



**COUNTY GOVERNMENT OF THARAKA NITHI**

**DEPARTMENT OF FINANCE, ECONOMIC PLANNING,  
REVENUE AND RESOURCE MOBILIZATION**

**2024 COUNTY FISCAL STRATEGY PAPER**

*Supporting the Bottom-Up Economic Transformative Agenda*

**February 2024**

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### **Vision**

A prosperous, industrialized, and cohesive County

### **Mission**

Enhance sustainable socio-economic growth and optimal utilization of resources.

### **Core Values**

As Tharaka Nithi County, we are committed to championing these core values as the guiding codes for our operations:

#### **(ICT)<sup>2</sup>**

##### **Integrity**

Straightforwardness, ingenuousness, honesty, and sincerity are an integral part of our undertakings which we shall firmly adhere to in every duty to our society.

##### **Inclusiveness**

We believe in equity and equality. As a County we do not regard status or personal preferences but approach our work as guided by principles of fairness and non-bias. People from diverse backgrounds or communities are involved in the County development, and we incorporate the needs, assets, and perspectives of communities into the design and implementation of County programs.

##### **Citizen-focused**

We consistently endeavour to create enduring relationships with our citizens; in so doing our approach goes beyond standard citizen participation principles and make their input an integrated, formalized part of setting County projects/program goals, performance measures, and standards.

##### **Creativity & Innovativeness**

We thrive on creativity and ingenuity. We seek the innovations and ideas that can bring a positive change to the County. We value creativity that is focused, data-driven, and continuously improving based on results.

##### **Transparency and Accountability**

We will remain accountable to our stakeholders and will acknowledge responsibility for our actions and decisions. Thus, we shall always endeavour to be transparent, answerable, and liable always.

##### **Teamwork**

Every person is important and has a part in County development. We endeavour to build a workplace environment that cultivates person's uniqueness, encourages staff participation, collaboration and integration of diverse skills and capabilities.

## Table of Contents

List of tables .....	vi
List of Figures.....	vi
Foreword.....	vii
Acknowledgements.....	viii
Abbreviations and Acronyms .....	ix
CHAPTER ONE: COUNTY STRATEGIC BLUEPRINT .....	1
1.1 Introduction.....	1
1.1.1 General Context .....	1
1.1.2 County Specific Context .....	2
1.2 Programmes for achieving the County Strategic Blueprint’s Objective.....	3
1.3 Outline of County Fiscal Strategy Paper.....	8
CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK.....	9
2.1 Overview .....	9
2.1.1 Gross Domestic Product Growth and Main Drivers by Sector.....	9
2.2 Recent economic Developments .....	12
2.2.1 Global and Regional Economic Developments .....	12
2.2.2 Local Economic Trends .....	13
2.3 Update on Fiscal Performance and Emerging Trends for FY 2022/23.....	17
2.3.1 Overview .....	17
2.3.2 Comparison of Actual Performance against Budget 2022/23.....	18
2.3.3 Significant Economic, Legislative and Financial events .....	19
2.4 Revised Estimates .....	20
2.4.1 Revenue performance for FY 2023/24.....	20
2.4.2 Expenditure performance .....	21
2.5 Economic Policy and Outlook .....	21
2.6 Risks to the Economic Outlook: Expectations and Opportunities.....	23
2.6.1 Risks Experienced in Tharaka Nithi County government. ....	24
CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK.....	25
3.1 Overview .....	25
3.2 Fiscal Policy Status .....	25
3.3 Fiscal Strategy Paper’s Obligation to Observe Fiscal Principles.....	25
3.3.1 Fiscal Responsibility .....	26
3.3.2 Fiscal Structural Reforms.....	26
3.3.3 Debt Financing Policy.....	27

3.4 Budget Framework Proposed for FY 2024/25-2026/27 MTEF.....	27
3.4.1 Revenue Projections.....	27
3.4.2 Expenditure Projections .....	29
3.4.3 Recurrent Expenditure Forecasts .....	31
3.4.4 Development and Net Lending .....	32
3.4.5 Fiscal Balance and Deficit Financing .....	33
3.5 Summary .....	33
CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK.....	34
4.0 Overview .....	34
4.1 Resource Envelope.....	34
4.2 Spending Priorities.....	34
4.2.1 Details of Sector Priorities .....	34
4.2.2 Criteria for Resource Allocation .....	41
4.2.3 Sectoral Ceilings .....	42
4.3 Medium Term Expenditure Estimates .....	43
CHAPTER FIVE: CONCLUSION AND NEXT STEPS .....	47

## List of tables

Table 1: Global Economic Growth, Percent .....	12
Table 2: Summary of County Fiscal Performance for FY 2022/23 .....	18
Table 3: Allocation and Actual Expenditure by Type combined.....	19
Table 4: Allocation and Actual Expenditure Executive and Assembly.....	19
Table 5: Comparison of Actual Performance against Budget 2023/24 .....	21
Table 6: Macroeconomic Indicators Underlying the Medium-Term Fiscal Framework.....	22
Table 7: County Government Revenue Trend .....	28
Table 8: County Government Revenue Sources by Type.....	28
Table 9: Estimates vs Actual Expenditure FY 2020/21- 2024/25 .....	29
Table 10: County Government Fiscal Projections FY 2023/24-2025/26 MTEF.....	30
Table 11: Expenditure by Economic Classifications - FY 2022/23-2026/27 MTEF .....	31
Table 12: Actual and Projected Development Expenditure 2022/23-2026/27 .....	33
Table 13: Resource Envelope for FY 2022/23-2024/25 .....	34
Table 14: Departmental Ceilings .....	43
Table 15: 2024/25 Sector Ceilings.....	44

## List of Figures

Figure 1: Annual Real GDP Growth rates. ....	10
Figure 2: Private Sector Credit.....	14
Figure 3: Short Term Interest Rates .....	15
Figure 4: Fiscal Performance for FY 2022/23 .....	18
<i>Figure 5: County Revenue Trends by Source .....</i>	<i>29</i>
Figure 6: Actual Expenditure by Economic Classifications from FY 2020/21 – FY 2022/23.....	32
Figure 7: Actual, Budget Estimates and Projected Development Expenditure 2022/23 – 2026/27 ....	33
Figure 8: Pie Chart Presentation of Sector Allocation % of Total Expenditure .....	45
Figure 9 : Graphical Presentation of the departmental Allocations. ....	46

## **Foreword**

The 2024 Tharaka Nithi County Fiscal Strategy Paper is the second to implement the third CIDP 2023-2027 and the 11<sup>th</sup> CFSP to be prepared by the County Government since the beginning of devolved governance system in 2013. The Paper outlines the budgeting and development framework that the County Government seeks to pursue in the 2024/25, 2025/26 and 2026/27 MTEF period.

The CFSP 2024 specifies the strategic priorities and policy measures that will guide in attaining balanced development across the county. The document further outlines the current state of the County in terms of budget implementation and specifies the set strategic priorities and policy goals together with a summary of the County government spending plans.

The development framework advances achievement of the key thematic areas envisaged in the 2023-2027 CIDP as we focus on improving the livelihood of the County residents through investments in key priority areas that support increased agricultural productivity, improved healthcare, sustainable infrastructure, socio-economic empowerment, improved natural resource management and Skills development. This County Fiscal Strategy Paper articulates priority economic policies and key initiatives as well as sector-specific expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2024/25 to FY 2026/27 to achieve the County Government's development goal.

As we embark on the preparation of the 2024/25 budget estimates, Departments are required to align their proposals to the key fiscal principles and ensure their budget proposals are program based with realistic expenditure and achievable targets.

Furthermore, in light of the limited projected resources vis a vis the development needs of the county, emphasis will be on pursuit of robust resource mobilization strategies including enhanced own source revenue collections and strategic partnerships.



**MR. LAWRENCE IRERI K. RWERIA**

**COUNTY EXECUTIVE COMMITTEE MEMBER**

**FINANCE, ECONOMIC PLANNING, REVENUE AND RESOURCE MOBILIZATION**

**THARAKA NITHI COUNTY**

## **Acknowledgements**

The 2024 County Fiscal strategy paper (CFSP) is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the Government, highlights the current state of the economy, provides macro-fiscal outlook over the medium term together with a summary of Government spending plans as a basis for the FY 2024/25. The publication of the 2024 CFSP aims to improve the public's understanding of County public finances and guide public debate on economic and development matters.

I wish to acknowledge the input and support provided by all other County Executive Committee Members as well as the respective Chief Officers for coordination during preparation of this Paper. In addition, I appreciate the Commission on Revenue Allocation (CRA), The National Treasury, The Office of the Controller of Budget (OCOB), County Budget and Economic forum (CBEF) members among other stakeholders who were very instrumental in preparation of this Paper by providing important information in their policy documents and advisories.

Lastly, I appreciate the technical team from the Budget and Economic Planning department that coordinated the development of this Paper. It is my hope and desire that the information contained in this paper will guide the next phase of budget preparation.



**MR. KINYUA KABINGA**

**CHIEF OFFICER, FINANCE AND ECONOMIC PLANNING.**

**THARAKA NITHI COUNTY**

## Abbreviations and Acronyms

ABDP	Aquaculture Business Development Programme
ADP	Annual Development Plan
ASDSP	Agriculture Sector Development Support Programme
ATI	Agricultural Training Institute
BETA	Bottom-Up Economic Transformative Agenda
BOP	Balance of Payments
BPS	Budget Policy Statement
CAIPs	County Aggregation and Industrial Parks
CBK	Central Bank of Kenya
CBOs	Community Based Organisations
CBR	Central Bank Rate
CBROP	County Budget Review and Outlook Paper
CCIS	County Climate Institutional Support
CCO	County Chief Officer
CCRIs	County Climate Resilience Investments
CECM	County Executive Committee Member
CEREB	Central Region Economic Bloc
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development plan
COG	Council of Governors
CORe	County Own Revenue
COVID	Corona Virus Disease
CPI	Consumer price Index
CRA	Commission of Revenue Allocation
DANIDA	Danish International Development Agency
DRIVE	De-risking and Value Chain Enhancement
DRM	Disaster Risk Management
EABL	East Africa Breweries Limited
EAC	East Africa Community
ECDE	Early Childhood Development & Education
ELRP	Emergency Locust Response Project
FDI	Foreign Direct Investment
FIF	Facility Improvement Fund
FLLoCA	Financing Locally Led Climate Action
FPOs	Farmer's Producer Organizations
FY	Financial Year
GCP	Gross County Product
GDP	Gross Domestic Product
GIS	Geographic Information System
HIV	Human Immunodeficiency Virus
HPT	Health Products and Technologies
HQ	Headquarters
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology

IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
KCSAP	Kenya Climate Smart Agriculture Project
KNBS	Kenya National Bureau of Statistics
KShs	Kenya Shillings
LAN	Local Area Network
LPG	Liquified Petroleum Gas
M <sub>3</sub>	Money Supply
MDA	Ministries, Departments and Agencies
MTDS	Medium-term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NSE	Nairobi Securities Exchange
O&M	Operations and Maintenance
OSR	Own Source Revenue
PE	Personnel Emoluments
PEM	Public Expenditure management
PFM	Public Finance Management
PIM	Public Investments Management
PPI	Programmes, Projects, and Initiatives
PPP	Public-Private Partnership
PWDs	People With Disabilities
REA	Rural Electrification Authority
RMNCAH	Reproductive, Maternal, New-born, Child, and Adolescent Health
RSF	Resilience and Sustainability Facility
SACCOs	Savings and Credit Cooperatives
SDGs	Sustainable Development Goals
SRC	Salaries and Remuneration Commission
SSA	Sub-Saharan Africa
TVETs	Technical and Vocational Education Training
UHC	Universal Health Coverage
USA	United States of America
VAT	Value Added Tax
VTCs	Vocational Training Centres
WEO	World Economic Outlook
YP	Youth Polytechnic

# **CHAPTER ONE: COUNTY STRATEGIC BLUEPRINT**

## **1.1 Introduction**

The County Fiscal Strategy Paper (CFSP) is a policy document that lays down the framework for preparation of the 2024/25 Budgets estimates. The paper lays out the broad strategic priorities and policy goals that guide the county government in budgeting over the medium-term period. The 2024 CFSP details the broad fiscal parameters for 2024/25 budget and key strategies and policies for management of revenues and expenditures. In addition, the paper provides the medium-term outlook for the county revenues and expenditures and the nexus between the Budget strategies and the county priority programs, policies and reforms that will be implemented in the Medium-Term Expenditure Framework (MTEF) as also provided in the third County Integrated Development Plan (CIDP) 2023-2027.

The CFSP-2024 has been aligned to the draft Budget Policy Statement (BPS) 2024, MTP IV and the Kenya Vision 2030, the Bottom-Up Economic Transformative Agenda (BETA), the county sector plans, the CIDP, and the global Sustainable Development Goals (SDGs). The proposed interventions are geared towards attaining sustainable development, creating resilient communities.

### **1.1.1 General Context**

Over the past one year, the Government has implemented bold policy responses to mitigate the negative global and persistent shocks that have pushed the economy to its lowest vibrant level and embarked on structural reforms to stabilize Government finances and the economy. These shocks include global supply chain disruptions due to ongoing conflicts in Eastern Europe and the Israeli-Palestinian war; high interest rates limiting access to credit and exacerbating debt servicing costs; significant losses and damages due to frequent extreme weather events; and elevated commodity prices such on petroleum products on account of increased geopolitical fragmentation and global oil supply cuts. Against this background, the Government continues to implement interventions and policies to reduce the cost of living and improving livelihoods, while at the same time fostering a sustainable inclusive economic transformation through the Bottom-Up Economic Transformation Agenda and our clarion call of leaving no one behind. This is meant to reverse the economic recession and ignite economic recovery.

Despite the challenging environment, we have noted significant success following the various interventions rolled out during the past one year by the Government. Specifically, economic vibrancy has started. The economy in the first half of 2023 remains strong at 5.45 percent a demonstration of resilience. This growth well above estimated global and Sub-Saharan African region average of 2.9 percent and 3.3 percent respectively. The economy is projected to expand by 5.5 percent in 2023 and 2024 from 4.8 percent in 2022. This growth outlook will be supported by a broad-based private sector growth, continued robust performance of the services sectors, the rebound in agriculture, and the ongoing implementation of policy measures to boost economic activity in the priority sectors of the BETA.

### **1.1.2 County Specific Context**

At the County level, over the last seven years, our county economy has doubled. In the year 2016, the size of our county economy was KShs 30 billion, which increased to KShs 77 billion in 2022 as per the Gross County Product (GCP). Our county is currently contributing 0.6 % to GDP and we expect our contribution to increase as we implement our county Government's development Agenda geared towards economic turnaround and inclusive growth that is anchored on the clarion call '*leaving no one behind*'.

Own Source Revenue performed well in the FY 2022/23. For the first time since 2013, the County raised KShs. 286.7 million up from KShs 239.38 million realized in FY 2021/22 which constituted an increase of 19.8 percent. Additionally, the first half of FY 2023/24 has recorded an increase from KShs 78 million to KShs.156 million representing a 100 percent growth. Just like the National Government, the County is confronted with declining agricultural productivity, low industrial base, skewed development, low access to finance for private investment, high pending bills, high level of unemployment especially among the youth resulting in high poverty levels.

Overall poverty in the county is estimated at 28.1 percent against a national figure of 38.6 percent according to the Kenya Poverty Report 2021 (KNBS). On the other hand, food poverty is at 32 percent as per the same report. There is a need therefore, to come up with strategies to reduce the food poverty index to less than 25 percent over the planning period 2023-2027. Some of the factors that contribute to the high poverty index in the county include low agricultural productivity due to inadequate agricultural extension services, high incidences of pests and

diseases, over-reliance on rain-fed agriculture and poor marketing strategies; high unemployment levels among the youth due to few industries; environmental degradation because of high population and urbanization; poor road network and market infrastructure hampering trade; and high cost of accessing health services.

As part of the strategy for socio-economic transformation and inclusive growth and through the various priority economic policies, structural reforms, fiscal consolidation plan and sectoral expenditure programs outlined in this CFSP 2024, the county government is taking determined steps to address these challenges as well as bolster resilience to shock. The county will be more focused on increasing agricultural productivity, job creation, social security while also expanding the tax revenue base, and increased foreign exchange earnings. Over the medium term, the Government through the Third County Integrated Development Plan (2023-2027) will prioritize implementation of economic recovery strategies to re-position the economy on a steady and sustainable growth trajectory.

The administration is set to implement structural reforms and promote investment in core priority areas that are expected to enable the county to achieve inclusive economic development and have the highest impact at the bottom of the income earnings. As such, the aspiration of the County Government of Tharaka Nithi in the FY2024/25 and over the medium term is to improve the livelihood of the County residents through investments in key priority areas that support increased agricultural productivity, improved healthcare, sustainable infrastructure, socio-economic empowerment, improved natural resource management and Skills development. This County Fiscal Strategy Paper articulates priority economic policies and key initiatives as well as sector-specific expenditure programs to be implemented under the Medium-Term Expenditure Framework for FY 2024/25 to FY 2026/27 to achieve the County Government's development goal.

## **1.2 Programmes for achieving the County Strategic Blueprint's Objective**

Key programmes will be implemented to address the development challenges facing the people of Tharaka Nithi. This will be bundled under the following nine broad priorities that the County Government intends to achieve over the next five years.

- a) Increase agricultural production and diversification for improved production and productivity.
- b) Ensure access to quality and affordable health care services.

- c) Ensure sustained investment in infrastructure for accelerated social economic growth.
- d) Promote quality, inclusive, diverse, and accessible education for growth and development.
- e) Promote universal access to adequate, safe, and sustainably managed natural resources and sanitation.
- f) Harness the power of trade to spur economic growth.
- g) Promote better planning and urban development.
- h) Ensure provision of efficient and effective public service delivery
- i) Strengthening the democratic arena and fostering good governance.

Every strategic objective is achieved by various priority strategies as outlined below.

### **1.3.1 Increased agricultural production and diversification for improved production and productivity.**

Agriculture plays a strategic role in the progress of economic development for any society. Through increase in agricultural production, there is potential rise in per capita income in the rural community alongside production of primary raw materials that set stage for industrialization. Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Provision of quality farm inputs
- b) Pest and disease control
- c) Agricultural diversification (poultry, animal husbandry and fisheries)
- d) Agribusiness development
- e) Agriculture risks and resilience management
- f) Expansion of irrigated agricultural land
- g) Integrated fish farming
- h) Agro-processing plants/hubs
- i) Promotion of agro forestry
- j) Climate smart agriculture
- k) Establish post-harvest structures (Grain stores, milk coolers)
- l) Farmers capacity building
- m) Mechanization of agriculture
- n) Linkages to financial service providers
- o) Operationalization of agriculture training Centre and veterinary laboratory
- p) Education, research and training
- q) Improved livestock breeds and breeding.
- r) Revitalization of industrial crops
- s) Promotion of high value traditional crops
- t) Undertaking agricultural extension services

### **1.3.2 Ensure access to quality and affordable health services.**

Health sector is among the key priority sectors in Tharaka Nithi County Government, and it envisions a County free from preventable diseases and ill health. To achieve this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Provide health products and technologies (HPT)
- b) Enhance laboratory services.
- c) Establish blood bank services.
- d) Production and reticulation of oxygen in facilities
- e) Enhance referral and emergency services.
- f) Infrastructure development for health
- g) Establishment of specialized units
- h) Enhancing primary healthcare
- i) Purchase of medical equipment
- j) Enhancing county environmental and community health services
- k) Establishment of a school health policy, emergency referral, RMNCAH sustainability
- l) Enhance RMNCAH (Reproductive, maternal, new-born, child adolescent health) services.
- m) Enforce public health regulations in public amenities.
- n) Communicable and non-communicable diseases prevention and management programmes
- o) Enhance maternal and child health services.
- p) Establishment of a mental health unit
- q) Promote nutrition and dietetic services.

### **1.3.3 Ensure sustained investment in infrastructure for accelerated social economic growth.**

Infrastructure is key to achieving investment, increased production, access to essential services and overall economic growth. Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Upgrading of key roads to bitumen standards
- b) Construction and maintenance of bridges, footbridges, and culverts.
- c) Quality assurance and inspection services
- d) Establishment of ICT Hubs
- e) Acquisition of modern ICT equipment and software
- f) Automation of all government services
- g) Internet connectivity
- h) Connect electricity to households and public facilities.
- i) Promote use of alternative energy resources
- j) Promote use of efficient energy technologies
- k) Develop and operationalize a county energy plan.

### **1.3.4 Promote quality, inclusive, diverse, and accessible education for growth and development.**

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Construction, refurbishment, and rehabilitation of infrastructure in learning institutions
- b) Provision of sanitation facilities
- c) Employment of teachers, caregivers, instructors, and quality assurance officers
- d) Roll out digital learning in all ECDE centres and other learning institutions.

- e) Introduction of play group learning for children below 4 years
- f) Procure and distribute teaching, learning and recreational materials.
- g) Award of bursaries to needy and vulnerable children
- h) Provision of school feeding programme
- i) Provision of clean and safe drinking water to learning institutions
- j) Development of scheme of service for ECDE teachers
- k) Provision of technology embedded courses in the VCTs.
- l) Provision for disability friendly facilities.
- m) Establishment of home craft centres
- n) Construction and rehabilitation of stadia
- o) Training and holding competitions for sportsmen and sportswomen.
- p) Establishment of county talent academy for sports
- q) Procurement of sports equipment and tools
- r) Conduct annual marathon and sports extravaganza.
- s) Promotion of sports tourism

### **1.3.5 Promote universal access to adequate, safe, and sustainably managed water resources and sanitation.**

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Development and rehabilitation of water infrastructure
- b) Ground water exploration.
- c) Surface and rainwater harvesting
- d) Water trucking
- e) Strict Regulation of water service providers
- f) Mapping of water and mineral resources
- g) Protection of catchment areas
- h) Enforcement of laws and regulations on water use
- i) Strengthening of water resource user associations
- j) Water pollution control and quality analysis
- k) Water resource referencing
- l) Development of climate proof infrastructure
- m) Climate information and early warning systems

### **1.3.6 Harness the power of trade to spur economic growth.**

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Strengthening and reviving of cooperatives
- b) Capacity building and supporting cooperative societies to strengthen governance.
- c) Formation of incubation centres
- d) Strengthen SACCOS and CBOs
- e) Training and sensitization to SACCOS

- f) Introduction of tax incentives to vulnerable groups
- g) Contract farming.
- h) Value chain development
- i) Agro processing industries
- j) Undertaking trade fairs and exhibitions
- k) Development and diversification of tourism products
- l) Tourism branding and advertising
- m) Development of niche products
- n) Holding annual cultural festivals
- o) Introduction of business conferences
- p) Establishment of adventure and ecotourism ventures

### **1.3.7 Promote better planning and urban development.**

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Proper waste management
- b) Improve sanitation amenities.
- c) Improvement of markets roads
- d) Improving street lighting and floodlights
- e) Land use and management!
- f) Demarcation and issuance of title deeds
- g) Land adjudication.
- h) Policy formulation and enforcement of development plans
- i) Regulate commercial and residential construction.
- j) Development and implementation of the county spatial plans
- k) Expansion of county GIS lab
- l) Community sensitization on land issues

### **1.3.8 Ensure provision of efficient and effective public service delivery.**

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Enhance performance management.
- b) Establishment and strengthening of the county service delivery unit.
- c) Training and capacity development of county staff.
- d) Promotion of best labour practices in management of human resources
- e) Promoting values and principles of governance
- f) Establish /promote employee committee relations.
- g) Embrace alternative dispute resolution mechanisms.
- h) Develop Career Progression Guidelines
- i) Develop Personnel Competencies profile.
- j) Review/ Customize policies.
- k) To enhance proper industrial relations in the county
- l) Strengthen the county legal office.

- m) Ensuring proper communication and events management
- n) Embrace external partnership.
- o) Revision and implementation of the county public participation and civic education policy
- p) Development of County DRM Common Programming Framework

### **1.3.9 Strengthen the democratic arena and fostering good governance.**

Under this strategic objective, some of the sector economic policies, and sector-specific strategies listed include:

- a) Oversight of County activities especially with respect to public expenditure
- b) Map out all the laws needed by the County.
- c) Approving overall policy within set deadlines
- d) Development of County legislations
- e) Vetting and approval of appointments of state officers
- f) Capacity development for County Assembly members and staff.
- g) Strengthen research and information service.

## **1.3 Outline of County Fiscal Strategy Paper**

The CFSP 2024 is presented in five chapters with chapter one giving the County's strategic blueprint which defines the pace and direction of the whole document. It set the broad context of Kenya and the international economy within which the county operates, and how the county government has set its policy priorities and decisions. Chapter two outlines the recent economic developments and macroeconomic policy outlook in which the 2024/25 MTEF budget is to be prepared. It reviews the latest information on the macroeconomic variables and their latest trends at the national level, gives an update on fiscal performance and any emerging challenges. The chapter also relates the growth outlook for Kenya as contained in the Budget Policy Statement to the County's own economic policy settings.

Chapter three presents the fiscal framework that will supports the County development agenda over the medium term in view of the need to mobilise adequate resources to facilitate the transformational agenda in *leaving no one behind*. This is undertaken in the context of the wider national economic environment and after assessing the County's current economic situation. Chapter four gives a clear picture of the County's resource base and the spending priorities in terms of sectors and outlining the sector-based expenditure ceilings. Chapter five provides a summary of the main changes and decisions to be put to effect and the way forward.

## **CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK**

### **2.1 Overview**

Kenya has recorded stronger growth, despite continued challenges, with GDP growth accelerating from 4.8 percent in 2022 to an estimated 5.0 percent in 2023. A rebound in agriculture, which had faced two consecutive years of output decline, and the continued strength and resilience of the services sector contributed to the improved performance. Business sentiment deteriorated in the first half of 2023 driven by among others political tensions, a weakening shilling, and a slowing global economy. This resulted in slowed industrial activity and consequently moderated growth in the services sector. However, expansion in tourism continued in the first half of 2023 albeit at a more gradual pace.

Kenya continues to experience low foreign direct investment inflows amidst a weakening shilling. The rapid interest rate hikes in advance economies led to a substantial increase in borrowing costs for Kenya and prompted capital outflows. Inflows from Foreign Direct Investments (FDI) have been low for Kenya compared to Sub Saharan Africa (SSA) and middle-income economies. In addition, rising external financing needs in the face of tightened global financial conditions contributed to falling reserves. The Kenyan shilling has been steadily weakening against the U.S. dollar which partly contributed to declining imports of goods and services.

Kenya's fiscal balance has improved but persistent revenue shortfalls and higher borrowing costs pose challenges. Fiscal and monetary measures are anticipated to limit domestic demand growth, with real GDP projected to grow at around 5.2 percent in 2024 as per world bank Kenya economic update. This growth will be driven partly by private sector investment and recovery in private consumption, which will be supported by reduced inflationary pressures. Growth in private investment, supported by ongoing structural reforms and somewhat reduced government borrowing from the domestic market, is projected to raise Kenya's GDP growth in the medium term. The current account is also projected to narrow, but Kenya will continue to face challenges related to weak external financing inflows. Tight monetary policy weighed substantially on the economic activity of advanced economies, with considerable slowdowns predicted for the Euro Area.

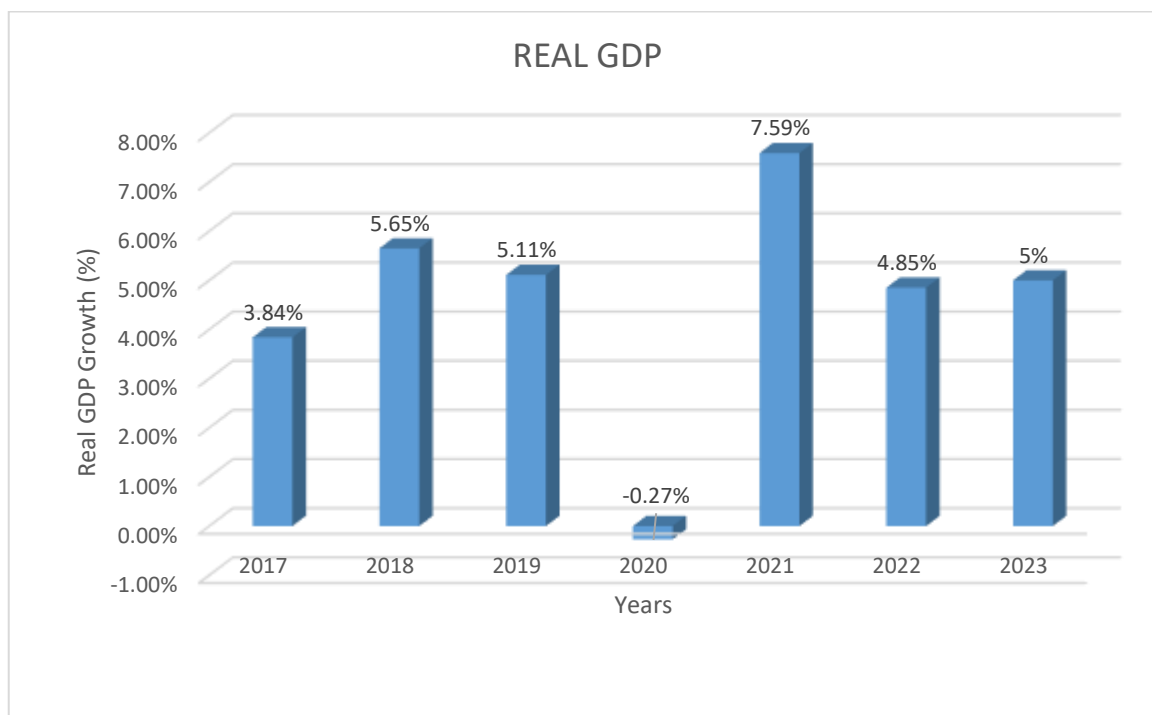
#### **2.1.1 Gross Domestic Product Growth and Main Drivers by Sector**

Despite continued challenges, the economic performance strengthened in 2023, with real GDP growth accelerating from 4.8% in 2022 to an estimated 5% in 2023. The country's real Gross Domestic Product (GDP) expanded by 5.3 per cent in the first quarter, 5.4 percent in second quarter

and 5.9 per cent in the third quarter of 2023 compared to 6.2 per cent, 5.2 percent and 4.3 per cent in corresponding quarters of 2022 respectively. This growth was mainly supported by a rebound in agricultural activities that had contracted in 2022.

The country has reduced the primary deficit from 1.6 per cent of GDP in FY2021/22 to 0.8 per cent of GDP in FY2022/23, while the overall deficit decreased from 6.2 per cent to 5.6 per cent during the same period and is expected to reduce further to 5.4 per cent in FY2023/24. The improved growth performance is attributed to a strong rebound in agriculture sector in 2023 which had faced a persistent and severe drought as well as a moderate growth in the services sector. The recovery of agriculture has led to improvements in food supply coupled with monetary policy tightening that have helped reduce inflationary pressures. In 2023, tourism continued to expand, credit to the private sector improved and manufacturing activity improved due to growth in agro-processing sector.

Figure 1: Annual Real GDP Growth rates.



Source of Data: Kenya National Bureau of Statistics, The National Treasury

The agriculture, forestry, and fishing sector is estimated to have expanded by 5.8 per cent, 7.7 per cent and 6.7 per cent in the first, second and third quarters of 2023 compared to a contraction of 1.7 per cent, 2.4 per cent, and 1.3 per cent in a similar period of 2022. This significant improved performance of the sector was attributable to favourable weather conditions that led to enhanced production, especially that of food crops.

Manufacturing sector grew by 2.6 per cent in the third quarter of 2023 compared to a growth of 1.8 per cent in the corresponding quarter of 2022. In the manufacture of food products, growth was mainly supported by processing of dairy and tea products. The growth of manufacture of food products was constrained by processing of sugar where sugar production declined by 56.1 per cent. In the manufacture of non-food products, growth was supported by production of cement, which grew by 6.8 per cent.

Electricity and water supply sector recorded a decelerated growth of 1.9 per cent in the third quarter of 2023 compared to a growth of 6.0 per cent in the corresponding quarter of 2022. Total electricity generated in the third quarter of 2023 was like that realised in the third quarter of 2022. In the third quarter, Geothermal power generation increased, hydropower generation increased, thermal power generation declined by 4.4 per cent and Wind power production declined by 11.5 per cent compared to the third quarter of 2022.

The Construction sector recorded a growth of 3.8 per cent in the quarter under review compared to 3.5 per cent growth in the third quarter of 2022. Cement consumption rose by 5.9 per cent. Credit advanced to enterprises in the construction sector increased by 8.6 per cent as of September 2023. The accommodation and food service sector grew by 26.0 per cent in the third quarter of 2023 compared to 16.9 per cent in the third quarter of 2022. The growth was partly attributed to accelerated visitor arrivals witnessed during the Africa Climate Summit Conference held in September 2023, coupled with the country's stabilization from effects of uncertainties associated with elections in the third quarter of 2022.

Financial and Insurance sector grew by 14.7 per cent in the third quarter of 2023 compared to 9.6 per cent growth in the corresponding quarter of 2022. During the period under review, the cost of credit issued commercial banks went up during the third quarter of 2023, with average interest rates on loans and other advances increasing to 13.98 per cent in September 2023, up from 12.41 per cent in September 2022. Over the same period, the interbank rate increased from 4.36 per cent to 12.36 per cent. Transportation and storage sector activities were slower in the third quarter of 2023 compared to the corresponding quarter of 2022. The sector is estimated to have recorded 2.8 per cent growth in the period under review compared to 5.1 per cent growth in a similar quarter of 2022. Consumption of light diesel, a key input to land transportation, decreased by 2.3 per

## 2.2 Recent economic Developments

### 2.2.1 Global and Regional Economic Developments

Global and regional economic developments in 2023 have been marked by a slow recovery, with varying impacts across different regions. The global economy is experiencing challenges arising from global supply chain disruptions due to the prolonged Russia -Ukraine conflict, tensions between the United States and China which continue to pose risks to global trade and technology sectors, The geopolitical fragmentation arising from the Israeli-Palestinian conflict and elevated global oil prices , elevated global interest rates on account of inflationary pressures limiting access to credit and exacerbating debt servicing costs. The other factors include significant losses and damages due to frequent extreme weather events increasing fiscal pressures and tight labour markets.

As such, global growth is projected to slow down to 3.0 percent in 2023 and 2.9 percent in 2024 from 3.5 percent in 2022. Advanced economies are projected to record a slower growth of 1.5 percent in 2023 and 1.4 percent in 2024 from 2.6 percent in while the emerging market and developing economies is projected to decline relatively modestly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, although with notable shifts across regions. In sub-Saharan Africa, growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting worsening climate change related shocks, inflationary and exchange rate pressures, and domestic supply issues.

*Table 1: Global Economic Growth, Percent*

	GROWTH %			
	ACTUAL		PROJECTED	
Economy	2021	2022	2023	2024
<b>World</b>	<b>6.3</b>	<b>3.5</b>	<b>3.0</b>	<b>2.9</b>
<b>Advanced Economies</b>	<b>5.4</b>	<b>2.6</b>	<b>1.5</b>	<b>1.4</b>
Of which: USA	5.9	2.1	2.1	1.5
EURO AREA	5.3	3.3	0.7	1.2
<b>Emerging and Developing Economies of which:</b>	<b>6.8</b>	<b>4.1</b>	<b>4.0</b>	<b>4.0</b>
CHINA	8.4	3.0	5.0	4.2
INDIA	9.1	7.2	6.3	6.3
<b>Sub-Saharan Africa</b>	<b>4.7</b>	<b>4.0</b>	<b>3.3</b>	<b>4.0</b>
Of which: South Africa	4.7	1.9	0.9	1.8
Nigeria	3.6	3.3	2.9	3.1
Kenya	7.6	4.8	5.5	5.5

*Source: IMF World Economic Outlook, October 2023. \*National Treasury Projection*

## **2.2.2 Local Economic Trends**

### **The Broad Money Supply Trend**

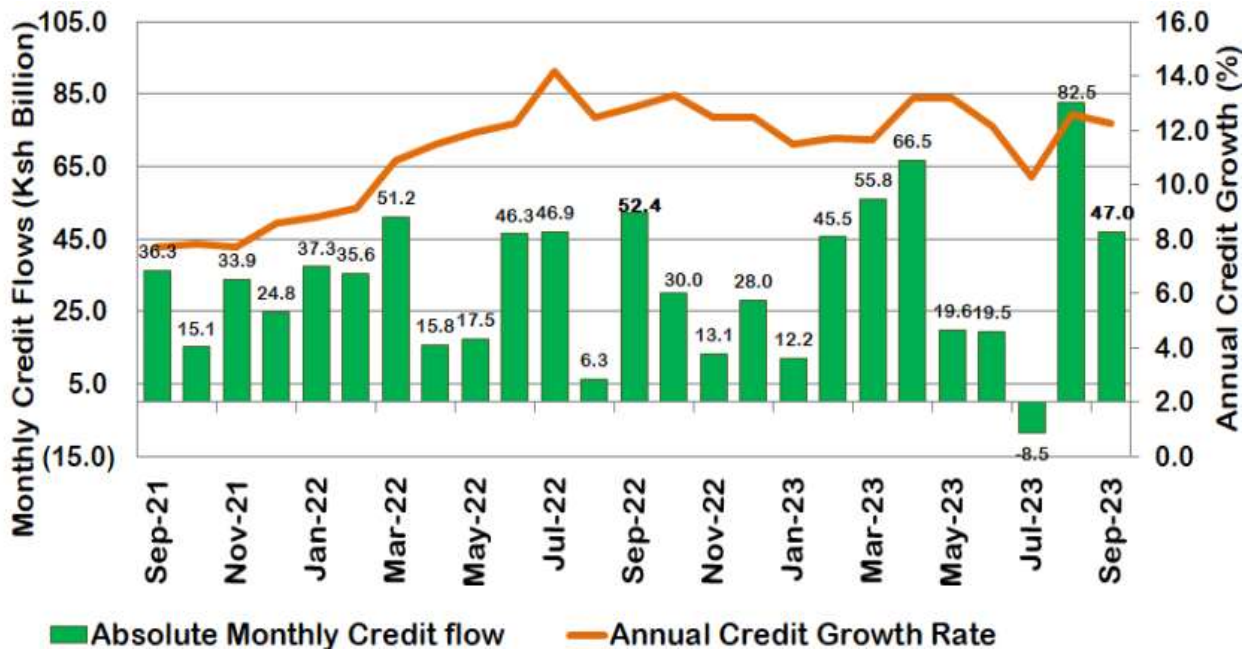
Broad money supply, M<sub>3</sub>, grew by 19.5 percent in the year to September 2023 compared to a growth of 6.1 percent in the year to September 2022 which can be attributed to improvement in the Net Foreign Assets (NFA) of the banking system and resilient domestic credit. The increase in NFA reflects improvement in commercial banks' foreign assets. Net Domestic Assets (NDA) registered a growth of 10.9 percent in the year to September 2023, compared to a growth of 17.6 percent over a similar period in 2022, which was mainly supported by an increase in domestic credit particularly resilient private sector credit and net lending to government. Growth of domestic credit extended by the banking system to the Government declined to a growth of 16.0 percent in the year to September 2023 compared to a growth of 19.8 percent in the year to September 2022.

### **Private Sector**

In 2023, Kenya's private sector witnessed significant growth trends, particularly in terms of credit expansion and sectoral performance. Credit advanced to the private sector grew by 12.2 percent in the year to September 2023 compared to a growth of 12.9 percent in the year to September 2022. There were fluctuations in the Monthly (month on month) credit flows to the private sector which amounted to Ksh 47 billion in September 2023 compared to Ksh 52.4 billion in September 2022. In the third quarter 2023 bank results highlighted a promising trend in private sector credit, with major banks reporting an average growth of 23.6% in loans advanced to customers compared to the same period in the previous year. This trend underscores a rising demand for credit within the private sector, as businesses seek to navigate the economic landscape and capitalize on innovative credit products offered by banks.

Private sector loan growth reached a six-month high of 13.2 percent in November 2023, driven by increased lending to the real estate, financial services, agriculture, and manufacturing segments.

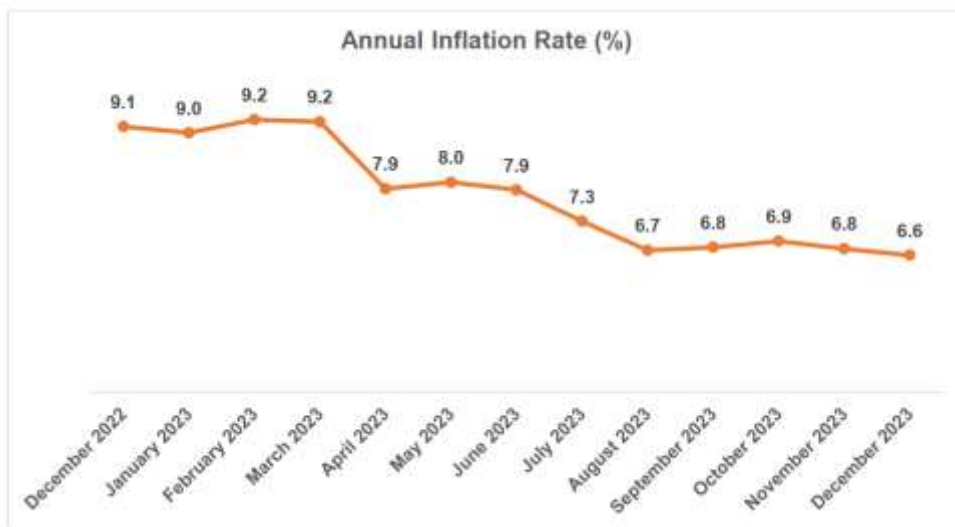
Figure 2: Private Sector Credit



**The Inflation Rate Trend**

The overall year on year inflation rate was 6.6 per cent as of December 2023, indicating a decline compared to December 2022, where the rate was 9.1 per cent. The trend in the year 2023 was majorly influenced by fluctuations in prices of basic commodities such as transport, gas, electricity Housing, food, water, and housing. The month-to-month inflation rate showed a declining trend towards the end of 2023, dropping to 6.60 percent in December from 6.80 percent in November. This is part of a broader trend observed throughout the year, with fluctuations influenced by various economic factors including commodity prices and currency valuation.

Figure 3: Annual Inflation Rates (December 2022- December 2023)

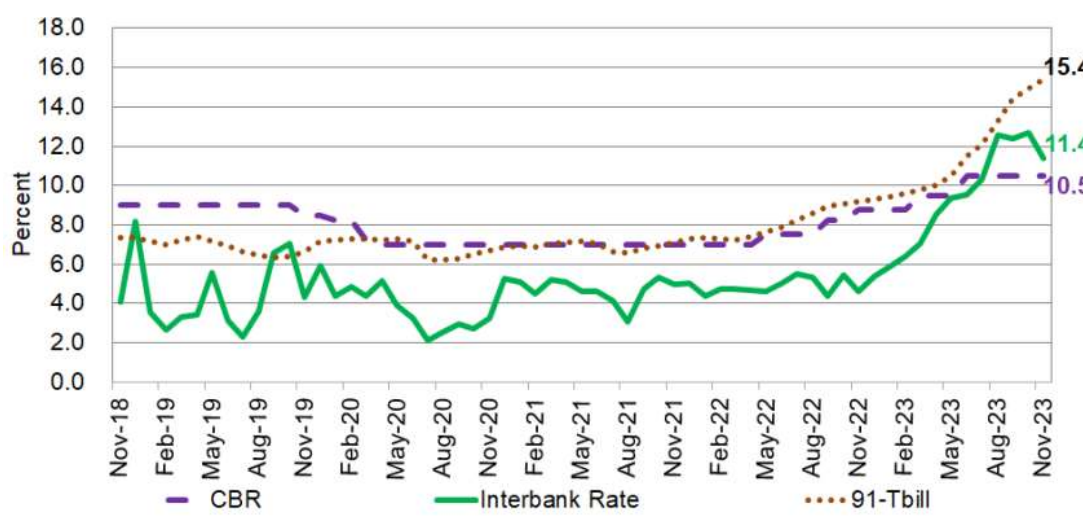


Source of Data: Kenya National Bureau of Statistics

### The Interest Rate Trend

In efforts to navigate economic pressures and maintain financial stability, Kenya experienced notable adjustments in its interest rates. As part of a broader trend of tightening monetary policy, Central Bank of Kenya (CBK) increased its key policy rate by 2 percentage points to 12.5 per cent in December 2023, a move aimed at stabilizing the Kenyan shilling and curbing inflation. The interbank rate increased to 11.26 percent in December 2023 compared to 5.4 percent in December 2022 while the 91-day Treasury Bills rate increased in November 2023 to 15.4 percent compared to 9.2 percent over the same period in 2022. With the tightening of the monetary policy stance, commercial banks average lending and deposit rates increased to 14.6 percent in December 2023 from 12.67 percent in December 2022 while the average deposit rate increased to 10.1 in December 2023 percent from 7.15 percent December 2022. The average interest rate spread declined to 5.3 percent in September 2023 from 5.6 percent in September 2022.

Figure 3: Short Term Interest Rates



Source of Data: Central Bank of Kenya

### The Balance of Payments Trend

The overall balance of payments position slowed down to a surplus of USD 1,044.4 million (1.0 percent of GDP) in September 2023 from a surplus of USD 2,225.9 million (2.0 percent of GDP) in September 2022. Net receipts on the services account declined by USD 928.2 million to USD 671.8 million in September 2023 compared to a similar period in 2022. The capital account balance improved by USD 12.6 million to register a surplus of USD 144.1 million in September 2023 compared to a surplus of USD.131.5 million in the same period in 2022. Net financial inflows

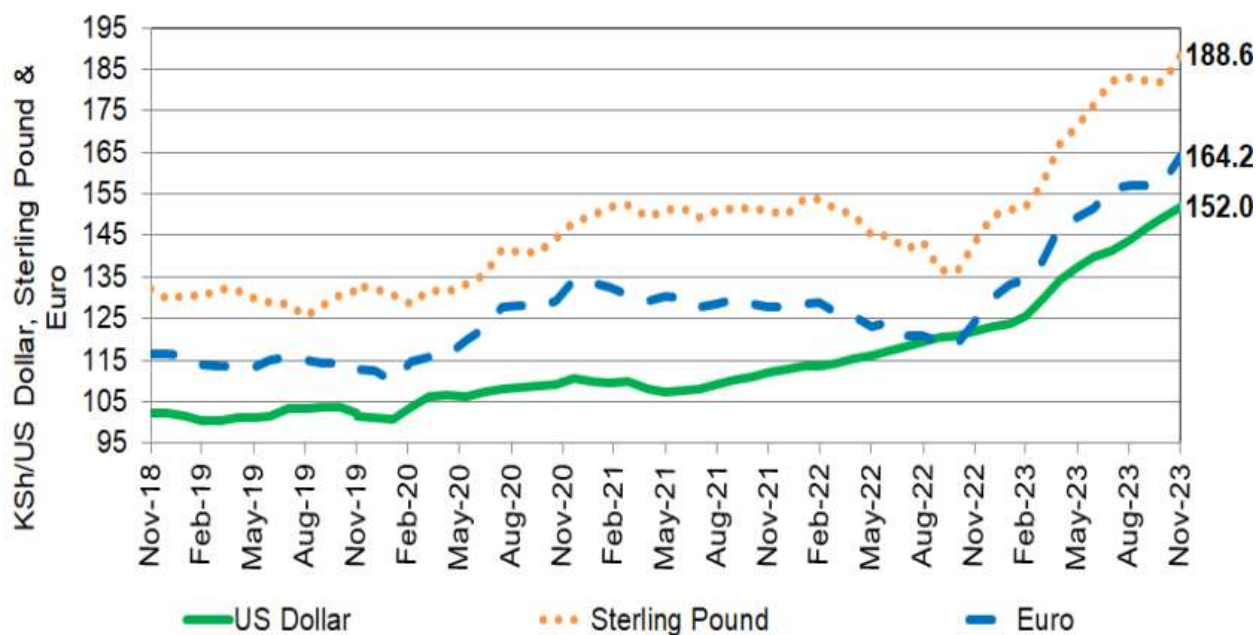
slowed down but remained vibrant at USD 3,144.8 million in September 2023 compared to USD 4,784.7 million in September 2022.

The observed widening of the overall balance of payments deficit, alongside the narrowing current account deficit trend in Kenya's balance of payments in 2023 suggests a complex economic landscape. Possibly, this is due to increased debt servicing costs or fluctuations in investment flows. While the narrowing current account deficit is a positive sign, indicative of a potentially stronger position in trade or higher inflows from abroad, the widening overall deficit in the balance of payments underscores ongoing financial vulnerabilities. This situation underscores the importance of monitoring external and internal economic factors that impact the balance of payments, such as trade balances, foreign investment flows, and currency exchange rates.

### **The Exchange Rate Trend**

In 2023, the Kenyan Shilling (KES) experienced fluctuations against major currencies like the USD and EUR due to a range of factors, including Kenya's balance of payments, differences in inflation rates between Kenya and its trading partners, changes in global financial markets, and shifts in investor sentiment. In November 2023, the Kenya Shilling weakened by 24.7 percent against the US Dollar, 31.9 percent against the Sterling Pound and 32.2 percent against the Euro, compared to a similar period in 2022. The Kenya Shilling exchanged at an average of Ksh 152.0 in November 2023 compared to an average of Ksh 121.9 in November 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 164.2 in November 2023 compared to Ksh 124.2 in November 2022 while against the Sterling Pound the Kenyan Shilling also weakened to exchange at Ksh 188.6 compared to Ksh 143.0, over the same period. During the week ending December 14, it exchanged at KSh 153.37 per US dollar, compared to KSh 153.32 per US dollar on December 7. The forecast for the Kenyan Shilling indicates a continuation of fluctuations with a general trend towards depreciation.

Figure 4: Kenya Shillings Exchange Rate



### The Stock Market Trend

Activity in the capital markets slowed down in November 2023 compared to November 2022 as advanced economies tightened their monetary policy amid inflationary pressures. The NSE 20 Share Index declined to 1,496 points in November 2023 compared to 1,638 points in November 2022 while Market capitalization declined to Ksh 1,436 billion from Ksh 1,971 billion over the same period.

## 2.3 Update on Fiscal Performance and Emerging Trends for FY 2022/23

### 2.3.1 Overview

The fiscal and economic assumption underlying the 2022/23 budget entails improved collection of revenue from local sources and timely disbursements of funds by the National Treasury despite the several challenges experienced thereof. Some of the challenges experienced includes the planned “Maandamano” by the opposition that disrupted business operations hence having a negative impact to the economy, the delayed passing of the additional allocation bills that resulted to delayed release of funds and the delayed enactment of the Finance Act 2023. The updated Fiscal Economic framework is optimistic, given that the local revenue collection trend has improved marginally over the MTEF period 2020/2021– 2022/23, with FY 2022/23 having the highest own source revenue collection. Despite the several challenges that still exist, the County Government will continue to implement pragmatic measures to enhance revenue collection and rationalize expenditure with a view to provide more funds to core services in line with the government's development priorities.

### 2.3.2 Comparison of Actual Performance against Budget 2022/23

#### 2.3.2.1 Fiscal Performance for FY 2022/23

The FY 2022/23 budget was financed by equitable share of KShs 4,551.3 million, County Own Revenue of KShs 286.7 million, Conditional grants of KShs 238.7 million and the balance brought forward of KShs 183.98 million amounting to total County revenue of KShs 5,260.9 million. The balance of KShs 183.98 million excluded KShs 50.2 million that had been retained in other Special Purpose accounts and cash in transit at the end of the FY 2021/22. Table 2 summarizes the revenue performance by the County for FY 2021/22 to FY 2022/23.

Table 2: Summary of County Fiscal Performance for FY 2022/23

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>TOTAL REVENUES</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
Unspent Bal from Previous FY	345,640,185	183,981,694	183,981,694	100%
<b>Revenue (Total)</b>	<b>4,391,299,364</b>	<b>5,497,381,712</b>	<b>5,076,867,831</b>	<b>92%</b>
Equitable Share Allocation	3,877,062,704	4,551,334,282	4,551,334,482	100%
Local Revenue	239,381,562	380,000,000	286,737,650	75%
Grants (Total)	274,855,098	566,047,430	238,795,699	42%
<b>Total Expenditure</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,007,910,760</b>	<b>93%</b>
Recurrent	3,135,910,418	3,817,703,653	3,573,950,014	94%
Development	1,017,014,705	1,286,766,098	898,967,991	70%
County Assembly	400,032,732	576,893,655	534,983,755	93%
<b>Unspent Bal Current FY</b>	<b>183,981,694</b>	<b>-</b>	<b>263,732,770</b>	

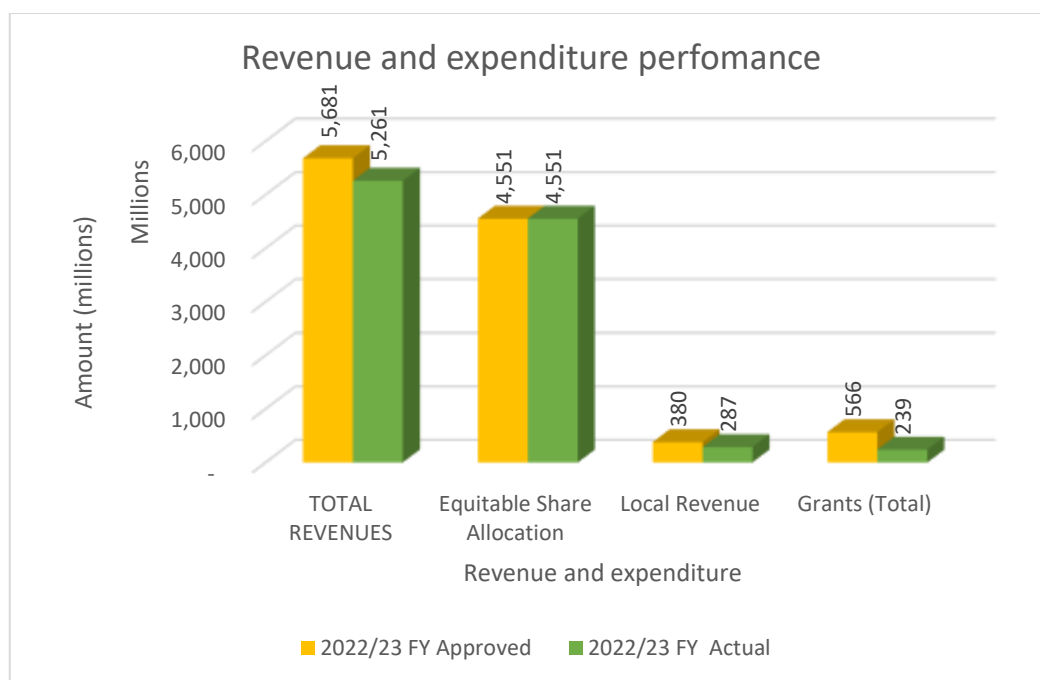


Figure 4: Fiscal Performance for FY 2022/23

In the year under review, the county realized total revenue of KShs 5,260.8 million representing 93% of the annual approved revenues of KShs 5,681.4 million which is an increase of 11% from the FY 2021/22 actual revenue of KShs 4,736.9 million. As at the end of the FY 2022/23, the county had an unspent balance of KShs 263.7 million (KShs 229.8 million held in the CRF and KShs 33.1 million cash on transit) compared to KShs 183.9 million at the beginning of the 2022/23 financial year.

*Table 3: Allocation and Actual Expenditure by Type combined.*

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>Total Expenditure</b>	<b>4,479,989,745</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
Recurrent	3,529,051,532	4,364,597,308	4,089,863,657	<b>94%</b>
Development	1,023,906,323	1,316,766,098	918,038,103	<b>70%</b>
unspent balances	183,981,694		263,732,770	

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

*Table 4: Allocation and Actual Expenditure Executive and Assembly*

Particulars	2021/22 FY Actual	2022/23 FY Approved	2022/23 FY Actual	% performance
<b>Total</b>	<b>4,736,939,549</b>	<b>5,681,363,406</b>	<b>5,260,849,525</b>	<b>93%</b>
<b>County Executive</b>	<b>4,152,925,123</b>	<b>5,104,469,751</b>	<b>4,472,918,005</b>	<b>88%</b>
Recurrent	3,135,910,418	3,817,703,653	3,573,950,014	94%
Development	1,017,014,705	1,286,766,098	898,967,991	70%
<b>County Assembly</b>	<b>400,032,732</b>	<b>576,893,655</b>	<b>534,983,755</b>	<b>93%</b>
Recurrent	400,032,732	546,893,655	515,913,643	94%
Development	-	30,000,000	19,070,112	64%
<b>Unspent in FY</b>	<b>183,981,694</b>	-	263,732,770	<b>4.8%</b>

### 2.3.3 Significant Economic, Legislative and Financial events

The sub-section should mention any significant economic, legislative, or financial events that impacted on budget performance to date such as, for example, new public finance legislation that changed financial protocols in government. The 2022 General election period introduced degree of uncertainty that had implications for economic performance and governance, which indirectly affected budget execution and fiscal planning.

Ukraine Russia conflicts affected the domestic economy causing inflationary pressures. This led to the commodity price shocks affecting general expenditure in the country and county.

Finance Bill 2023 that introduced key tax changes affecting various sectors with Some of the notable changes included the exemption of Liquefied Petroleum Gas (LPG) from Value-Added Tax (VAT) at 8% among other changes in different sectors.

Adoption of the Third Basis CRA formula, that was meant enhance service delivery, and promote balanced development, affected the budgets allocations, specifically the Equitable share from the National government. Intergovernmental agreement, that is, Between national treasury and county government on transfer of conditional grants. Though the agreement was meant to facilitate the transfer processes leading to timely disbursements of and requisition of the funds for additional conditional allocations made to County Governments, the early stages delayed the transfer process affecting the budget implementation.

The National drought that was experienced affected the agricultural sector, which is a major contributing sector, causing poor production resulting to expenditure pressures that affected implementations as the effort to cushion farmers and the entire sector had to be made.

The International Monetary Fund (IMF) approved a request for an arrangement under the Resilience and Sustainability Facility (RSF) for Kenya that aimed at supporting Kenya's efforts to build resilience to climate change and to reduce the country's vulnerability to climate-related shocks.

## **2.4 Revised Estimates**

The County's approved budget for FY 2023/24 is KShs.6.32 billion. The development allocation is KShs. 2.52 billion (38 per cent) whereas the recurrent expenditure allocation is KShs. 3.8 billion (62 per cent) respectively inclusive of county assembly allocation of KShs.604.5 million. The sources of finances for this budget will be equitable share of KShs. 4.38 billion, conditional grants amounting to KShs. 1.54 billion and own-source revenue of KShs 400 million.

### **2.4.1 Revenue performance for FY 2023/24**

The budget implementation for the first six months was 35 per cent against a target of 50 per cent. This can greatly be attributed to revenue under performance especially on loans and grants where we realized less than 0.005 per cent. During this period, the county realized total revenues of KShs 2,237.3 million, comprising of KShs 1,816.97 million from the equitable share, KShs 156.12 million from local sources and KShs 263.73 million as balance carried forward in FY 2022/23. The total revenue received represented 35.3 per cent of the annual revenue projections of KShs 6,322.2 million. The

equitable share realized represented a 42 per cent of the target, while the local revenue collected also represents a 39 % of the target.

#### 2.4.2 Expenditure performance

The total expenditure for the first half of the FY 2023/24 is KShs 2,113.6 million which comprised of KShs 1,537.1 million for recurrent expenditure, KShs 308.6 million for development and KShs 267.9 million under County Assembly. The recurrent expenditure represents 47 per cent of the annual recurrent budget estimates while the development expenditure represents 13 per cent of the annual development budget estimates.

The following table presents a summary of the fiscal performance for the first six months.

Table 5: Comparison of Actual Performance against Budget 2023/24

<b>PARTICULARS</b>	<b>2022/23 FY ACTUAL</b>	<b>2023/24 FY BUDGET ESTIMATES</b>	<b>2023/24 ACTUAL (FIRST HALF)</b>	<b>% UTILIZATION</b>
<b>TOTAL REVENUE &amp; GANTS</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>2,237,327,953</b>	35%
Unspent Bal from Previous FY	183,981,694	-	263,732,770	100%
<b>Revenue (Total)</b>	<b>5,076,867,831</b>	<b>6,322,187,822</b>	<b>1,973,595,183</b>	31%
Equitable Share Allocation	4,551,334,482	4,378,234,821	1,816,967,452	42%
Local Revenue	286,737,650	400,000,000	156,127,731	39%
Grants (Total)	238,795,699	1,543,953,001	500,000	0%
<b>Total Expenditure</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>2,113,676,733</b>	33%
Recurrent	3,573,950,014	3,256,637,907	1,537,057,403	47%
Development	898,976,991	2,461,033,319	308,642,380	13%
County Assembly	534,983,755	604,516,596	267,976,950	44%
Unspent Bal Current FY	263,732,770	-	123,651,220	-

## 2.5 Economic Policy and Outlook

The economy is projected to remain strong and resilient in 2024, 2025 and over the medium term supported by the continued robust growth of the services sectors, the rebound in agriculture, and the ongoing implementation of measures to boost economic activity in priority sectors by the Government. As such, the economy is expected to remain strong and expand by 5.5 percent in both 2023 and 2024 (5.5 percent in FY 2023/24 and 5.4 percent in FY 2024/25). This growth will be driven by a strong recovery in the agriculture sector supported by the anticipated adequate rainfall in most parts of the country and a decline in global commodity prices that will reduce the cost of production. Additionally, Government intervention measures aimed at lowering the cost of

production such as the ongoing fertilizer and seed subsidy program and provision of adequate affordable working capital to farmers will support growth of the sector.

Aggregate investment is projected to remain stable at 19.3 percent of GDP in 2023 and 19.2 percent of GDP in 2024 mainly supported by the private sector. Investment will benefit from focus on Public-Private-Partnership (PPP) projects and improvements in the Foreign Exchange market conditions. Additionally, private investments will be supported by stable macroeconomic conditions coupled with the ongoing fiscal consolidation which will provide the needed confidence for investors. Interventions by the Government through the Hustlers' Fund will strengthen MSMEs thereby correcting market failures for the vast majority of Kenya's at the bottom of the pyramid. This will strengthen the private sector led growth opportunities.

Growth over the medium term will also be driven by sustained Government investments in the Affordable Housing programme, PPP infrastructure projects and the ongoing work on building and maintaining public infrastructure. The development spending in the budget will be above 5.0 percent of GDP so as not to impact on growth momentum. The spending supports investments in key projects under the Bottom-Up Economic Transformation Agenda (BETA). Particularly, investments in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials).

Table 6: Macroeconomic Indicators Underlying the Medium-Term Fiscal Framework

	2020	2021	2022	2023	2024	2025	2026	2027
	Act	Prel. Act	Prel. Act	Proj.	BPS 2024	BPS 2024	BPS 2024	BPS 2024
<i>annual percentage change, unless otherwise indicated</i>								
<b>National Account and Prices</b>								
Real GDP	-0.3	7.6	4.8	5.5	5.5	5.5	5.5	5.5
Primary Sector	4.7	0.5	-1.0	5.8	4.1	4.1	3.7	3.7
of which: Agriculture	4.6	-0.4	-1.6	6.0	4.1	4.0	3.6	3.6
Industry	3.2	6.8	3.5	2.8	3.4	3.5	3.5	3.9
Services	-1.8	9.6	6.7	5.9	5.9	5.9	6.3	6.3
GDP deflator	4.9	4.3	6.0	7.1	6.2	5.8	5.8	4.6
CPI Index (eop)	5.6	5.7	9.1	6.3	5.0	5.0	5.0	5.0
CPI Index (avg)	5.3	6.1	7.6	7.7	5.0	5.0	5.0	5.0
Terms of trade (-deterioration)	-5.3	-2.2	0.7	-6.3	1.3	2.5	2.8	3.9
<b>Money and Credit (end of period)</b>								
Net domestic assets	15.9	15.2	14.9	11.7	9.8	9.2	8.6	8.9
Net domestic credit to the Government	26.7	18.9	10.9	7.9	7.9	8.0	7.7	6.8
Credit to the rest of the economy	10.1	12.2	13.1	14.1	14.6	13.9	12.9	13.9
Broad Money, M3 (percent change)	6.9	10.5	13.2	12.3	11.3	11.0	10.9	11.3
Reserve money (percent change)	10.5	4.0	3.2	12.2	11.2	10.8	10.8	11.1
<i>in percentage of GDP, unless otherwise indicated</i>								
<b>Investment and Saving</b>								
<b>Consumption</b>	<b>88.3</b>	<b>88.7</b>	<b>90.1</b>	<b>88.8</b>	<b>88.9</b>	<b>86.3</b>	<b>86.1</b>	<b>85.2</b>
Central Government	12.5	12.1	12.3	10.4	9.9	9.2	9.0	9.2
Private	75.4	74.6	75.6	78.3	79.0	77.1	77.2	76.1
<b>Gross Fixed Capital Investment</b>	<b>19.7</b>	<b>20.4</b>	<b>19.2</b>	<b>19.3</b>	<b>19.5</b>	<b>19.9</b>	<b>19.9</b>	<b>19.8</b>
Central Government	5.5	4.5	3.8	3.6	4.1	4.6	4.9	5.1
Private	14.2	15.9	15.4	15.7	15.4	15.3	15.0	14.7
<b>Gross National Saving</b>	<b>14.9</b>	<b>15.6</b>	<b>14.1</b>	<b>14.8</b>	<b>15.5</b>	<b>15.8</b>	<b>15.8</b>	<b>15.8</b>
Central Government	-3.3	-4.4	-4.1	-4.1	-3.9	-2.3	-1.3	-1.2
Private	<b>18.1</b>	20.0	18.2	18.9	19.4	18.1	17.1	17.0

Exports value, goods and services	9.7	10.8	12.2	13.1	12.8	12.8	12.5	12.7
Imports value, goods and services	17.7	19.9	21.5	21.4	21.4	20.1	19.4	18.9
Current external balance, including official transfers	-4.8	-4.8	-5.1	-4.4	-4.0	-4.1	-4.0	-4.0
Gross reserves in months of next yr's imports	4.6	4.7	4.4	3.6	4.2	4.0	4.0	3.9
Gross reserves in months of this yr's imports	5.6	5.2	3.9	4.0	4.3	4.3	4.3	4.3
<b>Central Government Budget</b>								
Total revenue	16.5	16.0	17.3	16.5	18.9	19.1	19.2	19.7
Total expenditure and net lending	24.4	24.6	23.8	22.6	24.2	23.3	22.5	23.2
Overall Fiscal balance excl. grants	-7.9	-8.6	-6.5	-6.0	-5.3	-4.2	-3.4	-3.4
Overall Fiscal balance, incl. grants	-7.7	-8.3	-6.3	-5.9	-5.1	-3.9	-3.1	-3.1
Overall Fiscal balance, incl. grants, cash basis	-7.6	-8.3	-6.2	-5.6	-5.1	-3.9	-3.1	-3.1
Primary budget balance	-3.4	-3.9	-1.6	-0.8	0.6	1.7	1.8	1.5
<b>Public debt</b>								
Nominal central government debt (eop), gross	68.4	68.0	71.4	68.2	65.0	61.6	58.7	56.1
Nominal debt (eop), net of deposits	63.4	64.7	68.0	65.2	62.3	59.2	56.5	54.1
Domestic (gross)	32.8	34.1	33.9	32.8	31.4	30.9	29.9	29.2
Domestic (net)	27.9	30.8	30.5	29.8	28.7	28.5	27.8	27.3
External	35.5	33.9	37.5	35.5	33.6	30.7	28.8	26.8
<b>Memorandum Items:</b>								
Nominal GDP (in KShs Billion)	10,715	12,028	13,368	15,180	17,083	18,948	21,057	23,304
Nominal GDP (in US\$ Million)	100,658	109,697	113,421	102,015	114,549	126,619	142,098	155,536

## 2.6 Risks to the Economic Outlook: Expectations and Opportunities

There are downside risks emanating from domestic as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result to domestic inflationary pressures and food insecurity. Additionally, tight fiscal space due to the impact of the multiple shocks that have affected the global and the domestic economy might lead to tight liquidity conditions for financing the budget.

On the external front, uncertainties in the global economic outlook stemming from the escalating geopolitical fragmentations could result in higher commodity prices which poses a risk to domestic inflation outcomes leading to further tightening of financial conditions. Additionally, weaker global demand due to the slowdown the global economic recovery could adversely affect Kenya's exports, foreign direct investments, and remittances. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize. Tharaka Nithi County Government continues to face potential litigation on the pending bills and/or due to lack of compliance on the various statutory requirements including the myriad of requirements imposed by Kenya Revenue Authority. Litigation will always pose a threat to the county government, due to its potential to derail resources that would better serve the residents by utilization to provide better services and public goods.

### 2.6.1 Risks Experienced in Tharaka Nithi County government.

<b>Fiscal Risk</b>	<b>Implications</b>	<b>Mitigation Measure</b>
Below target Own Source Revenue collections	Results to unfunded budget deficits and accumulation of pending bills negatively affecting service delivery to citizens	Increased revenue mobilisation Full automation of all revenue streams Increase cess points. <b>Lobby for the increase of equitable share.</b> Mapping of more revenue streams
Pending bills	Negative impact on the business community as well as the economy in general	Prioritize budget allocation for payment of bills. Budget control.
High expenditure on personnel emoluments (high wage bill)	Salaries and wages have been surpassing the stipulated 35% of the total budget which has led to budget cuts on development programs	Freeze any further employment in non-essential sectors. Carry out staff audit to ascertain the actual number of employees.
Low actual development expenditure	This is not in line with the County Governments approved budgets and contrary to Section 107(2) (b) of the Public Finance Management (PFM) Act, 2012, that provides that over the medium term, a minimum of thirty percent of the County Government budget shall be spent on the development expenditure.	Timely exchequer release of funds Resource mobilization from donors
Climate Change related fiscal risk	Climate change is a pressing issue hence the county economy is vulnerable to its ravaging impacts such as droughts and hunger.	The county government will pursue a low carbon- climate resilient development path. Climate financing has emerged as an important means of implementation for climate change and for promoting sustainable development.

## **CHAPTER THREE: FISCAL POLICY AND BUDGET FRAMEWORK**

### **3.1 Overview**

This chapter presents the fiscal policy framework envisioned by the County over the MTEF 2024/25-2026/27. It discusses the fiscal responsibility principles, budget expenditure framework over the MTEF period.

### **3.2 Fiscal Policy Status**

The medium-term fiscal policy approach is geared towards supporting the Government's Bottom-Up Economic Transformation Agenda through continued investments in the key priority areas of universal health, food security, and job creation. The Government will put in place measures to broaden the revenue base and rationalize expenditures to reduce the fiscal deficits. Consequently, own source revenue collections are expected to rise to 7 per cent of total revenues in FY 2026/27 from 5.6 per cent of total revenues in the FY 2023/24. Total expenditures are projected to remain stable at above 90 per cent of the original estimates over the medium term. Revenue mobilisation through grants and partnerships will be key in supplementing the insufficient equitable share and own source revenue.

Implementation of the reforms on revenue and expenditure is expected to result in improved service delivery. The Government will implement a mix of revenue administrative and policy measures to boost own revenue collection to above KShs 450 million over the medium term. In particular, the Government will focus on domestic resource mobilization efforts that includes.

- a) Full implementation of the Finance Act 2023 that aims at harmonizing levies and fees.
- b) Increased collection from Facility Improvement Fund (FIF) to over KShs 300 million in the next three years
- c) Enhanced collection from property taxes.

### **3.3 Fiscal Strategy Paper's Obligation to Observe Fiscal Principles**

Tharaka Nithi County Government is committed to the fiscal discipline as set out in PFM Act, 2012 as well as adoption of best practices in public finance management. To echo our commitments to prudent fiscal policy, the County Government recognizes that the fiscal principles currently followed will have implications in the long term.

### **3.3.1 Fiscal Responsibility**

To ensure prudence and transparency in management of resources, the County Treasury shall be guided by the fiscal responsibility principles as spelt out in the PFM Act 2012, section 107 hence in this regard, the County Government will.

- a) Ensure there is sound fiscal policies and uniform practices for managing County resources.
- b) Ensure that the county government's expenditure shall not exceed its total revenue.
- c) Allocate a minimum of 30 percent of their budget over the medium-term to development expenditure as provided for under Section 107 (2) (b) of the PFM Act, 2012.
- d) Expenditure on wages and benefits for its public officers to be based on the guidelines under Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.
- e) Over the Medium Term, the County Government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- f) Short term borrowing shall be for purposes of cash management restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue.
- g) The county debt obligations shall be maintained at a sustainable level as approved by the County Assembly.
- h) Fiscal risks shall be managed prudently.
- i) 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.

### **3.3.2 Fiscal Structural Reforms**

To enact and implement fiscal structures to enable the county to be fully compliant with the PFM Act 2012 and PFM Regulations 2014, the FY 2024/2025 Budget framework will consider other vital reforms including:

- a. The county treasury will ensure that the Integrated Financial Management Information System (IFMIS) is fully operationalized.
- b. Staff capacity buildings and trainings sessions especially on the use of Plan to Budget Module.
- c. Retraining of all procurement officers on Procure to Pay Module.
- d. Retraining revenue officers on Revenue Management System.

### **3.3.3 Debt Financing Policy**

The county government's debt management objective is to ensure that the County Government's financing needs and payment obligations are met at the lowest possible cost with a prudent degree of risk. Tharaka Nithi County has a robust framework for enhancing its ability to make decisions on the appropriate composition of borrowing for cash management as well as exhibiting a commitment to long-term financial planning that will ensure fiscal prudence and financial stability. In deciding the level of borrowing, emphasis will be placed on total pending bills and to assess the potential risk to the available fiscal space to ensure debt sustainability.

### **3.4 Budget Framework Proposed for FY 2024/25-2026/27 MTEF.**

The FY 2024/25 and the medium-term budget is based on the Government's policy priorities and macroeconomic policy framework set out in previous chapters. To support the Bottom - Up Economic Transformation Agenda, the Government will continue with the growth friendly fiscal consolidation plan by containing expenditures and enhancing mobilization of revenues to slow down growth in pending bills without compromising service delivery. Tharaka-Nithi County Government continues to give priority to programmes aimed at ensuring social economic transformation of the County. FY 2024/25 and the medium-term budget framework will be geared towards achieving the Goal of "*Leaving No One Behind*". Program based budgeting will focus on social investments to improve the living standards and reducing poverty. Additionally, maintaining a zero fiscal deficit will continue to be the priority goal in the budget framework. The county's priority areas are agricultural productivity, universal healthcare, sustainable infrastructure, socio-economic empowerment, water resources management and skills development.

#### **3.4.1 Revenue Projections**

The FY 2024-25 budget framework has estimated the total County revenues to be about KShs. 6,034.3 million, which will be raised from Equitable Share, Own-Source Revenue, Loans and Conditional Grants. According to the Draft Budget Policy Statement of 2024, it is estimated that Tharaka Nithi County Government will receive KShs. 4,438 million as Equitable Share and KShs 1,146 million as allocation for Loans and Conditional Grants. The County Own Source Revenue is estimated to be KShs. 450 million, including the Facility Improvement Fund (FIF) for FY 2024/25. Approximately 74.3 per cent of the county revenues will be financed by the equitable share, 18.4 per cent from loans and conditional grants and 7.3 per cent from County Own Revenue Sources in the medium term.

Table 7: County Government Revenue Trend

Financial Year	2022/23 Actual Expenditure	2023/24 Approved Budget Estimates	2024/25 Proposed Estimates	2025/26 Projected Estimates	2026/27 Projected Estimates	2027/28 Projected Estimates	% of 2024/25 Total
Equitable Share	4,551,334,482	4,378,234,821	4,438,768,407	4,660,706,827	4,893,742,169	5,138,429,277	73.56%
Loans and grants	238,795,699	1,543,953,001	1,145,661,447	1,202,944,519	1,263,091,745	1,326,246,332	18.99%
Own Source Revenue	286,737,650	400,000,000	450,000,000	472,500,000	496,125,000	520,931,250	7.46%
Other Receipts	183,981,694	-	-	-	-	-	0.00%
<b>Total</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>6,034,429,854</b>	<b>6,336,151,347</b>	<b>6,652,958,914</b>	<b>6,985,606,860</b>	<b>100.00%</b>

Table 8: County Government Revenue Sources by Type

Financial Year	2022/23 Actual Expenditure	2023/24 Approved Budget Estimates	2024/25 Proposed Estimates	2025/26 Projected Estimates	2026/27 Projected Estimates	% Total 2024/25
Equitable Share	4,551,334,482	4,378,234,821	4,438,768,407	4,660,706,827	4,893,742,169	73.56%
Community Health Promoters	-	-	29,730,288	31,216,802	32,777,643	0.49%
DANIDA	12,624,750	7,161,000	6,045,000	6,347,250	6,664,613	0.10%
ASDSP – Sweden	16,071,032	1,785,670	1,785,670	1,874,954	1,968,701	0.03%
Kenya Agribusiness Development Programme (KABDP)			11,918,919	12,514,865	13,140,608	0.20%
Kenya Climate Smart Agriculture (KCSAP)	98,599,181	90,000,000	-	-	-	0.00%
National Agricultural Value Chain Development Project (NAVCDP)	-	250,000,000	151,515,152	159,090,910	167,045,455	2.51%
Kenya Informal Settlement Programme	20,000,000	80,000,000	168,945,347	177,392,614	186,262,245	2.80%
Emergency Locust Response Project (ELRP)	67,160,821	105,805,161	104,600,000	109,830,000	115,321,500	1.73%
Aquaculture Business Development Project (ABDP)	-	12,810,384	12,810,384	13,450,903	14,123,448	0.21%
Financing Locally- Led Climate Action (FLLoCA) -CCRI/CCIS	22,000,000	136,000,000	146,000,000	153,300,000	160,965,000	2.42%
Supplement Construction County HQ	-	103,160,000	28,000,000	29,400,000	30,870,000	0.46%
Leasing Medical Equipment	-	124,723,404	-	-	-	0.00%
Aggregated Industrial Parks Programme	-	250,000,000	250,000,000	262,500,000	275,625,000	4.14%
KUSP - UIG Grant	2,339,915	-	35,000,000	36,750,000	38,587,500	0.58%
Livestock Value Chain		28,647,360	-	-	-	
De-risking and Value Chain Enhancement (DRIVE)		63,341,980	-	-	-	
Road Maintenance Levy		0	161,810,687	169,901,221	178,396,282	
KDSP-II		0	37,500,000	39,375,000	41,343,750	
Other Loans and Grants	-	290,518,042	-	-	-	0.00%
Own Source Revenue	286,737,650	400,000,000	450,000,000	472,500,000	496,125,000	7.46%
Other receipts	183,981,694	-	-	-	-	0.00%
<b>Total</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>6,034,429,854</b>	<b>6,336,151,347</b>	<b>6,652,958,914</b>	<b>100.00%</b>

The chart below shows the actual revenue sources for FY 2022/23, Estimates for FY 2023/2024, and the projected revenue for FY 2024/25 & FY 2025/26.

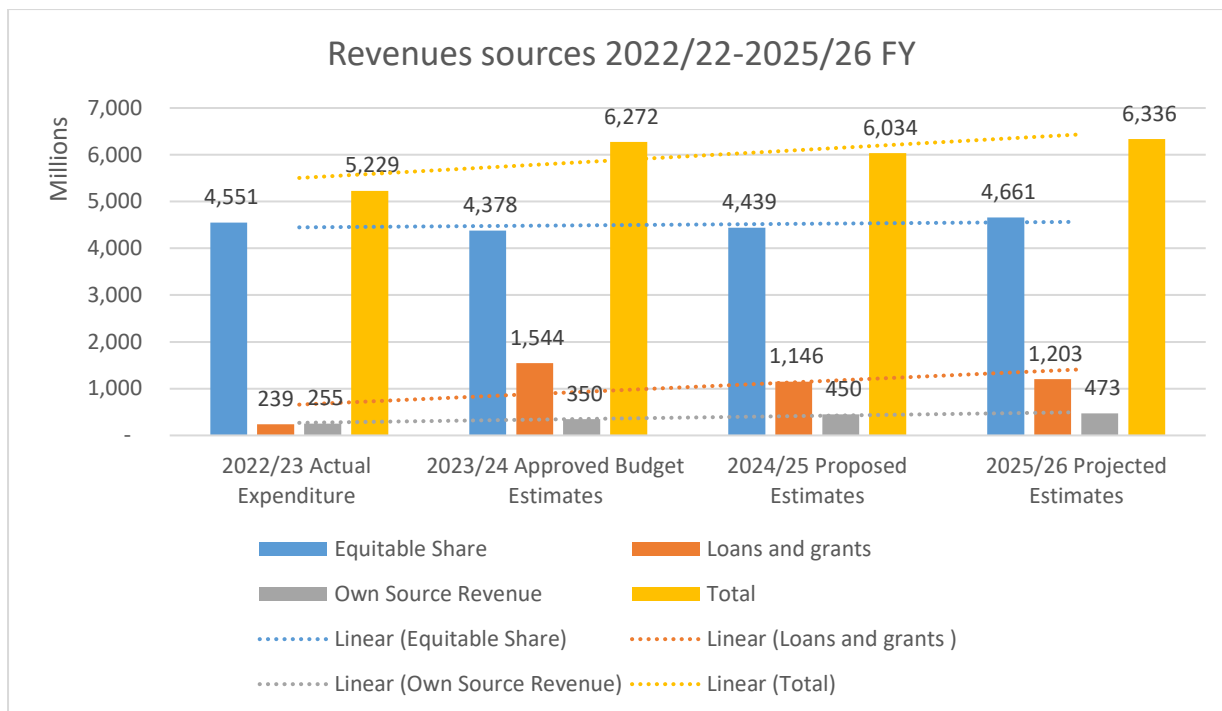


Figure 5: County Revenue Trends by Source

### 3.4.2 Expenditure Projections

As indicated in the table 9, the County’s total expenditure for the FY 2024/25 is projected to be KShs 6,034 million, due to revenue decrease in loans and conditional grants. This represents a KShs 288 million decrease from the budget estimates for FY 2023/24 of KShs 6,322 million mainly due to reduction in loans and conditional grants.

Table 9: Estimates vs Actual Expenditure FY 2020/21- 2024/25

FINANCIAL YEAR	2020/21 Actual Expenditure	2021/22 Actual Expenditure	2022/23 Actual Expenditure	2024/23 Approved Estimates	2024/25 Proposed Estimates
Estimates	5,857,834,974	5,911,260,701	5,681,363,406	6,322,187,822	6,034,429,854
Actual	5,554,449,574	5,260,849,525	5,260,849,525	0	-
Deviation	303,385,400	650,411,176	420,513,881	-	-

Table 10: County Government Fiscal Projections FY 2023/24-2025/26 MTEF

	2022/23 FY	2023/24 FY	2024/25 FY	2024/25 FY	2024/25 FY	2025/26 FY	2025/26 FY	2026/27 FY
Particulars	Actual Expenditure	Approved Budget Estimates	Projections CFSP 2023	Proposed CFSP 2024	CBROP 2023 Proposed	CFSP 2024 Projections	CBROP 2023 Projected	CFSP 2024 Projections
TOTAL REVENUE & GRANTS	5,260,849,525	6,322,187,822	5,998,004,862	6,034,429,854	6,397,747,062	6,336,151,347	6,717,634,415	6,652,958,914
Other Receipts	183,981,694	-	-	-	-	-	-	-
<b>Revenue (Total)</b>	<b>5,076,867,831</b>	<b>6,322,187,822</b>	<b>5,998,004,862</b>	<b>6,034,429,854</b>	<b>6,397,747,062</b>	<b>6,336,151,347</b>	<b>6,717,634,415</b>	<b>6,652,958,914</b>
Equitable Share Allocation	4,551,334,482	4,378,234,821	4,592,404,136	4,438,768,407	4,697,146,562	4,660,706,827	4,932,003,890	4,893,742,169
Local Revenue	286,737,650	400,000,000	420,000,000	450,000,000	450,000,000	472,500,000	472,500,000	496,125,000
Grant income	238,795,699	1,543,953,001	985,600,726	1,145,661,447	1,250,600,500	1,202,944,519	1,313,130,525	1,263,091,745
<b>Subtotal</b>	<b>5,076,867,831</b>	<b>6,322,187,822</b>	<b>5,998,004,862</b>	<b>6,034,429,854</b>	<b>6,397,747,062</b>	<b>6,336,151,347</b>	<b>6,717,634,415</b>	<b>6,652,958,914</b>
<b>Total Expenditure</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>5,998,004,862</b>	<b>6,034,429,854</b>	<b>6,397,747,062</b>	<b>6,336,151,347</b>	<b>6,717,634,415</b>	<b>6,652,958,914</b>
Recurrent	4,089,863,657	3,801,154,503	3,999,526,621	4,111,579,103	4,101,126,079	4,317,158,058	4,306,182,383	4,533,015,961
<i>Recurrent as % of CG Total Revenue</i>	<i>81%</i>	<i>60%</i>	<i>67%</i>	<i>68%</i>	<i>64%</i>	<i>68%</i>	<i>64%</i>	<i>68%</i>
Personnel Emolument	2,471,960,109	2,176,953,017	2,499,562,930	2,460,999,923	2,325,943,953	2,584,049,919	2,442,241,151	2,713,252,415
Operations & Maintenance	1,617,903,548	1,624,201,486	1,499,963,691	1,650,579,180	1,775,182,126	1,733,108,139	1,863,941,232	1,819,763,546
<i>Personnel Emoluments as % of CG Revenue</i>	<i>49%</i>	<i>34%</i>	<i>42%</i>	<i>41%</i>	<i>36%</i>	<i>41%</i>	<i>36%</i>	<i>41%</i>
Development	918,047,103	2,521,033,319	1,998,478,241	1,922,850,751	2,296,620,983	2,018,993,288	2,411,452,032	2,119,942,953
<i>Development as % of CG Total Revenue</i>	<i>18%</i>	<i>40%</i>	<i>33%</i>	<i>32%</i>	<i>36%</i>	<i>32%</i>	<i>36%</i>	<i>32%</i>
Unspent Bal Current FY	252,938,765							

The total revenues for FY 2023/24 are estimated to be KShs 6,322 million comprising equitable allocations of KShs 4,378 million, loans and conditional grants KShs 1,543 million and KShs 400 million as own source revenues. According to the fiscal projections the Equitable Share will increase to KShs 4,438 million in FY 2024/25 million and further rise to KShs 4,660 million in the FY 2025/26. Over the same period the loans and grants are estimated to be KShs 1,146 million and 1,202 respectively. Further, the County own source revenues are projected to be KShs 450 million and KShs 472.5 million over the 2024/25 MTEF period. From the total revenues, the recurrent expenditure for FY 2024/25 will be KSH 4,111 million representing 68 per cent of the County Government total revenue, while KShs 1,922.8 million will be utilized for development expenditure which is 32 per cent of the total revenue.

### 3.4.3 Recurrent Expenditure Forecasts

The expenditure by economic classification is as presented in table 11. The expenditure on personnel emoluments have been affected by the recent salary reviews by SRC, increments under the SHIF, the new NSSF structure, and Housing Fund Levy and the new Public Service Superannuation Scheme (PSSS). This poses a challenge for many Counties to meet the 35% threshold. Additionally, the County still owes pension costs from the defunct local authorities. Consequently, the funds available for Operations and Maintenance are very limited, which may adversely impact service delivery to *Ciambai*. The National Government should consider increasing allocations to the Counties to cover the cost of salaries and wages that are created by factors emanating from National Government policies.

*Table 11: Expenditure by Economic Classifications - FY 2022/23-2026/27 MTEF*

Particulars	2022/23 FY Actual Expenditure	2023/24 FY Approved Budget Estimates	2024/25 FY Proposed Estimates	2025/26 FY Projections	2026/27 FY Projections
<b>Total Expenditure</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>6,034,429,854</b>	<b>6,336,151,347</b>	<b>6,652,958,914</b>
Recurrent	4,089,863,657	3,801,154,503	4,111,579,103	4,317,158,058	4,533,015,961
Personnel Emolument	2,471,960,109	2,176,953,017	2,460,999,923	2,584,049,919	2,713,252,415
Operations & Maintenance	1,617,903,548	1,624,201,486	1,650,579,180	1,733,108,139	1,819,763,546
<i>Recurrent as % of CG Total Expenditure</i>	77.74%	60.12%	68.14%	68.14%	68.14%
<i>Personnel Emoluments as % of CG Expenditure</i>	46.99%	34.43%	40.78%	40.78%	40.78%
<i>O&amp;M as % of CG Expenditure</i>	30.75%	25.69%	27.35%	27.35%	27.35%

Expenditure by economic classification is also presented in the following graph.

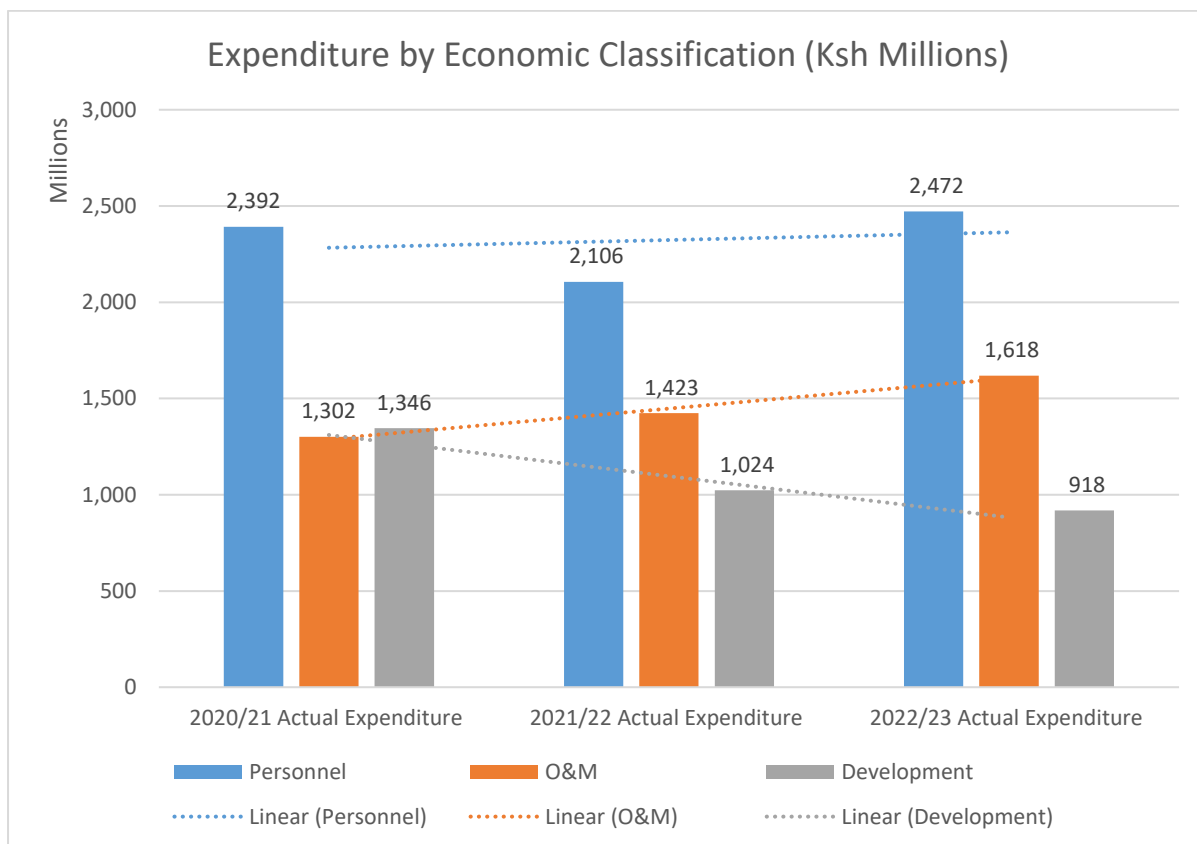


Figure 6: Actual Expenditure by Economic Classifications from FY 2020/21 – FY 2022/23

### 3.4.4 Development and Net Lending

The proposed development expenditure allocation for FY 2024/25 is KShs 1,922.9 million, compared to KShs 2,521 in the previous year, attributed to the closure of several Conditional Grants including KSCAP, leasing of medical equipment, DRIVE and Livestock Value Chain. This development expenditure represents 32 per cent of the total resource envelope, which is slightly above the stipulated 30 per cent threshold recommended by the Public Finance Regulations, 2015. Development expenditure for the MTEF FY 2024/25 is expected to remain above the legal limit of 30%. The actual expenditures, budget estimates and proposed projections are illustrated in Table 12, FYs 2022/23 – 2026/27.

Table 12: Actual and Projected Development Expenditure 2022/23-2026/27

Financial Year	Actual Expenditure	Budget Estimates	Projections		
	2022/23 FY Actual Expenditure	2023/24 FY Approved Budget Estimates	2024/25 FY Proposed Estimates	2025/26 FY Projections	2026/27 FY Projections
Total Expenditure	5,260,849,525	6,322,187,822	6,034,429,854	6,336,151,347	6,652,958,914
Development	918,047,103	2,521,033,319	1,922,850,751	2,018,993,288	2,119,942,953
Development as % of CG Total Revenue	17%	40%	32%	32%	32%

The figure below shows a graphical representation of the development expenditure

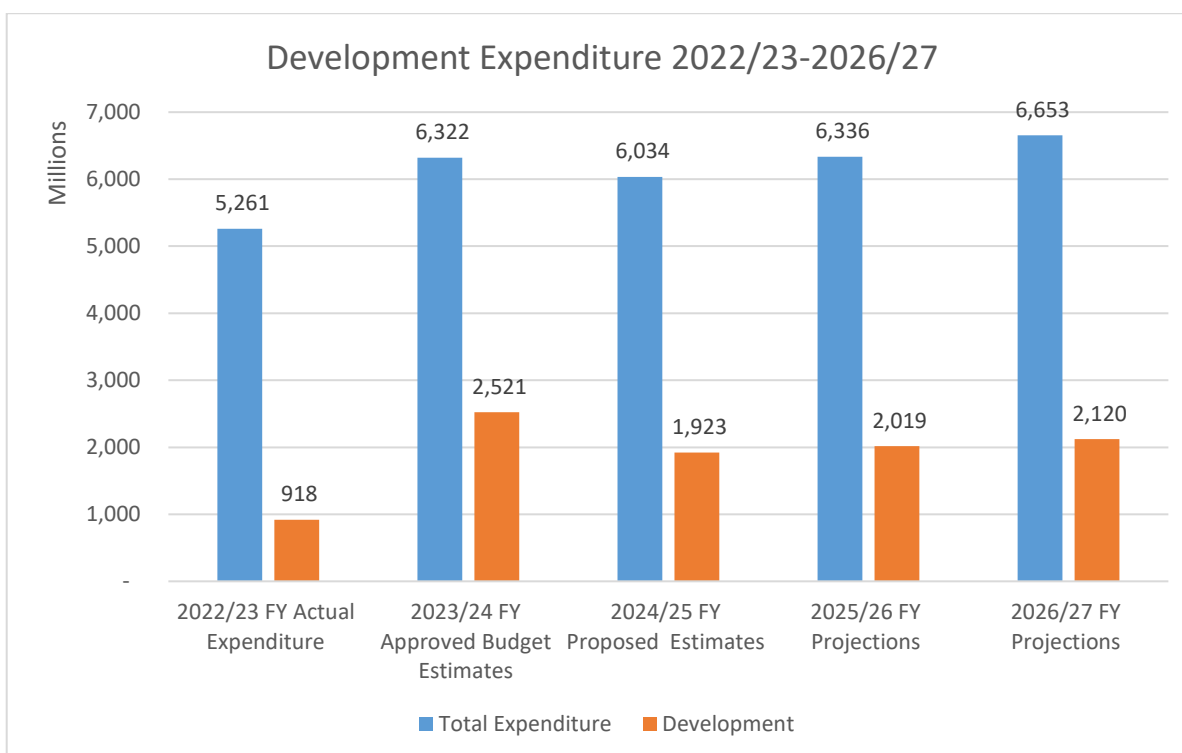


Figure 7: Actual, Budget Estimates and Projected Development Expenditure 2022/23 – 2026/27

### 3.4.5 Fiscal Balance and Deficit Financing

As enumerated in the fiscal responsibility principles in section 3.3.1, the County will maintain a balanced budget with the revenues covering all expenditures. Any revenue shortfalls will be addressed through the Supplementary Estimates.

### 3.5 Summary

Subsequent projections have shown gradual increments of the total County budget, from KShs 3 billion to KShs 6 billion over a five-year period. The successful implementation of this budget framework will be determined by the prudent management of fiscal risks discussed in previous chapters.

## CHAPTER FOUR: MEDIUM TERM EXPENDITURE FRAMEWORK

### 4.0 Overview

The FY 2024/25 budget and the Medium-Term Budget Framework (MTEF) the sector will play a key role in delivery of the Government’s Bottom-up Economic Transformation Agenda for attainment of higher and sustained economic growth. As a driver, the Sector will undertake targeted investments in manufacturing, agro-processing industry, growth, and promotion of MSMEs; Establishment of County Aggregation and Industrial Parks (CAIPs). As an enabler, the sector will create a conducive environment for business, mobilize resources for investments and industrial development. The sector will also implement other earmarked priority programmes such as: Modernization of processing/ storage facilities and enhancement of value addition; Promotion, aggregation, and value addition for smallholder tea growers; National feed subsidy; Establishment of aggregation centres and export warehouses.

### 4.1 Resource Envelope

The County Government will endeavour to mobilize resources to fund its budgetary requirements in key priority areas of agricultural productivity, improved healthcare, sustainable infrastructure, socioeconomic empowerment, improved natural resource management and skills development. In the coming financial year, the available resources for allocation will be KShs 6,162 million, comprising KShs 450 million from its Own Revenue Sources, KShs. 4,578.6 as Equitable Share and KSH 1,133.7 as Loans and Grants.

Table 13: Resource Envelope for FY 2022/23-2024/25

Details	2022/23 FY Actual Expenditure	2023/24 FY Approved Budget Estimates	2024/25 FY Projections	% 2024/25 Total
Equitable share	4,735,316,176	4,378,234,821	4,438,768,407	73.6%
Grants	238,795,699	1,543,953,001	1,145,661,447	19.0%
Own Source revenue	286,737,650	400,000,000	450,000,000	7.5%
<b>TOTAL</b>	<b>5,260,849,525</b>	<b>6,322,187,822</b>	<b>6,034,429,854</b>	<b>100.0%</b>

### 4.2 Spending Priorities

#### 4.2.1 Details of Sector Priorities

##### 4.2.1.1 Agriculture and Rural Development sector

The sector is a major player in the delivery of national development agenda as envisaged in Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (2022-2027). It is also one of the major contributors to SDG No.1 on Ending poverty in all its forms everywhere and No. 2 on Ending hunger, achieving food security and improved nutrition, and promoting sustainable

agriculture. Further, the sector contributes to economic and socio-economic growth through creation of job opportunities and wealth in the country.

The sectors main goal is to increase agricultural production and productivity by providing high quality, innovative and competitive agriculture related services for food and nutrition security and increase in household incomes. The sector comprises of the crop production, Livestock and veterinary services, Fisheries and ecosystem as well as the lands and physical planning sub-sectors.

The sector has faced a number of challenges that include inadequate storage and preservation facilities that have resulted to high post-harvest losses of up to 30%, poor breeds and breeding practices, inadequate personnel, inadequate capacity building opportunities for both the farmers and staff, overreliance on rain fed agriculture, poor exploitation of agribusiness opportunities, inefficient land use and administration among others.

The sector intends to address these challenges by continuously investing heavily in Provision of High quality accessible and affordable farm inputs; Revitalization of industrial crops including coffee and rehabilitation of tea buying centres; operationalization of the ATI by carrying out training activities; increased value chain development by implementing the NAVCDP, ELRP and the ABDP programmes, development and promotion of cooperative societies; Implementation of the artificial insemination and breeding programme; continued disease and pest control and surveillance; increased provision of extension services and improve the mobility for extension staff .

To implement the above interventions, the sector has a total resource allocation of KShs 626 million, with a recurrent expenditure allocation of KShs. 223 million and a development expenditure allocation of KShs. 402 million. The crop production sub-sector has been allocated KShs. 129.1 million for recurrent expenditure and KShs 360 million as development expenditure. These development expenditures include KShs 151.5 million for the NAVCDP programme, KShs 104.6 million for ELRP, KShs 11.9 million for the Kenya Agri-business Development Program (KABDP) and KShs. 90.4 million for the crop subsidy programme, renovation of tea buying centres and operationalization of the ATI. The livestock and veterinary sub-sector have been allocated KShs 93 million recurrent and development while the fisheries and ecosystem management sub sector will have KShs 43.8 million in the next financial year.

#### **4.2.1.2 Health sector**

The government endeavours to put in place investments that will lead to provision of quality health services to all its people. The Health Sector is an important contributor to the national economic growth through ensuring that families are productive and live a healthy life. The

government has continuously increased resources towards the health sector to improve quality and bring health care closer to the people for sustainability of the nation's human capital base.

The county sector's vision is to have a county free from preventable diseases and ill health which will be achieved through provision of effective leadership and participation in provision of equitable, responsive, accessible, and accountable high quality health care services to the Citizens.

During the medium-term period the government will pay special attention to the following priorities in health sector as outlined in our CIDP III: Strengthen the county Referral and emergency services including the equipping of the HDU and ICU at Chuka Level V hospital, Infrastructure development for health (Establishment of Kathwana level IV hospital, Completion of ongoing health facilities), Upgrading of specific health centres to subcounty facilities in those without level IV hospitals, Human resource development for health through Recruitment of specialized personnel as well as training and capacity building of the healthcare workers.

To ensure that these priorities are well implemented, the sector has been allocated KShs 1,984.4 million, comprising of KShs 1,914.4 million as recurrent and KShs 70 million as development. This total allocation accounts for 33% of the total county budget allocations for the FY 2024/25. The medical services sub-sector has been allocated KShs. 1,598.6 for recurrent expenditure and KShs.70 million for development expenditure totalling to 1,668.6 million. The public health and sanitation sub-sector has been allocated 315.7 million to cater for both recurrent and development expenses. The allocation includes the conditional grant to support the community health promoters. The implementation of the managed equipment services is not yet with negotiations between the counties and the national government ongoing on the way forward.

#### **4.2.1.3 Roads, Transport, Infrastructure and Urban Development**

Resilient infrastructure is key aspect to development and transformation. In quest to transform the economy of our county, the County Government will ensure there is reliable road infrastructure by investing in Road Construction and Maintenance to ensure safe and efficient transportation.

For resilience, the focus shall be on climate smart infrastructure and use of modern methods such as low volume seal tarmacking for sustainability and cost effectiveness. County will ensure that more roads are upgraded to bitumen standards and the ongoing roads are complete to enhance durability and sustainability.

For easy accessibility, safe and efficient transportation, more roads will be opened, expanded, and maintained. Murraming, grading and gravelling will be done to all major and ward roads for interconnectivity. To ensure citizens access basic services effectively and efficiently, proper linkages is essential, which is achieved by bridges and footbridges. To realize that the government will be set aside funds for bridges, foot bridges and other civil works. This will see to it that the distance covered to access different services is significantly reducing, saving both time and cost. County Government will heavily invest in empowering all traders and transforming the economy by creating an enabling environment to foster socio-economic growth. This will be achieved by ensuring modern and standard market infrastructure such as modern markets, floodlights, Bodaboda sheds and all other necessary infrastructure are in place as well as promote the growth of the municipalities.

To shape the growth and functionality of markets, towns, and municipalities with the aim to improve the quality of life for their inhabitants, the County Government will invest in careful planning and management of land use, transportation, public spaces, and essential services to meet the current and future needs of the populations. Transportation and mobility will be enhanced by developing efficient, resilient, and durable public transportation infrastructure in towns and markets.

To enhance community well-being, designing and maintaining public parks, playgrounds, and recreational facilities will also be a major activity as well as ensuring the sector has been allocated a total KShs 977.1 comprising KShs 256.3 for recurrent and KShs 720.9 million for the development, which is inclusive of development grants totalling to KShs 330.7 million meant for invest in climate smart market infrastructure, both transport and markets infrastructures. Out of the total sector allocation, the ICT Sub-sector has been allocated KShs 37.9 million as recurrent expenditure.

#### **4.2.1.4 Water Environment and Natural resources**

The sector contributes directly and indirectly to the economy through revenue generation, wealth creation and job creation. The sector plays a critical role in securing, stewarding, and sustaining the environment and natural capital of the Country. The sector has a great potential in contributing to transforming Kenya into an industrialized country. According to the Economic Survey report 2023, the contribution of the sector to the Gross Domestic Product (GDP) was 3.6 percent for the year 2022.

During FY 2024/25 and the medium-term key outputs for the Sector include climate change mitigation and adaptation, rehabilitation of 15 rural water schemes, rehabilitate 20 community

boreholes, protect 15 springs, and establish 6 irrigation projects. Under the environment and natural resources, the priority will be in addressing climate change issues and environment management and conservation. To enhance forest, cover the sector will produce 1,000 Kgs of seeds to support in the Tree planting programme; distribute 1,000 Kgs of seeds; produce 4 million tree seedlings; refurbish and establish 3 tree nurseries; rehabilitate 500 Ha of degraded forests and establish 10 Ha of forest plantations. To achieve the set targets the sector has been allocated KShs 380.8 million in the FY 2024/25. Out of this amount KShs 94.8 million will be utilised for recurrent expenditure and KShs 286 million for development expenditure.

#### **4.2.1.5 Education and Social Services Sector**

Education and Social Services sector comprises of four subsectors (departments): Education and vocational training; Gender children and social services; Culture and tourism and Youth and sports. In the FY 2024/25, the total sector's budget will be KShs. 381.3 million with KShs. 301.3 million allocated for recurrent expenditure while KShs. 80 million for development expenditure.

Education and Vocational Training will be allocated KShs. 244.6 million, of which KShs. 204.6 million will be for recurrent expenditure while KShs. 40 million will be development expenditure. The subsector will employ various strategies in investing resources in major priorities derived from community needs. Major priorities include provision of bursaries, construction and equipping of ECDE classes, refurbishment, and rehabilitation of YPs and provision of learning/training materials.

Gender, Children and Social services will prioritise in provision of assistive devices for PWDs, creation of awareness on FGM and drug substance, children protection, profiling of gender data and gender mainstreaming programs. To actualize these priorities, the sub sector will be allocated KShs. 38.6 million in the FY 2024/25 with KShs 10 million towards supporting the establishment of a rescue facility in the county.

Culture and tourism sub sector will receive a budget of KShs. 31.2 million in the FY2024/25. Key among the sub sector's priorities for the financial year include development and diversification of tourism products through Mt. Kenya route improvement and marketing, tour guides and porters training, branding of tourists' sites and development of county tourism policy. Promotion of cultural heritage will be a key priority for the department as well.

Youth and sports department will be allocated a total of KShs. 66.9 million in FY2024/25. KShs. 36.9 million will be for recurrent expenditure while KShs. 30 million will be spent on development. The sub sector will invest in promoting sports activities by constructing sports stadia, provision of sporting equipment, holding sports clinics and events and training of sports officials.

#### **4.2.1.6 Public Administration, Finance and Economic Planning Sector**

Public administration, finance and economic planning sector mandates are to; coordinate participation of communities and locations in governance at the local level oversight; Provide policy direction; Prudent public finance management for transparency and accountability; Coordinates County and Sectoral development plan; Management of population policy; Ensures effective and efficient County public service through staff capacity building, as well as the development of a sound legislative and regulatory framework.

The sector comprises of public service management, devolution affairs and intergovernmental coordination, finance and economic planning, human resource management development, legal affairs, disaster management and County Assembly.

The following are key challenges in the Sector; Resource constraints in fully exploiting the benefits of performance contracting; Lack of a measuring index to adequately evaluate the impact of the various initiatives on improving professionalism; Weak monitoring of implementation of key strategies to ensure emerging issues are considered; Some of the institutions have not devolved their services fully to county level.

In the FY 2024/2025 the sector will focus on the following: Coordination of government functions construction and renovation of sub county and ward administration offices; Finalizing and approval of the civic education and public participation bill and developing functional departmental organograms. The sector has been allocated of KShs 1,120.4 million comprising KShs 109.4 million allocated to the Office of the Governor, KShs176.4 million for Public Administration and Devolution Affairs, KShs 181.2 million allocated to the Finance and Economic Planning, KShs 584.3 million for the County Assembly, KShs 34.7 for the offices of the County Secretary and the County Attorney whereas KShs 34.1 million allocated to the County Public Service Board.

#### 4.2.1.7 General Economics and Commercial Affairs

The General Economic and Commercial Affairs (GECA) Sector comprises six subsectors namely: Cooperatives; Trade; Industry; Investment Promotion, Tourism, Revenue, and resource mobilization.

During the MTEF period 2020/21 - 2022/23 the sector implemented programmes and sub programmes which resulted to remarkable achievements that include: Automation of revenue streams, Resource mobilization, Inspection and calibration of Weight and measure Machine, trained Farmer's Producer Organizations (FPOs), linked farmers in accessing better markets such as East Africa Breweries Limited (EABL), Farm Shine Exporters and Grain Connection Exporters to sell their farm produce.

The following are challenges that affect the sector; Delayed disbursement of funds by National Treasury hampering service delivery; Inadequate funds to finance projects as planned due to low budget ceiling; High inflation that affects planned cost causing strain of Focus on paying accruing pending bills, hence hindering development.

During the FY 2024/2025 and MTEF period 2024/25 - 2026/27 the sector will play a key role in delivery of the Government manifesto and clarion call *'leaving no one behind'* as outlined in this CFSP and the Third CIDP and other government strategic interventions for attainment of higher and sustained economic growth. As a driver, the Sector will undertake targeted investments in agro-processing industry, growth, and promotion of MSMEs. As an enabler, the sector will create a conducive environment for business, mobilize resources for investments and industrial development, promote sustainable tourism, deepen the Inter- County integration, and promote equitable socio-economic basin- based development.

The sector will also implement other earmarked priority programmes such as: fairs and trade exhibitions, Enabling fair business practise by improved accuracy and precision(Consumer protection); To create a fair enabling and conducive environment for traders; Establishment of County Aggregation and Industrial Parks (CAIPs) that will provide storage facilities and enhancement of aggregation and value addition for bananas, green grams, milk, mangoes, honey, avocado, oil seeds, and nuts to elevate existing small and scattered ventures , providing farmers with a competitive edge in accessing better markets regionally and globally; opportunities for dairy value chain; Promotion of Linkage of small enterprises to large enterprises; Formation of Business Producer group, Policy Regulation, Sustainable Energy,

Mobilize funds from development partners, Fully automate own source revenue, Diversify revenue streams and Review policy on land rate.

To implement the above interventions, the sector has a resource allocation of KShs 471.2 million. This comprises of KSh118.33 million for Revenue and Resource mobilization and KShs 352.83 million for Trade, investment promotion, Energy, and Industry

#### **4.2.1.8 Lands and physical planning**

Land ownership and living conditions is an issue my administration is keen on. We embarked on Improvement of Informal settlement at Chuka (Chuka Muslim Village) and now in process of improving Marimanti town.

To fight land dispute and promote land use and ownership, the County Government will work together with donors and National Government to conduct land subdivision and processed title deeds for different individuals and institutions. For effective, efficient, accessible, and integrated land services, in collaboration with FAO the county government is committed digitizing and digitalizing land records and services through Digital Land Governance Programme.

For affordable and accessible housing, land tenure, effective and efficient land services, KShs 93 million will be set aside in the FY 2024/2025 to ensure all the set goals are achieved, which is inclusive of both KShs 38 million development and 55 million for recurrent. The development allocation includes KShs 28 million for the completion of the County executive block construction grant.

#### **4.2.2 Criteria for Resource Allocation**

The following criteria guided the allocation of resources within the county entities for FY 2024/25 and over the medium term:

- i. Linkage of the programme with the priorities of County Integrated Development Plan III under the leaving no one behind development agenda.
- ii. Linkage of programmes with the value chains of the Bottom-Up Economic Transformation Agenda priorities.
- iii. Extent to which the programme seeks to address viable stalled projects and verified pending bills.
- iv. Cost effectiveness and sustainability of the programme.
- v. Requirements for furtherance and implementation of the fiscal responsibility principles.
- vi. Linkage of programmes that support mitigation and adaptation of climate change.
- vii. Degree to which a programme addresses job creation and poverty reduction.
- viii. Expected outputs and outcomes from a programme.
- ix. Requirements for furtherance and implementation of existing policies and legal frameworks.

### **4.2.3 Sectoral Ceilings**

The baseline estimates reflect the current departmental spending levels in sector programmes.

- a. In the recurrent expenditure category, non-discretionary expenditures take first charge. These include payment of pending bills, salaries, and pensions.
- b. Development expenditures have been allocated based on the county priorities. The following criteria was used in apportioning capital budget:
  - i. Completion of ongoing projects.
  - ii. Key County functions: Emphasis was given to completion of on-going capital projects and in particular infrastructure projects under the 14 county functions.
  - iii. Counterpart funds: Adequate allocations for donor counterpart funds which is the portion that the government must finance in support of the projects financed by loans and grants.

### 4.3 Medium Term Expenditure Estimates

The summary of indicative departmental ceilings for FY 2024/25 is as indicated in table 14 and informs the Sector Ceilings for FY 2024/25 and MTEF as shown in table 15 below.

Table 14: Departmental Ceilings

Department	PE	O&M	Grants - Rec	Total Rec	Ord. Dev	Grants - Dev	Total Dev	Grand Total
Agriculture and Crop Production	96,177,840	32,964,500	-	129,142,340	90,364,592	269,819,741	360,184,333	489,326,673
Livestock and Veterinary Development	55,091,264	17,892,191	-	72,983,455	20,000,000	-	20,000,000	92,983,455
Fisheries and Ecosystem management	12,500,000	8,500,000		21,000,000	10,000,000	12,810,384	22,810,384	43,810,384
County Assembly	-	564,292,000	-	564,292,000	20,000,000		20,000,000	584,292,000
County Public Service Board	17,233,400	16,900,000	-	34,133,400	-	-	-	34,133,400
Office of Governor and Deputy Governor	35,614,700	73,960,200		109,574,900	-	-	-	109,574,900
Office of the County Secretary and County Attorney	22,400,300	12,300,500		34,700,800			-	34,700,800
Public Administration and Devolution Affairs	102,604,300	31,350,000	37,500,000	171,454,300	5,000,000	-	5,000,000	176,454,300
Finance and Economic Planning	78,547,000	102,682,900	-	181,229,900	-	-	-	181,229,900
Education and Vocational Training	153,921,723	50,701,700	-	204,623,423	40,000,000	-	40,000,000	244,623,423
Gender, children, and Social Services	18,600,000	10,000,000	-	28,600,000	10,000,000	-	10,000,000	38,600,000
Culture and Tourism	19,200,000	12,000,000	-	31,200,000	-	-	-	31,200,000
Youth and Sports	25,340,800	11,548,000	-	36,888,800	30,000,000	-	30,000,000	66,888,800
Lands and Physical planning	38,678,000	16,287,473	-	54,965,473	10,000,000	28,000,000	38,000,000	92,965,473
Medical Services	1,297,799,066	300,839,028	0	1,598,638,094	70,000,000	-	70,000,000	1,668,638,094
Public Health and Sanitation	233,526,400	46,481,000	35,775,288	315,782,688	-	-	-	315,782,688
Information Communication Technology	15,600,500	22,345,600	-	37,946,100	-	-	-	37,946,100
Roads, Infrastructure, Public Works, and Urban Development	52,400,400	130,985,000	35,000,000	218,385,400	390,100,000	330,756,034	720,856,034	939,241,434
Revenue and Resource Mobilization	96,009,000	22,325,200	-	118,334,200	-	-	-	118,334,200
Trade, investment promotion, Energy and Industry	34,101,480	18,730,400	-	52,831,880	50,000,000	250,000,000	300,000,000	352,831,880
Water Services and Irrigation	38,253,750	22,950,200	-	61,203,950	90,000,000	-	90,000,000	151,203,950
Environment and Natural resources	17,400,000	16,268,000	-	33,668,000	50,000,000	146,000,000	196,000,000	229,668,000
<b>Total</b>	<b>2,460,999,923</b>	<b>1,542,303,892</b>	<b>108,275,288</b>	<b>4,111,579,103</b>	<b>885,464,592</b>	<b>1,037,386,159</b>	<b>1,922,850,751</b>	<b>6,034,429,854</b>

Tharaka Nithi County Fiscal Strategy Paper, 2024

*Table 15: 2024/25 Sector Ceilings*

<b>Sector</b>	<b>PE</b>	<b>O&amp;M</b>	<b>Grants - Rec</b>	<b>Total Rec</b>	<b>Ord. Dev</b>	<b>Grants - Dev</b>	<b>Total Dev</b>	<b>Grand Total</b>
Health Services	1,531,325,466	347,320,028	35,775,288	1,914,420,782	70,000,000	-	70,000,000	1,984,420,782
Public Administration	256,399,700	801,485,600	37,500,000	1,095,385,300	25,000,000	-	25,000,000	1,120,385,300
Infrastructure and ICT	68,000,900	153,330,600	35,000,000	256,331,500	390,100,000	330,756,034	720,856,034	977,187,534
Agriculture and Rural Development	163,769,104	59,356,691	-	223,125,795	120,364,592	282,630,125	402,994,717	626,120,512
Lands and physical planning	38,678,000	16,287,473	-	54,965,473	10,000,000	28,000,000	38,000,000	92,965,473
Education and Social Services	217,062,523	84,249,700	-	301,312,223	80,000,000	-	80,000,000	381,312,223
Water, Environment and Natural Resources	55,653,750	39,218,200	-	94,871,950	140,000,000	146,000,000	286,000,000	380,871,950
General Economic and Commercial Affairs	130,110,480	41,055,600	-	171,166,080	50,000,000	250,000,000	300,000,000	471,166,080
<b>Total</b>	<b>2,460,999,923</b>	<b>1,542,303,892</b>	<b>108,275,288</b>	<b>4,111,579,103</b>	<b>885,464,592</b>	<b>1,037,386,159</b>	<b>1,922,850,751</b>	<b>6,034,429,854</b>

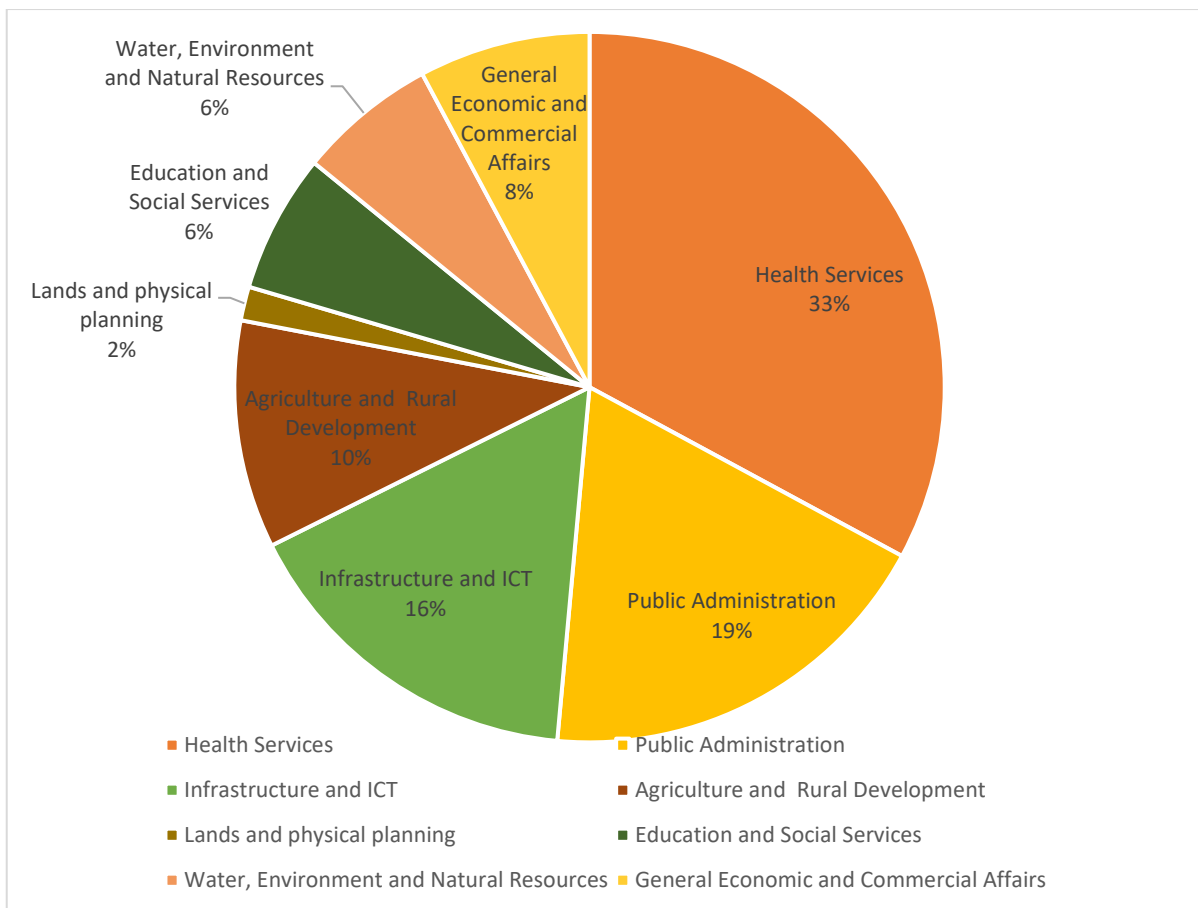


Figure 8: Pie Chart Presentation of Sector Allocation % of Total Expenditure

The overall expenditure and allocations in terms of percentages as per the sectors in this CFSP is well indicated in the above pie chart. The top five sectors in terms of allocation are health which takes the biggest share at (33%) followed by public administration (19%), infrastructure and ICT (15%) and Agriculture and Rural Development sector (10%).

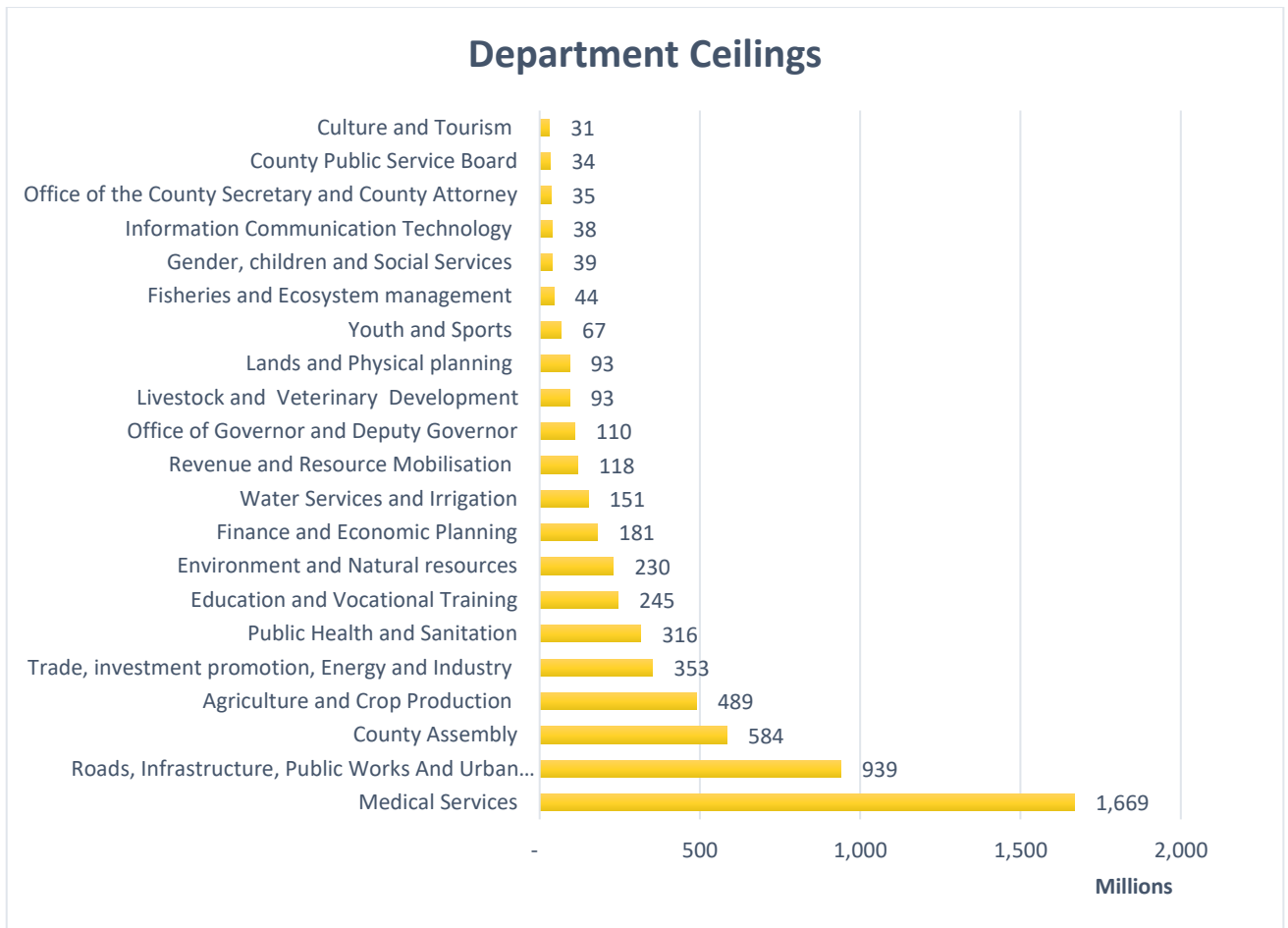


Figure 9 : Graphical Presentation of the departmental Allocations.

## **CHAPTER FIVE: CONCLUSION AND NEXT STEPS**

The overall expenditure in this CFSP as outlined in MTEF framework has grown moderately considering the minimal growth in the annual revenues. The critical sectors and programs will continue to receive a significant share of resources as well as capital investments as contributions to the growth objectives. The CFSP 2024 has detailed the set of fiscal policies that are aimed at completing ongoing projects in addition to the fiscal responsibility principles entrenched in the PFM Act, 2012. The overall strategy is consistent with the national strategic objectives that will accelerate economic recovery to improve livelihoods.

Budgetary resources are usually limited; thus, it is imperative that departments prioritize their programmes within the available resources to ensure that utilization of public funds are in line with County Government priorities. Departments need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocating resources. Priority should be given to any stalled projects and the recently initiated but still on-going projects. The departments should also pay attention to estimated requirements for each of the stages in the project cycle to ensure that the budget amounts are based on clear timelines and milestones. There is need to ensure that recurrent resources are being utilized efficiently and effectively before funding is considered for ordinary programmes.

Monitoring and Evaluation will play a critical role in tracking the implementation of the projects and programmes envisaged in this document and strengthen the County 's capacity to deliver services to its residents. Monitoring and evaluation will involve the tracking of activities, tracking of budget usage, the assessment of performance and putting in place strategies and actions for the attainment of results. Proper implementation of the budget is critical towards providing services that will promote sustainable development. Sustainability requires greater effort from all the stakeholders including County Government departments, sector working groups, civil societies, communities, County Assembly, and development partners to get things done. This means providing for continuous consultations with each other, finding solutions and encouraging innovation to build a sustainable County.