been met and this has led to overreliance on National Government support and occurrence of pending bills. In recognition of these facts, there is need to devise resilience measures to withstand shocks associated with financial and economic risks and uncertainties. Strategies to be employed include:

- a) Coming up with realistic revenue targets,
- b) Resource mobilization from development partners,
- c) Ensuring that we match the many expectations of claim holders with our resource capabilities,
- d) Supporting the productive sectors with the aim of increasing revenue mobilized,
- e) Supporting the vulnerable segments of the society e.g. youth, disabled, marginalized to reduce dependency on public sector support,
- f) Automation to reduce cost of service delivery, and
- g) Enforcing Austerity measures in public spending.

In order to support the county's recovery and maintain an upward growth trend, the county has put in place vital measures to tackle socio-economic development issues. Such measures include:

- a) Education; Promotion of early childhood education and tertiary education through a dual approach; Capitation grants for early childhood education and tertiary institutions, and a targeted bursary programme for tertiary level students. Capitation grants aim to provide adequate resources for both early childhood and tertiary education institutions, while the bursary programme targets financial assistance for tertiary students. This multifaceted strategy seeks to improve access and affordability across different education levels and to contribute to the development of a more educated and skilled population.
- b) Trade and industry; Upgrade of Soko Mpya to attract more traders and buyers due to its strategic location in a busy transport corridor. Additionally, the county intends to unlock the tourism sector's potential, particularly in the Arboretum area, by undertaking various projects to make it a more appealing destination for tourists. These efforts aim to boost economic activity, create job opportunities and stimulate growth within the county.

- c) Preparation of valuation roll with the goal of generating more revenue. The initiative aims to improve revenue collection through fair property taxation, while ensuring transparency and public participation in the valuation process. By keeping this valuation roll accurate and up to date, the County aims to boost revenue, foster equitable taxation, and effectively fund vital public services and development projects.
- d) Promotion of agricultural productivity; To achieve this, the County has instituted various measures, including the provision of subsidized fertilizer, breed improvement, Tissue culture potato seed multiplication, and the enhancement of extension services. The agricultural institutions have also been facilitated with a revolving fund to commercialize them and generate revenue. These initiatives will be carried out in collaboration with the national government and other development partners as part of the agricultural transformation strategy.
- e) Transport; Implementation of the Roads' 5,000 program which focuses on opening, rehabilitating, and maintaining roads to improve access to basic utilities and markets. Improved roads will drive economic growth, trade opportunities, and residents' quality of life through a strengthened transportation network.
- f) Health; Construction of the Mashujaa complex, Upgrading of health centers, and the provision of strategic stocks, all aimed at improving the provision of health services in the county. These initiatives are aligned with the health-related objectives outlined in the Bottom-Up Economic Transformation Agenda (BETA).
- g) Water; Enhancing water resource management and utilization in the County. This programme encompasses several key components including desilting of colonial dams, water intakes expansion, advancement of irrigation infrastructure, all of which play a vital role in ensuring sustainable water availability and agricultural development.
- h) Housing; facilitating adequate and affordable housing for Nyandarua residents through strategic partnerships with private developers and various stakeholders. This collaborative approach aims to effectively address the housing needs of the community, tackling challenges related to housing accessibility and affordability.

2.4 MEDIUM TERM FISCAL FRAMEWORK

2.4.1 FINANCIAL FORECAST FOR 2024/25 FY AND THE MEDIUM TERM

2.4.1.1 Revenue projections

To effectively finance the priorities for the Medium Term Expenditure Framework (MTEF) period, 2024/25-2026/27, a conscious decision will have to be taken to ensure that mobilization efforts are strengthened to match the resource requirements. The success of the County fiscal

framework is dependent on a budgetary policy developed that is compliant with prevailing political, social and economic conditions.

In the medium, the projected revenues sources will be;

- ❖ Equitable share from the National Government,
- ❖ Own Source revenue collection,
- ❖ Conditional Grants and loans, and
- ❖ Donors and well-wishers support.

Feasibly, the total projected revenues for the County Government in the 2024/25 FY are estimated to be Kes. **7,429,520,000**.

Table 6 provides a breakdown for the projected revenues over the medium term;

Table 1: Revenue forecast for FY 2024/25 and the Medium Term (Kes.)

Revenue	FY2022/23 Actual Revenues (Kes. Millions)	Revenue Projections (Kes. Millions)			
		FY2023/24	FY2024/25	FY2025/26	FY2026/27
Equitable Share	5,670.44	5,905.97	5,905.97	6,258.80	6,634.35
County Own Source Revenue	505	985	700	811.2	843.65
Other revenues (unspent balances b/f)	527.02		-		
Conditional loans and Grants from National Government and Development Partners	542.156	1,321.48	823.55	982	830
Total	7,245.534	8,212.45	7,429.52	8,052.00	8,308.00

Source: County Treasury

2.4.1.2 Expenditure forecasts

The expenditure forecasts are based on the principle of balanced budget model where the revenues should match the expenditures. This is due to the constrained revenue generation capacities coupled with high resource requirements to implement interventions and programmes.

The fiscal policy should be expansionary and observe allocation efficiency where government spending ensures that resources are used so that their marginal benefit to society is equal to their marginal cost of implementation. Value for money should be the guiding principle when making decisions on allocation of resources.

The resources allocation criteria should be geared towards achieving maximum welfare returns to the county residents using the least possible finances. The County's expenditure forecast is in line with the government's objectives of reducing poverty and boosting employment by reallocating funds towards high-impact areas and cutting non-priority spending. This approach is expected to result in the continued implementation of sustainable projects, fostering stable economic growth, responsible financial allocation, increased revenue collection, and improved budget control. In turn, this would increase the county's contribution to the national gross domestic product.

The overall expenditure on programmes in the 2024/25 FY is estimated to be Kshs. **7,429.52 millions**. This expenditure will be further split into Kshs **2,503.56 million** as Development expenditure and Kshs. **4,925.96 million** as recurrent expenditure. This represents an allocation proportion of 33.7% and 66.3% for development and recurrent respectively.

The budget implementation will be strictly within the confines of the existing legal frameworks, predominantly the Public Finance Management Act, 2012 and its Regulations.

Table 7: Expenditure forecast for FY 2024/25 and the Medium Term (Kes.)

Expenditure	FY2022/23 Actual Expenditures (Kes. Millions)	Expenditure Projections (Kes. Millions)			
		FY2023/24	FY2024/25	FY2025/26	FY2026/27
Recurrent	5,035.634	5,360.618	4,925.96	5233.8	5400.2
Development	1,618.661	2,851.840	2,503.56	2818.2	2907.8
Total	6,654.296	8,212.458	7,429.52	8,052.00	8,308.00

Source: County Treasury

CHAPTER THREE

SECTORAL PRIORITIES AND RESOURCE ALLOCATION IN THE MEDIUM TERM

3.1 OVERVIEW

The FY 2024/25 and the Medium-Term Budget will focus on the implementation of the Bottom-up Economic Transformation Agenda (BETA) and The Change Agenda for Socio Economic Transformation and Wealth Creation (CIDP-3, 2023-2027). This is geared towards economic turnaround and inclusive growth and aims to increase investments.

In the FY 2024/25 and the Medium-Term Expenditure Framework (MTEF) budget, the County Government will make concerted efforts to allocate resources in a way that yields specific outputs and outcomes, particularly focusing on those initiatives with the highest potential for generating revenue, creating wealth and employment. This planning approach will establish a robust connection between the needs of the citizens, the planning process, budget allocation and implementation. Furthermore, it will promote collaboration between different sectors in institutionalizing the Change Agenda (CIDP3 2023-2027).

Assumptions underpinning the FY 2024/25 and Medium-Term Fiscal Framework

In tandem with the National Government projections entrenched in the Budget Policy Statement 2023, the County Government's Medium-Term Fiscal Framework supporting the budget will be based on the following assumptions:

1. GDP is projected to grow at 6.1% in 2023 and over the medium-term;
2. Inflation is expected to be maintained within the target range of $\pm 2.5\%$ of 5%;
3. Interest and exchange rates are expected to remain relatively stable both in terms of investments and borrowing as capital investment is expected to increase substantially;
4. The County is highly dependent on revenues from the National Government and Conditional Grants from various Development Partners. To this end, the County expects that all the revenue streams will be released to the County for all the anticipated programmes and projects to take off and be completed.
5. Adherence to all the fiscal principles as captured in the constitution of Kenya 2010, and the PFM Act, 2012 is of essence in County operations. All programmes and projects implemented are to also adhere to other legal instruments such as the Public Procurement and Disposal Act and Regulations among other existing policy guidelines. The County is also expected to implement the County risk policy
6. Any disruptive events, such as industrial action, political activities among others are

not expected to affect the implementation of the programmes and projects targeted for the FY 2024/25

3.1.1 Guidelines used in the preparation of FY 2024/25 and the Medium-Term Budget proposals.

The following are the specific guidelines to be followed in the preparation of FY 2024/25 and the Medium-Term Budget proposals.

3.1.1.1 Fiscal Consolidation Policy

The County Government will continue to pursue a fiscal consolidation policy with the overall aim of reducing the fiscal deficit and debt accumulation. This will be supported by enhanced revenue mobilization, reprioritization and rationalization of expenditures. This will ultimately reduce public debt and create fiscal space over the medium term to finance priority capital projects. Departments are therefore required to prepare Medium-Term budgets that are consistent with the Medium-Term Fiscal Framework provided in the CBROP 2023.

3.1.1.2 Bottom-up Economic Transformation Agenda (BETA)

The FY 2024/25 and Medium-Term Budget will prioritize the implementation of the Bottom-up Economic Transformation Agenda (BETA). This initiative is focused on achieving economic recovery and promoting inclusive growth by increasing investments in five key sectors expected to have the most significant impact on both the economy and the well-being of households. These sectors comprise:

1. Agricultural transformation.
2. Empowerment of Micro, Small, and Medium Enterprises (MSMEs).
3. Advancement of housing and settlement.
4. Enhancement of healthcare.
5. Development of the Digital superhighway and creative industry.

3.1.1.3 Vision 2030 Medium Term Plan IV (2023-2027)

The FY 2024/25 and Medium-Term Budget will also draw inspiration from MTP IV and will continue to build upon the progress achieved in previous fiscal years. The government will maintain its focus on addressing policy, legal, regulatory, and governance issues as a top priority to ensure the efficient utilization of resources.

To create room for fiscal flexibility and ensure well-structured reduction of expenditure programs, departments are required to conduct a comprehensive review of their proposed

budgets for FY 2024/25 and the Medium Term. This review should emphasize directing budgets towards enhancing productivity and achieving the objectives outlined in MTP IV. The review process should encompass the following:

1. Giving priority to government programs and projects in the sector budget proposals.
2. Determining the resources needed for individual programs and projects while adhering to the provided budget limits.
3. Providing justifications for each proposed program's funding, supported by appropriate documentation.
4. Conducting Program Performance Reviews (PPRs).

3.2 Sector Priorities

1. Office of the Governor

The Office of the Governor will provide policy guidance and direction as per the County's change agenda. These directives are subsequently approved with or without amendments by the County Executive Committee.

The County Sectoral Committees are responsible for providing specialized advice and support to the County Executive Committee in specific policy areas. These committees will be responsible for developing and implementing policies and programmes relating to their respective sectors, as well as monitoring and evaluating the performance of the Government. Additionally, they play a key role in coordinating the work of other sectoral Government agencies and various stakeholders to ensure effective and efficient delivery of services to the public. The total proposed allocation for the seamless operations of the office is Kes. 130 million.

2. Office of the County Secretary and Head of Public Service

The office runs programmes for key departmental coordination and administration, county executive committee affairs, utility management, asset and records management. The Office of the County Secretary has an allocation of Kes. 58.4 million for the FY 2024/2025.

3. Office of the County Attorney

County legislation and litigation services are the purview of the County Attorney. Departments are supposed to seek legal advisory services from this office. The office has actively been addressing County litigations whose costs pose legal risks to the County. The office has a proposed allocation of Kes 34.65 million.

4. The County Public Service Board

The County Public Service Board (CPSB) has its mandate and functions prescribed in Section 59 of the County Government Act, 2012. To fully undertake its functions as intimated in the Act, the CPSB has a proposed budget of Kes 28 million.

5. Public Service, Administration and Devolution

The Department is mandated to undertake all human resource management programmes. To this end, the payroll sub-programme, and performance management are domiciled therein. The Department also oversees the delivery of services at the devolved unit. To enforce county laws and secure county assets, the department has an enforcement programme that facilitates this. The proposed budget for the compensation of staff and their welfare such as pension and medical care is Kes. 2,575.9 million.

6. Health Services

Key programmes under the department are health infrastructure, preventive and promotive health, Solid waste management and cemeteries and curative Health (Inclusive of Universal Health Coverage). Curative Health takes the bulk of the budget at a proposed Kes. 436.02 million, followed by the infrastructure development programme with a proposed allocation of Kes 184 million and Kes 165 million for strategic stocks.

Under the health infrastructure programme, JM Kariuki Memorial Hospital – Mashujaa complex, Kes 200 million has been proposed for allocation. Manunga Health Centre upgrade – construction of an outpatient block, lab and pharmacy has an allocation of Kes 15 million. Others that have been identified for upgrade are Ndaragwa and Bamboo at Kes 13 million each.

7. Education, Children, Gender Affairs, Culture and Social Services

Human Capital development is an essential building block for societal development. Early Childhood Education, Youth training, Social Services and Children services are the mandate of the department as per Executive Order No. 1 of August 2022.

Alive to the needs of county residents, the county has both the capitation for learners at the two levels of education – Early and tertiary and a bursary programme that supports both tertiary and secondary education. The County Bursary is proposed at Kes 110 million (exclusive of the proposals that will arise from the County Assembly. The capitation for ECD is at Kes 10 million whilst that of vocational trainees is at Kes 34.5 million. The total proposed allocation of the department is Kes. 230.8 million

8. Youth Empowerment, Sports and Arts

The department is an essential component in the county's objective to advance the abilities of the youth. This is implemented in the department through three programmes. These are: Youth Empowerment; Sports development; and Arts development. The total proposed allocation to the department is Kes. 93 million with the sports infrastructure development programme comprising of Kes. 10.2 million and another Kes 10 million for the Governor's tournament. The arts development programme has a proposed allocation of Kes 16.8 million.

9. Tourism, Cooperatives Development, Trade and Industrialization

This is a key anchor for the development agenda of the County and country at large. Its multiplier effects are wide thus the need to leverage on it. A total allocation of Kes 110.1 Million is proposed for the department with the largest share going to trade development programme. Soko Mpya will be upgraded at a cost Kes 10 million to position the market better to attract both traders and buyers within the busy transport corridor.

To develop the under-tapped tourism sector within the county, the department has allocated Kes 16 million to the Arboretum to undertake various ongoing works.

10. Water, Environment, Climate Change and Natural Resources

The Department is within the productive sector with water resources catalysing other activities for socio-economic development. The Water resource development programme has an allocation of Kes 198.55 Million with Kes 173 Million set for development projects within the county. The key projects in the programme are desilting of colonial dams at Kes. 30 million, community water projects at Kes 125 million, water intake rehabilitation at Kes 8 million and Kes 10 million for advancement of irrigation infrastructure.

The Climate-change programme has proposed funding of Kes 136 million under the World Bank FLLoCA programme and Kes. 30 million as the County Climate Change Fund.

11. Lands, physical planning and urban development

The department falls within the infrastructure sector and facilitates other sectors by providing space for utilities and other county infrastructure. Total allocation of the department is Kes. 108.2 million. The key programmes under the department are Urban Development; Physical Planning; Survey and mapping (including GIS); Land administration and management and municipalities.

Acquisition of land for public and social amenities has been allocated Kes. 33.2 million and Kes 10 million has been set aside for the acquisition of land for the expansion of Engineer

Hospital. To enhance revenue collection, an allocation of Kes 15 million has been set aside for the preparation of valuation rolls for Engineer and Mairo-Inya Municipalities.

Olkalou, Engineer and Mairo-inya municipalities have been allocated a total of 89 million for infrastructure development with the overall goal being to improve the quality of life for residents and promote economic growth and development within these municipalities.

12. Public Works, Roads, Transport, Housing and Energy

The Department is a crucial enabler for all other sectors. The department has an allocation of Kes 801.6 million. To improve the county roads infrastructure to motorable standards, the department has an allocation of Kes 485 million with the County machinery programme having an allocation of Kes. 200 million and contracted works Kes. 285 million.

The County headquarter offices has an allocation of 151 million whilst the Governor's residence has been allocated Kes 15 million.

13. Agriculture, livestock and fisheries

Programmes falling under the Department are; Crop development, Agricultural Institutions support (Revolving Fund-AMS, ATCs & SPPU), Livestock Development, Veterinary services (including subsidized AI) and Fisheries Development.

To improve the county's production and productivity, the department has an allocation of Kes. 447.998 million for Crop Development, Kes.16 million for Agricultural Institutions Revolving fund, Kes.56.35million for Livestock development, Kes. 38.06 million for Veterinary services (including subsidized AI) and Kes.7.1 million for Fisheries development. The total allocation to the Department is Kes. 565.5 million.

14. Finance, Economic Planning and ICT

County funds are domiciled in Finance Department. These are Mortgage fund at Kes. 100 million, Emergency Fund, Kes. 40 million, Nyandarua Trade Fund Kes. 15 million and County Bursary Fund at Kes. 110 million.

Pending bills across various departments have been allocated Kes. 150 million which will go towards payment of duly verified pending bills. County funds and pending bills have been allocated a total of Kes.445 million. The revenue directorate is expected to put in place measures for revenue mobilisation. The Directorate has an allocation of Kes. 75.2 million. This is inclusive of the commission payable to the system provider. Further, to enhance the mobilization of external resources, a resource mobilisation unit has been allocated Kes 4 million. The Economic Planning directorate is expected to conduct a Strategic Environment

Assessment (SEA) as recommended by the Environmental Management and Coordination Act (EMCA) on CIDP 3 at a cost of Kes. 5 million. The total departmental allocation to the Department is Kes. 629.7 million.

3.3 Criteria for resource allocation

The County Government will persist in its efforts to prioritize actions aimed at safeguarding people's livelihoods, generating employment opportunities, revitalizing businesses, and stimulating economic activities. In this context, the primary focus will be on delivering essential services, ensuring fairness, reducing costs by eliminating redundancies and inefficiencies, protecting the environment, and implementing measures to combat climate change. Consequently, the following criteria will be used to guide the prioritization and allocation of resources:

- (i) Programs that enhance value chains and their connection to BETA priorities;
- (ii) Flagship Projects and The Governor's Change agenda;
- (iii) Decisions made by the Cabinet, are expected to ensure that all Cabinet Decisions are implemented. In this regard, departments are required to prioritize allocations to Cabinet Decisions within the available resource ceilings;
- (iv) Alignment of the program with the priorities outlined in Medium-Term Plan IV of Vision 2030;
- (v) Completion of ongoing projects, resolution of stalled projects, and settlement of verified outstanding bills;
- (vi) The extent to which a program contributes to job creation and poverty reduction;
- (vii) The degree to which a program aligns with the core responsibilities of the Departments;
- (viii) Programs that support efforts to mitigate and adapt to climate change;
- (ix) Considerations of cost-effectiveness, efficiency, and long-term sustainability of the program;
- (x) Requirements necessary for the advancement and implementation of the Constitution.

Table 13: Sector Ceilings for FY 2024/25 and the Medium Term (Kes.)

SECTOR	Approved Expenditure 2023/24 FY	ADP 2024/25 FY as Submitted to CA	FY 2025/26 Expenditure Projections	FY 2026/27 Expenditure Projections
GOVERNANCE SECTOR				
Office of The Governor	126.00	130	135.2	140.608
Office of The County Secretary	56.40	58.4	60.736	63.16544
County Public Service Board	25.00	28	29.12	30.2848
County Attorney	34.65	34.65	36.036	37.47744
Public Service, Administration and Devolution	2,546.90	2,575.90	2678.936	2786.09344
Finance, Economic Planning and ICT	531.51	629.7	654.888	681.08352
HUMAN RESORCE SECTOR				
Health Services	669.44	741.44	771.0976	801.941504
Education, Children, Gender Affairs, Culture and Social Services	261.40	230.772	240.00288	249.602995
PRODUCTIVE SECTOR				
Youth Empowerment, Sports and Arts	82.80	93	96.72	100.5888
Tourism, Cooperatives Development, Trade and Industrialization	322.50	110.1	114.504	119.08416
Water, environment, climate change and natural resources	442.25	383.25	398.58	414.5232
Agriculture, Livestock & Fisheries	783.63	565.508	588.12832	611.653453
INFRASTRUCTURAL SECTOR				
Lands, Physical planning, and urban development	147.70	108.2	112.528	117.02912
Municipalities	44.50	89	92.56	96.2624
Public Works, Roads, Transport, Housing and Energy	851.85	801.6	833.664	867.01056
COUNTY ASSEMBLY				
County Assembly	985.94	850	884	919.36
TOTAL	7,912.47	7,429.52	7,726.70	8,035.77

Source: County Treasury

Table 14: FY 2024-2025 Indicative Recurrent and Development Ceilings in Kes.

SECTOR	FY 2024/25 Development Budget	Proposed FY 2024/25 Proposed Recurrent Budget	ADP 2024/25 FY as Submitted to CA
Governor's office	0	130	130
County Secretary's office	0	58.4	58.4
County Attorney	0	34.65	34.65
County Public Service Board	0	28	28
Public Service, Administration and Devolution	0	2,575.90	2,575.90
Finance, Economic Planning and ICT	175.5	454.2	629.7
Education, Children, Gender Affairs, Culture and Social Services	94.3	136.472	230.772
Health Services	395.7	345.74	741.44
Water, Environment, Climate Change and Natural Resources	340.6	42.65	383.25
Tourism, Cooperatives Development, Trade and Industrialization	45.5	64.6	110.1
Youth Empowerment, Sports and Arts	30.2	62.8	93
Lands, physical planning and urban development	41.2	67	108.2
Municipalities	72	17	89
Public Works, Roads, Transport, Housing and Energy	743	58.6	801.6
Agriculture, Livestock and Fisheries	485.558	79.95	565.508
County Assembly			
Total	80	770	850
Grand Total	2,503.56	4,925.96	7,429.52

source: County Treasury

CHAPTER FOUR

RISKS TO THE COUNTY ECONOMY

The county government's success in achieving the objectives of this plan is dependent on its ability to foresee and mitigate on the risks and challenges that may derail or hinder the implementation.

Some of the risks associated with the implementation of the County Fiscal Policies and their interventions include:

❖ **Global Economic Factors**

The projected economic growth prospect has been attributed to multiple global factors which will continue to affect the global supply chains, causing supply disruptions, surge on inflation and incomes for exporters in the region. The Kenyan economy has already been affected by these factors and others including surges in food and commodity prices, devastating effects of climate change, debts and limited access to foreign finance. These negative economic effects are hitting hard on the cost of living. An increase in international prices of oil has a direct effect on the national economy and trickles down to the county economy. These random shocks in the global economy will lead to slowed economic activities both nationally and at the county level. The above factors may lead to the non-realization of the 2024/25 plan.

Mitigation

Both the National and County governments should develop policies to provide resilience as much as possible to counter the effects of international shocks and setbacks. The strategies should aim at increasing the links between the delivery of social services, disaster risk reduction, livelihood investments, social protection, emergency response, and creating the conditions for economic growth. This will be achieved by creating institutions and agencies in national and county government that can deliver services to poor people in accountable and transparent ways.

❖ **Unpredictable weather Conditions**

This is brought about by global warming which is a major risk in the County's main economic activity i.e agriculture. Prolonged dry seasons lead to reduced agricultural production which affects food safety in the country and the county. Reduced agricultural activities will also hurt the county's local revenue which is the major source within the county. Prolonged heavy rains

within the County may also lead to crop failure and post-harvest losses due to impassable roads that link to marketplaces, in addition to delay in implementation of projects such as roads.

Mitigation

The county needs to adopt climate-smart agriculture which aims to integrate agricultural development and climate responsiveness. The farmers should be encouraged to adopt the growth of drought-resistant crops and fast-growing crops to address the problem of prolonged drought. The timely implementation of development projects during favourable weather conditions should be prioritized. The County Government should invest heavily in drainage systems and water harvesting for irrigation.

❖ Delays in the release of funds

Disbursement of funds is the most important aspect of project implementation. It is on this basis that scheduled project activities are translated into measurable outputs. Disbursement is a critical aspect of project financial management since projects are modelled on capital budgeting principles and as such, all relevant cash flows associated with the undertaking must be ascertained with a fair degree of accuracy so that the desirable returns are achieved within the set time periods. Untimely disbursement of funds from the National treasury which is the major source of county resources may impede the implementation of this plan.

Mitigation

The county government will develop policies that will support enhanced revenue mobilization and institute austerity measures on non-priority recurrent expenditure as well as redirecting resources to finance priority growth-supporting programmes.

There is a need to set realistic revenue targets and also increase the revenue collection bracket. While budgeting, priority should be given to unpaid complete projects (Pending bills) and ongoing phased projects.

❖ Political risk

After the 2022 general elections, the opposition took to the streets to decry the end of subsidies, rising cost of living and taxes as the country's debt crises continued. These country wide demonstrations resulted to violence and destruction of businesses and property. All the actors in the economy suffered great losses due to the disruption of services and actual destruction of goods. These disruptions may scare away investors from the country as well as from the county.

Mitigation

In line with the principles of peacebuilding, a national dialogue can be a useful approach along the path toward sustainable peace. The government should aim at being inclusive and encourage tolerance

❖ Poverty and low growth

The economic damage caused by COVID-19 pandemic has resulted to a downturn that has left many businesses closed and organizations collapsed. Most of the surviving businesses are yet to recover from the effects and are still struggling with huge losses.

Mitigation

The two levels of Government should endeavour to improve business and governance climate to restore confidence, stability and growth. They should also provide stimulus and incentives to enable businesses to recover. As we prepare the FY 2024/25 the emphasis will be on aggressive revenue mobilization including policy measures to bring on board additional revenue. The strong outcome in revenue collection will offer a strong base for supporting the house hold incomes and job growth. The government will also aim at supporting the private sector to create opportunities and stimulate growth.

❖ Dependency on agriculture

In Kenya, food security and climate change have led to severe crises including increased poverty, widening inequality across regions and households and increased incidences of social conflicts due to competition for resources, like land and water. This plan is being prepared against that background. As a key economic pillar, agriculture is the main production and job creation sector in Nyandarua County. However, with time the government is eyeing other priority sectors that can attract investment, drive economic growth and create jobs.

Mitigation

The county government will seek avenues for diversification through agro-processing and manufacturing. Through the establishment of industrial parks and skills incubation centres, the government will provide the citizen with alternative areas of investment thus reduce overreliance in agriculture.

CHAPTER FIVE

CONCLUSION AND WAY FORWARD

Preparation of this CBROP is aligned with Kenya's ambitious economic transformation agendas outlined in Vision 2030 Medium Term Plan IV, the Bottom-up Economic Transformation Agenda (BETA) and The Change Agenda for Socio-Economic Transformation and wealth creation. The key objectives are economic turnaround, inclusive growth, and increased investment. The County Government plans to strategically allocate resources to achieve specific outputs and outcomes, ensuring a stronger connection between citizens' needs, budget allocation, and implementation.

The CBROP is based on critical assumptions about GDP growth, inflation, stable interest and exchange rates, and improving revenue streams, emphasizing the need to monitor and adapt to changes in these economic variables. Commitment to fiscal consolidation through enhanced revenue mobilization and rationalization of expenditures to reduce the fiscal deficit and control debt accumulation.

Prioritization is given to the productive sector which include agriculture, MSME support and tourism. Focus is also given to healthcare and critical infrastructure such as roads, water and ICT to drive economic impact. Departments are required to prioritize programs and projects based on alignment with key criteria, ensuring efficiency and effectiveness. Collaboration between departments, adherence to fiscal principles, and compliance with legal instruments are essential for successful project implementation.

There is need for implementation of a robust risk policy to mitigate potential disruptions to program and project implementation. In addition, priority should be given to completion of ongoing programs and projects while enhancing productivity and achieving the objectives outlined in CIDP 3.

The County Government should adopt flexibility and adaptability to changes in economic conditions, including inflation, interest rates, foreign exchange rates, monetary and fiscal policies and political disruptions. In reference to the latter, budget reviews should be done to direct resources towards high-impact projects aligning with the economic transformation goals.