
THE REPUBLIC OF KENYA



COUNTY GOVERNMENT OF THARAKA NITHI

**COUNTY BUDGET REVIEW AND OUTLOOK
PAPER**

SEPTEMBER 2024

© County Budget Review and Outlook Paper (CBROP) 2024

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2024 is prepared in line with section 118 of the Public Finance Management (PFM) Act 2012 which requires the county Government to prepare a budget review and outlook paper covering every financial year and submit it to the County Executive Committee by the 30th date of September for review and approval. The 2024 CBROP has been prepared to cover the implementation of priority programmes, policies, and reforms to represent the National Government Bottom-Up Economic Transformative Agenda (BETA) that is also reflected in the Third generation County Integrated Development Plan (CIDP III 2023-2027)

CBROP 2024 reviews fiscal performance of the county for FY 2023/24 against the budget appropriation. In addition, it provides information on the dynamics in predictions as portrayed in the County Fiscal Strategy Paper (CFSP) 2023 and how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility aspirations or the county financial obligations and plans for that year. It further gives reasons for any deviation from the county's financial objectives in the immediate fiscal strategy paper and recommendations to work on the shortcomings. The updated economic and financial outlook presented in this paper spells an expanded fiscal parameter for drafting the next budget.

Moreover, I look forward to the usefulness of the policy paper in supporting and molding financial discipline and fiscal responsibilities as indicated in section 107 of the PFM Act 2012 and will enhance the realization and aspirations of the great people of Tharaka Nithi County.



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ACKNOWLEDGEMENT

The preparation of the CBROP 2024 has been prepared in pursuit of the PFM Act of 2012 and the PFM (County) Regulations of 2015. This CBROP is part of the early deliverables in the budget cycle under the 2025/2026-2027/2028 MTEF period. It shows the details of the actual fiscal for the FY 2023/2024 compared to the budget appropriation for the year.

The successful preparation of this document was a result of well-coordinated efforts from different individuals in the County Government. I express my special appreciation to H.E the Governor, Hon Muthomi Njuki and the Deputy Governor Hon Muisraeli Nyaga for their support and great leadership in the preparation and finalization of this CBROP 2024. Special appreciation to the Count Executive Committee Member for Finance, Economic planning, Revenue and Resource mobilization Mr Lawrence Rweria for his great support during the preparation of this document. Other County Executive Committee members, County Chief Officers and the sector working group members who played a key role in the preparation of the CBROP. Thanks too to the County Budget and Economic Forum (CBEF) members who played a key role through consultations and providing their vital inputs towards the development of this document.

Finally, my special appreciation to the Budget and Economic planning team led by Director Budget and Economic Planning, Mr. Lawrence Micheni; Assistant Director Budget Mr. Dennis Kwendo; Assistant Director Economic Planning Madam Josephine Mumbua; Technical advisor to the governor Madam Rachel Kimani; Economists/Statisticians Pamela Gakii, Nathan Mwiti; Finance Officer Refflid Njeru; Monitoring and Evaluation officer Nancy Kananu and the Public Participation Officer Michael Kimathi for tirelessly working around the clock to collect, collate and compile all the required information that has been used to develop this document.



**MR. KINYUA KABINGA,
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ABBREVIATIONS AND ACRONYMS

ABDP	Aquaculture Business Development Programme
ADP	Annual Development Plan
ASALs	Arid and Semi-Arid Lands
ASDSP	Agriculture Sector Development Support Programme
BETA	Bottom-up Economic Transformative Agenda
BPS	Budget Policy Statement
CA	County Assembly
CAPR	County Annual Progress Report
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBR	Central Bank Rates
CBROP	County Budget Review and Outlook Paper
CCTV	Closed Circuit Television
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CG	County Government
CHP	Community Health Promoters
CIDP	County Integrated Development Plan
CO	Chief Officer
CORe	County Own Revenue
COVID	Corona Virus Disease
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agencies
DMS	Debt Management Strategy
DoRA	Division of Revenue Act
ELRP	Emergency Locust Response Project
FIF	Facility Improvement Fund
FLLoCA	Financing Locally Led Climate Actions
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Finance Systems
IBEC	Intergovernmental Budget and Economic Council
ICT	Information, Communication Technology
KCSAP	Kenya Climate Smart Agriculture Project
KDSP	Kenya Devolution Support Project
KES/KShs	Kenya Shillings
KISIP	Kenya Informal Settlement Improvement Project
KUSP	Kenya Urban Support Programme
K-WASH	Kenya-Water Sanitation and Hygiene
M&E	Monitoring and Evaluation
MSMEs	Micro Small and Medium Enterprises

MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NAVCDP	National Agriculture Value Chain Development Project
OSR	Own Source Revenue
PFM	Public Finance Management
PWDs	Persons With Disabilities
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
SWGs	Sector Working Groups
UHC	Universal Health Coverage
UK	United Kingdom
USA	United States of America
WB	World Bank

TABLE OF CONTENTS

FOREWORDiii

ACKNOWLEDGEMENTiv

ABBREVIATIONS AND ACRONYMS v

TABLE OF CONTENTS vii

LIST OF TABLES ix

LIST OF FIGURES..... x

LEGAL BASIS FOR PREPARATION OF CBROP..... xi

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENTxii

SECTION I: INTRODUCTION 1

 1.1 Objective of CBROP 1

 1.2 Significance of CBROP..... 2

 1.3 Structure of the CBROP 2

SECTION II: REVIEW OF COUNTY FISCAL PERFORMANCE IN FY 2023/24 1

 2.1 Overview 1

 2.2 Fiscal Performance for FY 2023/24 1

 2.2.1 County Own Source Revenue Performance 2

 2.2.2 Conditional Loans and Grants 3

 2.2.3 County Expenditure Performance..... 6

 2.2.4 Adherence to Fiscal Responsibility Principles 11

 2.3 Fiscal balance (or net position): 12

 2.4 Implications for the FY 2023/24 Performance 12

SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK 14

 3.0 Overview 14

 3.1 Recent Economic Developments..... 14

 3.2 Progress report on budget implementation..... 17

 3.3 County Economic Outlook and Policies..... 18

 3.4 Medium Term Fiscal Framework 21

 3.5 Risks to the Outlook 23

SECTION IV: RESOURCE ALLOCATION FRAMEWORK..... 25

4.1 Adjustment to the 2024/25 FY Budget.....	25
4.2 Medium Term Expenditure Framework.....	25
4.3 Proposed 2025/26 Budget Framework.....	26
4.3.1 Revenue Projections.....	26
4.3.2 Expenditure Forecasts.....	29
4.4 Projected fiscal Balance (deficit) and likely financing.....	32
4.5 Pending Bills.....	32
SECTION V: CONCLUSION.....	34
ANNEXURES.....	36
Annex I: Budget Calendar for the FY 2024/25.....	36
Annex II: Revenue Performance per Stream and location.....	38

LIST OF TABLES

Table 1: Revenue Performance 2023/24 1

Table 2: Top Ten Revenue Streams 3

Table 3: Summary Release of Conditional Loans and Grants 5

Table 4: Expenditure by type 6

Table 5: County Executive and County Assembly Expenditure..... 6

Table 6: County Expenditure Performance by Economic Classification..... 7

Table 7: Absorption Rates by Sectors 2023/24 FY 9

Table 8:Absorption rates by Department 2023/24 FY 9

Table 9: Adherence to Fiscal Responsibility Principles 12

Table 10: MTEF Revenue Projections by source 2022/23-2027/28..... 26

Table 11 : Revenue and Expenditure Projections 2023/24-2027/28..... 28

Table 12: Summary of Actual and Projected Expenditure MTEF..... 29

Table 13:Summary of Indicative departmental Ceilings for the MTEF Period 2023/24- 2027/28 30

Table 14: Summary of Indicative Sector Ceilings 31

Table 15: Recurrent and Development Expenditure 2023/24-2027/28 32

LIST OF FIGURES

Figure 1: Fiscal Performance for FY 2023/24 1

Figure 2: Comparison of recurrent expenditure for FYs 2022/23 and 2023/24..... 8

Figure 3: Annual Real GDP Growth Rates, percent 16

Figure 4: Revenue Projections FY 2022/23-2027/28..... 27

LEGAL BASIS FOR PREPARATION OF CBROP

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

- 1) A County Treasury shall
 - a. Prepare a CBROP in respect of the County for each year; and
 - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year.
 - b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP)
 - c. Information on:
 - (i) Any changes in the forecasts compared with the CFSP; or
 - (ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and
 - d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.
- 3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall
 - a) Arrange for the Paper to be laid before the County Assembly; and
 - b) As soon as practicable after having done so, publish and publicise the Paper.

FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC

FINANCIAL MANAGEMENT

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

(1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2) and shall not exceed the limits stated in the regulations.

(2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:

- a. The County Government's recurrent expenditure shall not exceed the County Government's total revenue.
- b. Over the medium term, a minimum of thirty (30) per cent of the County government's budget shall be allocated to the development expenditure.
- c. The County Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.
- d. Over the medium term, the Government's borrowing shall be used only for the purpose of financing development expenditure and not for recurrent expenditure. However, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
- e. The County debt shall be maintained at a sustainable level as approved by the County Assembly.
- f. The fiscal risks shall be managed prudently; and
- g. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

SECTION I: INTRODUCTION

The County Budget Review and Outlook Paper is a backward- and forward-looking document that provides a strong platform for sound budget planning for the county. It is mandatory and a key document in linking policy, planning and budgeting. Its objective is to provide a review of the previous year's county government fiscal performance and how this impacts its financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper (CFSP).

The 2024 County Budget Review and Outlook Paper (CBROP) is prepared in line with Chapter 11 of the Constitution of Kenya 2010, Sections 102 and 105 of the County Government Act, 2012 and Section 118 of the Public Finance Management (PFM) Act, 2012. Chapter Five of the County Budget Operations Manual, 2014 outlines the structure of the CBROP. The 2024 CBROP evaluates the fiscal performance for FY 2023/24, discusses the macro-economic outlook of the county and sets the Medium-Term Expenditure Framework (MTEF) for FY 2025/26-2027/28.

Moreover, the document provides details on adjustments in the financial forecast as projected in the CFSP 2024 and how the previous year's performance will affect the fiscal responsibility principles and county government financial objectives. The paper gives justifications for deviations and the mitigation measures for the fiscal risks to the outlook.

1.1 Objective of CBROP

The broad objective of CBROP is to provide a review of the previous year's fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in CFSP 2025. The specific objectives are:

- i. To provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility.
- ii. To provide an analysis of actual fiscal performance in FY 2023/24 compared to the budget appropriation.
- iii. To establish deviations in the forecasts compared with the CFSP 2024.
- iv. To evaluate the financial performance for FY 2023/24 and how it affected compliance with the fiscal responsibility principles, or the financial objectives as set out in the CFSP 2023.

- v. To provide explanations for any deviation from the financial goals in the CFSP 2024 together with measurable plans to address the change indicating the time frame in achieving the same.

1.2 Significance of CBROP

The paper is a policy document that links planning and budgeting processes. The CBROP gives a detailed analysis of actual fiscal performance in FY 2023/24 compared to the budget appropriation for the same year. CBROP is significant in the budget preparation process, especially regarding the Medium-Term Expenditure Framework (MTEF) within which the government's planning, budgeting and execution of its programmes is managed. The document reviews the previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were observed as per section 107 of the PFM Act 2012. Consequently, the macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2025/26 budget and in the medium term, to guide the Sector Workings Groups (SWGs) before being incorporated into the County Fiscal Strategy Paper 2025.

1.3 Structure of the CBROP

This CBROP is presented in five key sections. The first section introduces the CBROP by outlining its objectives, significance and structure of the document. Section two details the county's fiscal performance for the FY 2023/24 and its implications on the financial objectives set out in the last Medium Term Expenditure Framework (MTEF). It is presented in three sub-sections, the overview, fiscal performance and implications of fiscal performance for the FY 2023/24. The third section highlights the recent economic developments, the Medium-Term Fiscal Framework and Risks to the Outlook. It's made to turn the attention from the past to the present time and the immediate future.

The fourth Section outlines the county government resource allocation framework. It sets out how the government intends to allocate its resources by setting expenditure limits or ceilings for each department. The final section provides a conclusion of the entire paper. It sets to reaffirm that the set of policies outlined in this C-BROP:

- (a) Reflect on the changed circumstances.
- (b) Are in line with the fiscal responsibility principles outlined in the PFM law.

- (c) Are also consistent with the county's strategic objectives as pursued by the County Government as a basis of allocation of public resources; and
- (d) Have strategic objectives provided in the plans to implement the county's development blueprint as contained in its County Integrated Development Plan (CIDP).

SECTION II: REVIEW OF COUNTY FISCAL

PERFORMANCE IN FY 2023/24

2.1 Overview

In the year under review the county realized total revenue of KES 5.26 billion which was 81 percent of the annual target of KES 6.52 billion. The revenue performance had a negligible change from the previous year. The total expenditure for the year was KES 5.15 billion with unspent balances of KES 107 million. The total expenditure comprised of KES 3.9 billion for recurrent and 1.3 billion for development. The county assembly total expenditure (development and recurrent) was KES 517.11 million from a total allocation of KES 564.52 million translating to 92 percent performance.

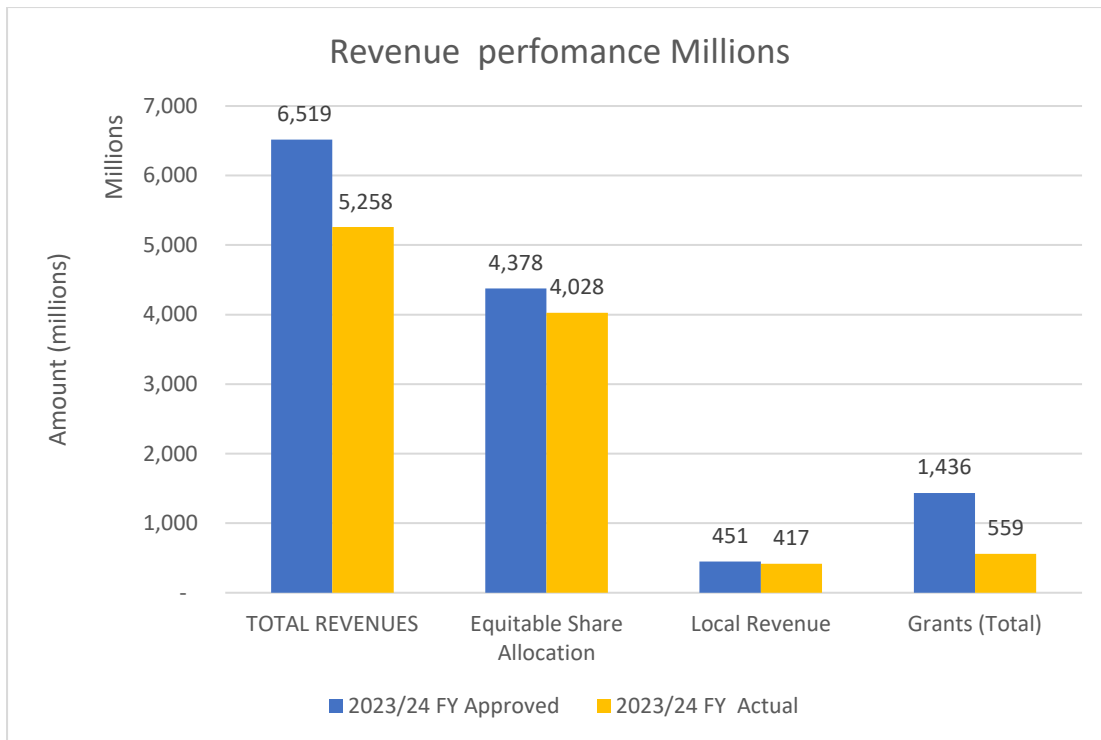
2.2 Fiscal Performance for FY 2023/24

Table 1 summarizes the revenue performance by the County for FY 2022/23 to FY 2023/24.

Table 1: Revenue Performance 2023/24

Particulars	2022/23 FY Actual	2023/24 FY Approved	2023/24 FY Actual	% performance
TOTAL REVENUES	5,260,849,525	6,518,796,358	5,258,282,681	81%
Unspent Bal from Previous FY	183,981,694	253,643,267	253,643,267	100%
Revenue (Total)	5,076,867,831	6,265,153,091	5,004,639,414	80%
Equitable Share Allocation	4,551,334,482	4,378,234,821	4,027,976,038	92%
Local Revenue	286,737,650	450,670,000	417,346,035	93%
Grants (Total)	238,795,699	1,436,248,270	559,317,341	39%
Total Expenditure	5,260,858,525	6,518,796,358	5,269,282,681	81%
Recurrent	3,573,950,014	3,821,114,983	3,394,476,175	89%
Development	898,976,991	2,133,164,779	1,250,260,479	59%
County Assembly	534,983,755	564,516,596	517,106,065	92%
Unspent Bal Current FY	252,947,765	-	107,439,962	

Figure 1: Fiscal Performance for FY 2023/24



In the year under review, the county realized total County revenue was KES 5.26 billion which comprised equitable share of KES 4.03 billion, County Own Revenue of KES 417.35 million (excluding KES 33.9 million as balances from FY 2022/23 reported in the current financial year). Conditional grants of KES 559.3 million (including KES 19.3 million and KES 22.1 million for ABDP and CHPs grants respectively) and balances brought forward of KES 253.6 million. There was an unspent balance of 107.4 million at the end of the financial year 2023/24. During the financial year 2023/24, County budget absorption level was at 81% in the with 59% and 89% absorption rates for development and recurrent expenditures respectively.

2.2.1 County Own Source Revenue Performance

During the year under review, County Own Revenue (CORE) collected was KES 417.35 million as compared to KES 286.75 million realized in FY 2022/23 representing a 46 percent growth and the highest collection to date. The revenue performance was 93 percent of the annual CORE target of KES 450.6 million approved in the FY 2023/24 budget. The top 5 revenue streams are Hospital fees and charges (KES 161 million), single business permits (KES 85 million), Natural resource cess fees (KES 55.9 million), liquor licenses (KES 22.6 million) and parking fees (KES 19.8 million) as shown in table 2 below.

The growth realized in the revenue collection was brought about by improved administration, supervision and expansion of the tax base. Some of the measures enacted to control revenue losses are automation of revenue collection, installation of CCTV cameras at cess points and

improved enforcement mechanisms. Shortfall in revenue collection can be attributed to boycotts in revenue payments especially for barter markets and cess points, under collection in property taxes and poor harvests due to extreme weather conditions. To achieve the County revenue potential of KES 750 million there is need to enhance collection from property taxes and fees and charges for the Facility Improvement Fund (FIF). This will be done through

1. Review of policies, laws and regulations including County Revenue Mobilization Strategy, County Rating Act, Trade Licensing Act, Cess Act, County Revenue Administration Act, Building Approvals legislation
2. Updating of the valuation roll
3. Introduction of charges in level 2 and 3 facilities
4. Adopt tariffs and pricing policy

Table 2: Top Ten Revenue Streams

SNO	SOURCE OF INCOME	CODE	Sum of Proposed Budget Estimates FY 2023/24	Sum of Revised Budget Estimates 2023-2024	Actual Revenue (KShs.)	Variance (KShs.)
				A	B	C=B-A
1	Appropriation-in-Aid (Receipts from Medical services-FIF)		122,800,000	149,800,000	160,983,523	11,183,523
2	Single Business Permit	R003	70,000,000	70,000,000	85,078,213	15,078,213
3	Natural resource Cess Fees	R004	57,000,000	75,000,000	55,827,623	(19,172,377)
4	Liquor License	R022	22,000,000	22,000,000	22,614,311	614,311
5	Parking Fees	R006	25,000,000	25,000,000	19,823,583	(5,176,417)
6	Barter Market / Slaughter Fees	R005	24,000,000	27,000,000	17,934,134	(9,065,866)
7	Technical Services/Advertisement	R016	3,900,000	4,900,000	14,412,221	9,512,221
8	Veterinary services	R027	8,600,000	8,600,000	8,295,720	(304,280)
9	Livestock and Agriculture Produce Cess	R012	500,000	2,500,000	7,818,640	5,318,640
10	Administration Fees and Charges	R032	20,000,000	20,000,000	6,451,846	(13,548,154)

2.2.2 Conditional Loans and Grants

During the financial year 2023/24 the County received KES 559.3 million for conditional loans and grants against a budgeted amount of 1.44 billion resulting to an achievement of 39 percent. The loans and grants included DANIDA, NAVCDP, KISIP (II), FLLoCA, ASDSP, ELRP, ABDP and CHP national grant. The delay in disbursements of key grants has affected the implementation of key projects and programmes. The implementation framework for some of

the grants and loans has no direct disbursement modalities to the county. Consequently, the county has little control over how the grants are managed. The affected grants include livestock value chain support project, de-risking and value chain enhancement, construction of county headquarters, leasing of medical equipment and fertilizer subsidy.

Table 3 below analyzes Conditional Grants released in FY 2023/24

Table 3: Summary Release of Conditional Loans and Grants

S/No.	Revenue Category	2022/23 Revised Approved Estimates	2022/23 Actual (Kshs)	% Achieved	2023/24 Revised Approved Estimates	2023/24 Actual (Kshs)	% Achieved
1	Supplement for construction of county headquarters	-	-	0%	103,160,000.00	-	0%
2	Conditional Grant- Leasing of Medical Equipment	110,638,298.00	-	0%	124,723,404.30	-	0%
3	IDA (WB) Kenya Climate Smart Agriculture Project (KCSAP)	244,843,359.00	98,599,181.00	40%	90,000,000.00	-	0%
4	IDA (World Bank) Credit (National Agricultural Value Chain Development Project (NAVCDP)	-	-	0%	250,000,000.00	195,112,952.00	78%
5	DANIDA Grant	12,624,750.00	12,624,750.00	100%	14,856,750.00	7,161,000.00	48%
	THSUCP – WB	32,039,102.00	-	0%			#DIV/0!
6	Sweden - Agricultural Sector Development Support Program (ASDSP)	20,816,232.00	16,071,032.00	77%	1,785,670.00	2,285,670.00	128%
7	Kenya Informal Settlement improvement Project KISIP II	20,000,000.00	20,000,000.00	100%	92,630,231.00	92,630,231.00	100%
8	World Bank Emergency Locust Responses Project (ELRP)	79,341,887.00	67,116,821.00	85%	105,805,161.00	104,620,428.00	99%
9	Provision for provision of Fertilizer Subsidy	-	-	0%	71,299,830.00	-	0%
10	Aquaculture Business Development Programme (ABDP)	15,630,100.00	-	0%	12,810,384.00	19,379,784.00	151%
11	Aggregated Industrial Parks Programme	-	-	0%	100,000,000.00	-	0%
12	Financing Locally Led Climate Action Programme (FLLoCA) Program	22,000,000.00	22,000,000.00	100%	205,050,000.00	115,989,776.00	57%
13	Livestock Value Chain Support Project	-	-	0%	28,647,360.00	-	0%
14	De-risking and Value Chain Enhancement	-	-	0%	63,341,980.00	-	0%
15	Other Conditional Grants/CHP National Grant	-	-	0%	22,137,500.00	22,137,500.00	100%
16	Kenya water Sanitation and Hygiene program (K-WASH PforR)	-	-	0%	150,000,000.00	-	0%
17	Kenya Urban Support Project (KUSP) UIG	2,313,915.00	2,313,915.00	0%	-	-	0%
18	Kenya Devolution support Program (KDSP)	5,773,787.00	-	0%	-	0	0%
Subtotal		566,021,430.00	238,725,699.00	42%	1,436,248,270.30	559,317,341.00	39%

2.2.3 County Expenditure Performance

The total expenditure comprised of KES 3.9 billion for recurrent and 1.26 billion for development. The county assembly total expenditure (development and recurrent) was KES 517.11 million from a total allocation of KES 564.52 million translating to 92 percent performance. By the close of the financial year, there was an unspent balance of KES 107.4 million. Table 4 below indicates expenditure by type, while table 5 represents the expenditure by county executive and assembly. Development expenditure was recorded at KES 1.26 billion out of the total development allocation of KES 2.15 billion representing a 59 percent performance. The development resources were allocated with the focus on achieving strategic goals across various sectors. With an aim to maximize impact and foster sustainable growth, allocation was on key programs and projects such as market development, school infrastructure for early childhood education, construction of roads, domestic and irrigation water supply, upgrading and operationalization of health facilities and promotion of agriculture. On recurrent expenditure, the performance was 89 percent amounting to KES 3.9 billion from total allocation of KES 4.36 billion. The allocation involved strategic distribution of funds to cater for operational needs and ongoing expenses such as payment of staff emoluments, purchase of essential commodities and other medical supplies. To ensure budget process underscores the need for efficiency and effectiveness of public spending and improving revenue collection to finance public services, as per the PFM Act, 2012 the County Government will adopt practical strategies to ensure spending is focused on priorities and revenue is increased to adequately meet fiscal obligations.

Table 4: Expenditure by type

Particulars	2022/23FY Actual	2023/24 FY Approved	2023/24 FY Actual	% performance
Total Expenditure	4,479,989,745	6,518,796,358	5,269,282,681	81%
Recurrent	3,529,051,532	4,365,631,579	3,900,304,912	89%
Development	1,023,906,323	2,153,164,779	1,261,537,807	59%
unspent balances	183,981,694		107,439,962	

Table 5: County Executive and County Assembly Expenditure.

Particulars	2022/23FY Actual	2023/24 FY Approved	2023/24 FY Actual	% performance
Total	4,736,939,549	6,518,796,358	5,269,282,681	81%
County Executive	4,152,925,123	5,954,279,762	4,644,736,654	78%
Recurrent	3,135,910,418	3,821,114,983	3,394,476,175	89%
Development	1,017,014,705	2,133,164,779	1,250,260,479	59%

County Assembly	400,032,732	564,516,596	517,106,065	92%
Recurrent	400,032,732	544,516,596	505,828,737	93%
Development	-	20,000,000	11,277,328	56%
Unspent in FY	183,981,694	-	107,439,962	2.0%

Expenditure by Economic Classification

As per the GFS coding system the County expenditure performance by economic classification categorizes expenditure on staff remunerations, social benefits, use of goods and services, grants and other transfers and other development. Table 6 below gives a breakdown of the county expenditure performance per economic classification.

Table 6: County Expenditure Performance by Economic Classification

Description	Actual Expenditure and Revenue FY 2022/23	Revised Estimates FY 2023/24	Actual Expenditure and Revenue FY 2023/24
A. Total Budget [1+2]	5,007,910,760	6,518,796,358	5,150,842,719
1.0 Total Expenditure	4,237,618,163	5,303,917,443	4,431,210,056
1.1 Compensation to Employees	2,471,960,109	2,561,068,607	2,354,655,972
1.2 Use of Goods and Services	927,273,663	1,036,600,844	920,451,767
1.3 Grants and Other Transfers	778,123,586	1,566,247,992	1,065,676,480
1.4 Social benefits	60,260,805	50,000,000	20,425,837
1.5 Other payments	-	90,000,000	70,000,000
2.0 Other Development	770,292,597	1,214,878,915	719,632,663
2.1 Other Development	770,292,597	1,214,878,915	719,632,663
Financed by:			
B. Total Revenue	5,260,849,525	6,518,796,358	5,258,282,681
3.1 Equitable Share	4,551,334,482	4,378,234,821	4,027,976,038
3.2 County Own Revenue [CORE]	286,737,650	450,670,000	417,346,035
3.3 Conditional Grants	238,795,699	1,436,248,270	559,317,341
3.4 Balance B/F	183,981,694	253,643,267	253,643,267
C. Net Financing [B-A]	252,938,765	0	107,439,962

The County's total expenditure of KES 5.15 billion for both recurrent and development expenditure. The total recurrent expenditure comprised of KES 2.35 billion spent on payments of wages and salaries, KES 920.45 million spent on goods and services, KES 1.07 billion spent on grants and transfers (including transfers to County Assembly of KES 517.1 million), KES 20.43 million spent on social benefits and 70 million on other payments. Figure 2 below gives a graphical comparison of the recurrent expenditures for FY 2022/2023 and FY 2023/2024, inclusive of County Assembly allocation. The expenditure on other development expenditure for FY 2023/24 amounted to KES 719.6 million against a revised target of KES 1.21 billion

representing 14.37 percent of the total annual expenditure. This was a slight decrease compared to expenditure of KES 770.29 million in FY 2022/23

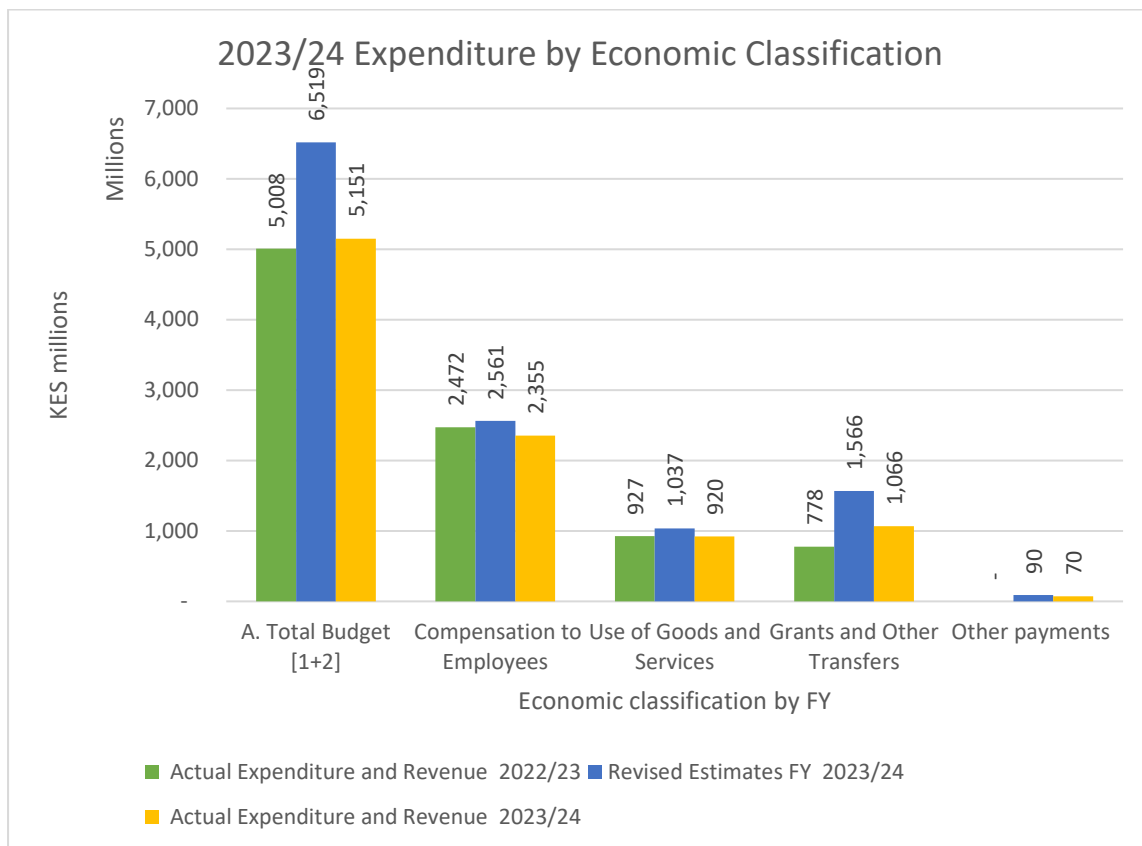


Figure 2: Comparison of recurrent expenditure for FYs 2022/23 and 2023/24

Common Causes of Expenditure Underperformance

1. Delay in disbursement of funds.
2. Legal and regulatory hurdles.
3. Revenue underperformance especially OSR and conditional grants.
4. **Inefficient procurement processes.**

Table 7: Absorption Rates by Sectors 2023/24 FY

SECTOR	CFSP 2023			BUDGET ALLOCATION 2023/24			Cumulative Expenditure 2023/24			Absorption (%)	Deviation (%)
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total		
Public Administration	906,083,300	70,000,000	976,083,300	1,138,557,583	20,000,000	1,158,557,583	970,726,417	11,277,328	982,003,745	84.76%	18.69%
Infrastructure	184,424,400	550,605,000	735,029,400	282,600,372	671,875,931	954,476,303	240,353,653	520,301,726	760,655,379	79.69%	29.86%
Health Services	1,840,090,850	180,638,298	2,020,729,148	2,131,154,504	164,723,404	2,295,877,908	1,941,463,534	19,154,795	1,960,618,329	85.40%	13.62%
Education And Social Services	289,165,300	115,000,000	404,165,300	342,281,224	51,205,951	393,487,175	305,886,284	37,534,752	343,421,036	87.28%	-2.64%
General Economic	175,870,880	178,000,000	353,870,880	158,951,850	110,949,578	269,901,428	150,033,814	2,399,789	152,433,603	56.48%	-23.73%
Agriculture	267,332,495	608,940,670	876,273,165	228,446,496	832,409,915	1,060,856,411	217,538,489	487,970,261	705,508,750	66.50%	21.06%
Environment And Natural Resources	90,993,750	255,000,000	345,993,750	83,639,550	302,000,000	385,639,550	63,302,721	182,899,156	246,201,877	63.84%	11.46%
GRAND TOTAL	3,753,960,975	1,958,183,968	5,712,144,943	4,365,631,579	2,153,164,779	6,518,796,358	3,889,304,912	1,261,537,807	5,150,842,719	79.02%	14.12%

Table 8: Absorption rates by Department 2023/24 FY

DEPARTMENT	CFSP 2023			BUDGET ALLOCATION 2023/24			Cumulative Expenditure 2023/24			Absorption (%)	Deviation (%)
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL		
Governor's Office	134,275,700	-	134,275,700	151,454,823	-	151,454,823	109,750,762	-	109,750,762	72.46%	12.79%
Finance and Economic Planning	156,519,900	0	156,519,900	281,912,880	-	281,912,880	218,753,186	-	218,753,186	77.60%	80.11%
County Public Service Board	30,333,400	-	30,333,400	36,970,400	-	36,970,400	22,520,540	-	22,520,540	60.92%	21.88%
Administration and Public Service	125,954,300	10,000,000	135,954,300	123,702,884	-	123,702,884	113,873,192	-	113,873,192	92.05%	-9.01%
County Assembly	459,000,000	60,000,000	519,000,000	544,516,596	20,000,000	564,516,596	505,828,737	11,277,328	517,106,065	91.60%	8.77%
SUB-TOTALS	906,083,300	70,000,000	976,083,300	1,138,557,583	20,000,000	1,158,557,583	970,726,417	11,277,328	982,003,745	84.76%	18.69%
Roads, Transport and Infrastructure	184,424,400	550,605,000	735,029,400	282,600,372	671,875,931	954,476,303	240,353,653	520,301,726	760,655,379	79.69%	29.86%
SUB-TOTALS	184,424,400	550,605,000	735,029,400	282,600,372	671,875,931	954,476,303	240,353,653	520,301,726	760,655,379	79.69%	29.86%
Medical Services	1,553,238,700	70,000,000	1,623,238,700	1,736,028,103	40,000,000	1,776,028,103	1,613,521,737	19,154,795	1,632,676,532	91.93%	9.41%
Public Health and Sanitation	286,852,150	110,638,298	397,490,448	395,126,401	124,723,404	519,849,805	327,941,797	-	327,941,797	63.08%	30.78%

SUB-TOTALS	1,840,090,850	180,638,298	2,020,729,148	2,131,154,504	164,723,404	2,295,877,908	1,941,463,534	19,154,795	1,960,618,329	85.40%	13.62%
Youth and Sports	36,418,800	30,000,000	66,418,800	28,203,550	5,000,000	33,203,550	24,658,072	-	24,658,072	74.26%	-50.01%
Culture and tourism	27,100,000	0	27,100,000	26,084,000	1,500,000	27,584,000	16,954,211	-	16,954,211	61.46%	1.79%
Gender, Children and social services	26,000,000	0	26,000,000	19,806,550	-	19,806,550	17,600,000	-	17,600,000	88.86%	-23.82%
Education and Vocation Training	199,646,500	85,000,000	284,646,500	268,187,124	44,705,951	312,893,075	246,674,001	37,534,752	284,208,753	90.83%	9.92%
SUB-TOTALS	289,165,300	115,000,000	404,165,300	342,281,224	51,205,951	393,487,175	305,886,284	37,534,752	343,421,036	87.28%	-2.64%
Trade, investment promotion, Energy and Industry	60,831,880	168,000,000	228,831,880	47,616,530	109,949,578	157,566,108	45,162,760	2,399,789	47,562,549	30.19%	-31.14%
Revenue and resource mobilization	115,039,000	10,000,000	125,039,000	111,335,320	1,000,000	112,335,320	104,871,054	-	104,871,054	93.36%	-10.16%
SUB-TOTALS	175,870,880	178,000,000	353,870,880	158,951,850	110,949,578	269,901,428	150,033,814	2,399,789	152,433,603	56.48%	-23.73%
Agriculture and Crop Production	196,085,795	487,940,670	684,026,465	168,049,531	689,439,531	857,489,062	159,366,139	450,130,277	609,496,416	71.08%	25.36%
Fisheries and Ecosystem management	14,000,000	25,000,000	39,000,000	11,200,075	19,810,384	31,010,459	10,057,335	22,349,784	32,407,119	104.50%	-20.49%
Lands, Physical Planning and Urban	57,246,700	96,000,000	153,246,700	49,196,890	123,160,000	172,356,890	48,115,015	15,490,200	63,605,215	36.90%	12.47%
SUB-TOTALS	267,332,495	608,940,670	876,273,165	228,446,496	832,409,915	1,060,856,411	217,538,489	487,970,261	705,508,750	66.50%	21.06%
Environment and Natural Resources	39,000,000	155,000,000	194,000,000	36,748,300	216,000,000	252,748,300	26,966,926	144,049,265	171,016,191	67.66%	30.28%
Water Services and Irrigation	51,993,750	100,000,000	151,993,750	46,891,250	86,000,000	132,891,250	36,335,795	38,849,891	75,185,686	56.58%	-12.57%
SUB-TOTALS	90,993,750	255,000,000	345,993,750	83,639,550	302,000,000	385,639,550	63,302,721	182,899,156	246,201,877	63.84%	11.46%
GRAND TOTAL	3,753,960,975	1,958,183,968	5,712,144,943	4,365,631,579	2,153,164,779	6,518,796,358	3,889,304,912	1,261,537,807	5,150,842,719	79.02%	14.12%

2.2.4 Adherence to Fiscal Responsibility Principles

In line with the Constitution, the PFM Act Cap. 412, the PFM (County Government) Regulations, and in line with prudent and transparent management of public resources, the County Government is striving to adhere to the fiscal responsibility principles as explained below.

- a. **Over the medium term a minimum of thirty percent of the County Governments budget shall be allocated to the development expenditure.**

In FY 2023/24, the actual development spending for the County Government was 24 percent, falling short of the principles outlined in the PFM Act Cap. 412. However, the forecast had initially projected it to exceed 30 percent. This discrepancy was a result of failure to realize conditional loans and grants which largely finance development expenditure. Therefore, In the FY 2023/24 and the medium-term projections had been set above the 30 percent threshold.

- b. **The County Government's expenditure on wages and benefits for its public officers shall not exceed 35 percent of the County Government revenue as prescribed by the PFM Act Regulations, 2015:**

The County Government's share of wages and employees benefits to revenues was 44.7 percent in FY 2023/24 which is outside the statutory requirement of 35.0 percent of the total County Government revenues. This was occasioned by an increase in pension costs and salary increases after the implementation of the new salaries and benefits for public officers. It is imperative to note that over medium term these figures will further escalate on account of the current salary adjustments of the Salaries and Remuneration Commission (SRC) and the anticipated changes in taxation policies as contained in the medium-term revenue enhancement strategy.

- c. **Fiscal risks shall be managed prudently**

The County government has prudently managed its fiscal risks across several key areas to ensure financial stability. To achieve this, the Government established a pending bills Committee which will continue playing a key role in identification, verification, quantification and management of fiscal risks going forward. First, the County Treasury continues to address fiscal risks associated with pending bills, maintaining sustainable levels to avoid undue pressure on public finances. Second, the Government is managing fiscal risks related to delayed disbursement of funds.

- d. **A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.**

On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and the tax base. The County Treasury is domesticating tariffs and pricing policy developed by the CRA whose objectives is to provide guidelines on taxation policy that support economic development and promote economic diversification, enhance the country's competitive edge, and establish tax incentive schemes that are aligned to the Government's development agenda, promote investment and foster a flexible fiscal space that contains revenue-raising tax policy and administrative reforms to be undertaken over the medium-term. Further, the Government continues to carry out tax reforms including exploring untapped revenue streams in the mining subsector, property rates and physical planning services. Additionally, the County Treasury will establish sufficient legal frameworks and guidelines to curb noncompliance. This includes the establishment of a County Court, review of by-laws and capacity building of enforcement officers. The main objective is to raise adequate tax revenues, ensure a predictable tax environment and minimize tax expenditures.

Table 9: Adherence to Fiscal Responsibility Principles

Item	Target	Achieved	Status
Total Expenditure		5,150,842,719	
Total Revenue		5,258,282,681	
<i>Total Expenditure as % of total revenue</i>	≤ 100%	98.0%	Complied
Total recurrent		3,889,304,912	
<i>Total Recurrent as % of Total expenditure</i>	≤ 70%	75.51%	Not complied
Total Development		1,261,537,807	
<i>Total Development as % of total revenues</i>	≥ 30%	23.99%	Not complied
Total wages		2,354,655,972	
<i>Total wages as % of Total revenues</i>	≤ 35%	44.78%	Not complied
<i>County assembly allocation -As per CRA ceiling</i>	517,563,696	544,516,596	Not complied

2.3 Fiscal balance (or net position):

In line with the performance in expenditure and revenues, the fiscal deficit (including grants, on a cash basis), amounted to KES 1.3 billion (19.3 percent of target) due to revenue shortfalls in all revenue streams. This impacted budget implementation and increased the stock of pending bills to the county.

2.4 Implications for the FY 2023/24 Performance

In the financial year 2023/24, several revenues for conditional grants were not released in full. This caused a hindrance in budget implementation consequently hampering service delivery.

The performance in the FY 2023/24 will affect the financial objectives set out in the County Fiscal Strategy Paper 2024 in the following ways:

- i. In the year under review, there were severe cash flow challenges due to delayed approval of CARA with funds disbursement amounting to KES 876.9 million (60% of the target) from conditional grants not disbursed. Construction of County headquarters, KCSAP, WB KWASH PforR, Aggregated Industrial parks programme and funds for leasing medical equipment among others had 0% disbursements. The revenue deficits on Own Source Revenue amounting to KES 33.32 million affected budget implementation leading to the nonpayment of goods and services rendered to the county by suppliers.
- ii. That the absorption rates by most County sectors were above 80% for both development and recurrent with the overall actual expenditure level reaching 79.02 % of the target. The failure to achieve full funds absorption can be attributed to revenue deficit and unrealized Conditional loans, and grants. The government intends to put in place measures to improve absorption of resources from development partners.
- iii. That the CORE base recorded a remarkable growth from KES 286.7 million realized in FY 2022/23 to KES 417.35 million realized in FY 2023/24 representing about 8% of total county revenues. The significant achievement can be attributed to broadening of the tax base, automation and digitization of collection systems, enhanced enforcements among others.
- iv. That the expenditure on personnel emoluments consumed 44.8%, above the 35 per cent recommended as per PFM regulations 2015, which continues to exert pressure on County Resources. The expenditure on other development consumed 24 % of the total expenditure.

Given the above deviations, the revision of revenues and expenditure ceilings for FY 2024/25 and medium term will be based on the revised macroeconomic assumptions and be affirmed in the County Fiscal Strategy Paper 2025. The County Government will not deviate from other fiscal responsibility principles stipulated in Section 107 of the PFM Act 2012 but will make appropriate modification to the financial objectives to be contained in the CFSP 2025 to reflect the changed circumstances

SECTION III: RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.0 Overview

The fiscal and economic assumption underlying the 2023/24 budget entailed improved collection of revenue from local sources despite the several challenges that were experienced both locally and nationally. 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 medium term, with FY 2023/24 having the highest own source revenue collection of KES 417.35 million. 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.

3.1 Recent Economic Developments

Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan. The main risks to the global growth outlook relate to further escalation of geopolitical tensions, interest rates remaining higher-for-even-longer in advanced economies, and policy uncertainty attributed to changes of Government in some major economies. Global inflation has moderated, with central banks in some major economies lowering interest rates. International oil prices have moderated, but the risk premium from the Middle East conflict has increased following the recent escalation.

Global economic output showed resilience in the first half of 2024, with modest growth anticipated in 2024 and 2025, mainly due to improving economic activities in the United States, China, and India. Global growth was estimated at 3.3 percent for 2023 is projected to continue at the same pace in 2024 and 2025.

The Kenyan economy is currently unwinding from the effects of negative and persistent global and domestic shocks that had pushed the economy to its lowest activity level. These shocks included COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices and led to a rapid depreciation of the Kenya Shilling exchange rate, piling pressure on public debt. Tharaka Nithi county was not an exception, since it was also affected by enhanced rainfall that led to crops and animals being swept away resulting to decreased agricultural productivity and reduced trading activities.

Various government interventions, structural reforms and policies have supported economic recovery. The economy grew by 5.6 percent in 2023 from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. The performance of the industrial sector, particularly manufacturing, has remained subdued. This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023.

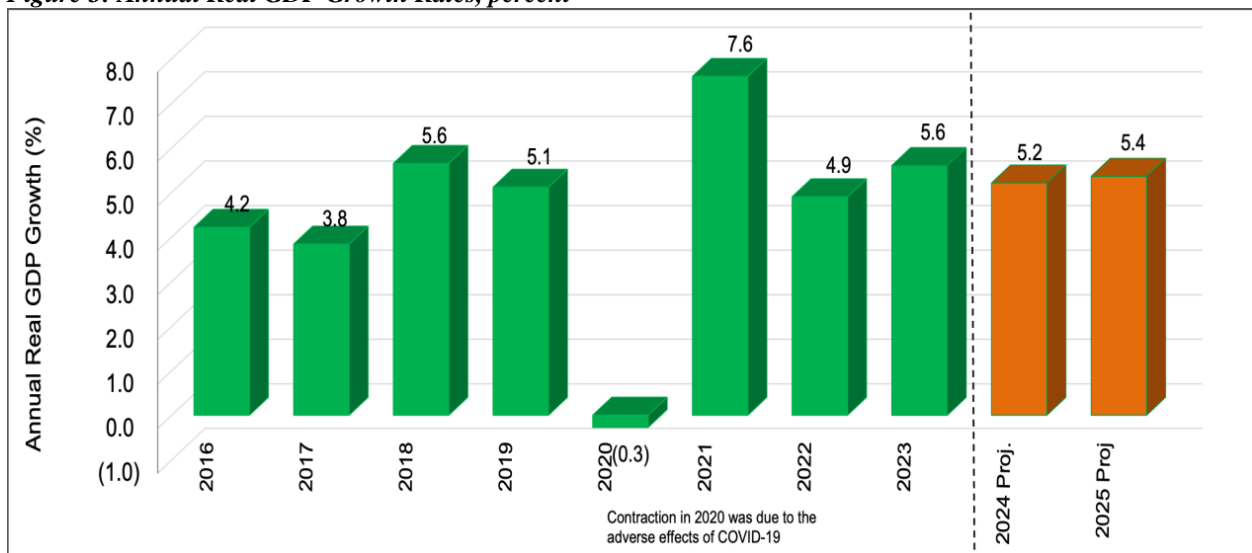
Industrial sector performance remained subdued, with growth of the sector slowing down to 1.1 percent in the first quarter of 2024 from a growth of 2.5 percent in a similar quarter of 2023. This was mainly on account of a slowdown in activities in all its sub-sectors i.e. the manufacturing, electricity, water supply and construction sub-sectors.

The activities in the services sector continued to sustain strong growth momentum in the first quarter of 2024 and grew by 6.2 percent compared to a growth of 6.5 percent in a similar period in 2023. The performance was largely characterized by significant growths in accommodation and food service, financial and insurance, information and communication, real estate, and wholesale and retail trade sub-sectors. Accommodation and food service activities reflected post COVID recovery despite the lingering effects of the pandemic. Consequently, the sub-sector grew by 28.0 percent in the first quarter of 2024 compared to a growth of 47.1 percent recorded in the corresponding quarter of 2023.

The financial and insurance sub-sector grew by 7.0 percent in the first quarter of 2024 compared to 5.9 percent in the corresponding quarter of 2023 on account of increased profitability of the subsector. The information and communication subsector grew by 7.8 percent compared to a growth of 9.5 percent, over the same period supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs). Activities in Transportation and Storage sub-sector slowed down to record a growth of 3.8 percent in the first quarter of 2024 compared to a growth of 6.6 percent in a corresponding period in 2023.

Available economic indicators for the first half of 2024 point to mixed performance in the economy reflecting sustained performance in agriculture, improved exports and services sector and subdued industrial sector. In view of this and other considerations including domestic and external factors, economic growth is projected at 5.2 per cent in 2024 and 5.4 per cent from earlier projections of 5.5 per cent respectively. These projections are underpinned by broad-based private sector growth and ongoing Government interventions and strategies under the Bottom-Up Economic Transformation Agenda (BETA). Additionally, implementation of prudent fiscal and monetary policies will continue to support economic activity both at the national and county government.

Figure 3: Annual Real GDP Growth Rates, percent



Source of Data: Kenya National Bureau of Statistics

Interest rates in the year to August 2024 increased reflecting the tight monetary policy stance. The interbank rate increased to 12.97 percent in August 2024 compared to 10.48 percent in August 2023 and has remained within the prescribed corridor around the CBR (set at CBR±

150 basis points). The 91-day Treasury Bills rate increased to 15.8 percent in August 2024 compared to 13.3 percent in August 2023 while the 182-day Treasury Bills rate also increased to 16.7 percent from 13.2 percent over the same period. The 364-day Treasury Bills rate increased to 16.9 percent in August 2024 from 13.6 percent in August 2023. This has increased the cost of borrowing by Government from the domestic market.

The overall year-on year inflation is within the Government target range of 5 ± 2.5 percent largely driven by easing food and fuel prices. Overall inflation remained stable at 4.4 percent and 4.3 percent in August and July 2024, respectively, thereby remaining below the mid-point of the target for three consecutive months. This is a drop from 6.7 percent in August 2023, and a peak of 9.6 percent in October 2022. Favourable weather conditions coupled with targeted government interventions have partly led to the reduction in the cost of food production thereby lowering food inflation. Other factors expected to support low inflation include the pass-through effects of the strengthening exchange rate, decreases in electricity and pump prices and the CBK monetary policy stance.

Food inflation remained a key driver of overall year-on-year inflation though it declined to 5.3 percent in August 2024 from 7.5 percent in August 2023. The easing of food prices was supported by increased food supply arising from favourable weather conditions, continued Government interventions particularly through subsidized fertilizer, and the general easing of international food prices. Prices of most vegetable food items increased in the month of August 2024 compared to the same period in 2023 while those of non-vegetable food items declined during the same period.

3.2 Progress report on budget implementation

The implementation of FY 2024/25 budget has been impeded by the withdrawal of Finance Bill 2024, that was expected to raise an additional revenue amounting to KShs 344.3 billion. This has necessitated the review of the Division of Revenue Act 2024 (DoRA) which is yet to be approved by Parliament. Therefore, the County is yet to receive the full first quarter allocation. The county has received an equitable share allocation amounting to KES 722.4 million and own source collections of KES 78.35 million including undisbursed allocations from the 2023/24 FY. The unspent balances for the previous year were KES 107.4 million comprising conditional grants of KES 104.4 million.

To ensure seamless implementation of the FY 2024/25 budget and safeguard the fiscal consolidation plan, the County Treasury will on expenditure rationalization through the Supplementary Estimates I. Expenditure rationalization will target recurrent and development budgets for all departments to align the same with the new DoRA and CARA. The fiscal projections for the 2024 BRBP have been revised from those of the 2024 BPS estimates considering the fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024.

3.3 County Economic Outlook and Policies

The 2024 County Budget Review and Outlook Paper (CBROP) has been developed against a backdrop of stable global and domestic economic outlook where the global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. Kenya's economic performance is projected to remain stable over the medium term with a projected growth of about 5.2 percent in 2024 and 5.4 percent in 2025 from 5.6 percent in 2023, supported by prudent fiscal and monetary policies. The county economic performance and outlook is comparable to the Kenyan projected growth.

Tharaka Nithi County economic agenda is inclined to infrastructural development for improved economic activities that aims at widening its revenue base. In this regard, the county's priority areas for investments have been universal health care, skills development, public service administration, road construction, improvement of urban areas and markets, water access and sanitation, climate change, enhance value addition and market participation of small-scale farmers, agriculture for increased food security and MSMEs. As the county focuses on these priority areas, the main emphasis is to operationalize the already completed projects.

The agriculture sector remains the county's prime driver of economic growth contributing approximately 20 percent of Kenya's Gross Domestic Product (GDP) and employs over 40% of the total population and more than 70% of the rural populace. The county is investing in agriculture to ensure increased production and productivity as well as enhancing value addition for agricultural products and participation of small-scale farmers in the market. Over the years, the county has implemented programmes in the agricultural sector which includes enhanced cash crop development, distribution of fertilizer and certified high-yielding seeds, artificial insemination and breeding programme, enhanced horticulture production, revitalization of industrial crops, among others. Additionally, in collaboration with the National Government the

county is implementing the Aquaculture Business Development Programme, Emergency Locust Response Project and the National Agriculture value Chain Development Project. Through NAVCDP, farmers producer organizations will be strengthened and link farmers to local and international markets which will help improve price bargaining and market opportunities.

To ensure availability and sustainable management of water and sanitation for all, the County government has been on the forefront championing for the human rights to water that is sufficient, safe, accessible and affordable for both domestic and irrigation. Access to safe water, sanitation and hygiene is the most basic need for health and wellbeing. The county government remains committed to identifying and prioritizing investments that will strengthen its capacity in water management and conservation. These efforts will be realized through the execution of county-funded initiatives designed to foster improved governance and stewardship of water resources, ensuring the resilience and sustainability of service provision. Strategic partnerships with the national government have been instrumental in funding critical projects, including the construction of water reservoirs and the implementation of smallholder irrigation systems, particularly in marginalized regions, aimed at bolstering the county's capacity to mitigate climate-related risks. Among the partnership programmes implemented in the county is the K-WASH programme that aims at improving lives and health through development and management of sustainable water, sanitation and hygiene. By managing our water sustainably, we are able to better our production of food and energy as well as contribute to decent work and economic growth.

The sustainable development goal three aims to ensure a healthy life and promote well-being for all at all ages. In a bid to achieve universal health care, robust expansion of health facility network was key to ensure improved access to quality healthcare. The sector has recorded remarkable growth infrastructure wise leading to recognition and award as the county with the best managed health care in the 2024 Quality Healthcare Kenyan Awards. The County health facility density stands at 4.3 per 10,000 population surpassing the national target of 2.2 per 10,000 population. Access to health services has also improved remarkably through strengthening level one health services which has streamlined linkages and referral services. To maintain this positive trajectory, the county is focusing on the operationalization of the Intensive Care Unit, improving on the county referral services, upgrading and improving level II and Level III health facilities to lessen the pressure at the Chuka county Level IV hospital.

Industrialization is key in advancing the Bottom-Up Economic Transformation Agenda (BETA) as well as the county government's goal of "leaving no one behind". The main aim of industrialization is to transform the economy from a focus on agriculture to processing and manufacturing. The driving force is to create employment, wealth, trade and industrial investment as well as foster county integration. The county is to benefit from the development of the County Aggregation and Industrial Park that is being subsidized through the national government. Expanding market access through the creation of robust market linkages is essential, alongside providing credit facilities to marginalized groups.

The Kenyan vision 2030 social pillar aims to create a fair, democratic society with education and training serving as the main catalyst. Acquisition of employable skills for the world of work is key in navigating today's competitive job market. Sustainable economic growth requires a skilled, educated and competitive workforce. Making this possible means improving individual learning outcomes which often requires partnerships between governments, education systems and the private sector. As a county our focus is to integrate the competency-based curriculum in our learning systems, rehabilitating Vocational Training Centers, and providing learning materials. The county is promoting early childhood education through creating a child centered learning environment. In support of this, the county in collaboration with Yale university is developing the creches in sampled ECDE centres across the county.

Developing quality, reliable, sustainable and resilient infrastructure like roads, markets and logistic systems is vital in supporting economic activities and a vision for a more connected future. The department of infrastructure is continuously embarking on establishment and upgrading of markets and trading centres, development of low volume seal roads, construction of bridges, footbridges and culverts, continuous graveling and grading of roads as well as opening of more roads.

Additionally, through the support of the national government, the county government strives to ensure the completion of the county headquarters for effective and efficient service delivery. The county is also implementing the Kenya Informal Settlement Improvement Project and the Kenya Urban Support Programme that will see improved development of our urban areas. For good governance, improved financial management and human resource management the county will also be implementing the Kenya Devolution Support Project.

3.4 Medium Term Fiscal Framework

The 2024 County Budget Review and Outlook Paper (CBROP) has been prepared when the global economy is facing difficulties due to several factors. These include disruptions in supply chains caused by rising geopolitical tensions, weaker demand, especially in China and the Eurozone, and higher global interest rates due to inflation. These higher rates are making it harder to access credit and increasing the cost of debt. Additionally, frequent extreme weather events are causing significant damage, putting more pressure on government budgets. As a result, global economic growth is expected to slow to 3.0% in 2023 and 2.9% in 2024, down from 3.5% in 2022, which is below the historical average of 3.8% from 2000 to 2019. Table 12: International GDP Growth Estimates and Forecasts (Year-On-Year Percentage Change

Economy	Growth (%)			
	Actual		Projected	
	2021	2022	2023	2024
World	6.3	3.5	3.0	2.9
Advanced Economies	5.4	2.6	1.5	1.4
<i>Of which: USA</i>	5.9	2.1	2.1	1.5
<i>Euro Area</i>	5.3	3.3	0.7	1.2
Emerging and Developing Economies	6.8	4.1	4.0	4.0
<i>Of which: China</i>	8.4	3.0	5.0	4.2
<i>India</i>	9.1	7.2	6.3	6.3
Sub-Saharan Africa	4.7	4.0	3.3	4.0
<i>Of which: South Africa</i>	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

Advanced economies are expected to grow more slowly, with growth forecasted at 1.5% in 2023 and 1.4% in 2024, down from 2.6% in 2022. This slowdown is mainly due to slower growth in the Euro Area and aggressive interest rate hikes, which have worsened global financial conditions.

Growth in emerging markets and developing economies is expected to slightly decline, from 4.1% in 2022 to 4.0% in 2023 and 2024, with differences across regions. In sub-Saharan Africa, growth is projected to drop to 3.3% in 2023 from 4.0% in 2022 due to climate shocks, inflation, exchange rate issues, and supply problems, especially in the energy sector. Growth is expected to recover to 4.0% in 2024, with most countries in the region seeing improvement, particularly in non-resource-intensive economies.

On the domestic scene, despite a tough global environment, the Kenyan economy is showing strength, growing faster than the global and Sub-Saharan Africa (SSA) average. In the first three quarters of 2023, Kenya's economy grew by an average of 5.6% (5.5% in both Q1 and Q2, and 5.9% in Q3). This growth was mainly driven by a recovery in agriculture, which expanded by 7.0% compared to a 1.8% decline during the same period in 2022. All sectors of the economy saw positive growth in 2023, although the rates varied across different activities.

Table 13 : Sectoral GDP Performance

Sectors	Annual Growth Rates		Quarterly Growth Rates					
	2021	2022	2022 Q1	2022 Q2	2022 Q3	2023 Q1	2023 Q2	2023 Q3
1. Primary Industry	0.5	(1.0)	(0.4)	(1.5)	(1.5)	5.9	8.0	6.4
1.1. Agriculture, Forestry and Fishing	(0.4)	(1.6)	(1.7)	(2.4)	(1.3)	6.1	8.2	6.7
1.2. Mining and Quarrying	18.0	9.3	23.8	16.6	(4.5)	3.3	5.2	1.1
2. Secondary Sector (Industry)	6.8	3.5	4.4	4.2	3.0	2.4	1.7	2.9
2.1. Manufacturing	7.3	2.7	3.8	3.6	1.8	2.0	1.4	2.6
2.2. Electricity and Water supply	5.6	4.9	3.2	5.6	6.0	2.5	0.8	1.9
2.3. Construction	6.7	4.1	6.0	4.5	3.5	3.1	2.6	3.8
3. Tertiary sector (Services)	9.6	6.7	8.5	7.7	5.7	5.9	5.9	6.9
3.1. Wholesale and Retail trade	8.0	3.8	4.9	4.1	3.6	5.7	4.2	4.8
3.2. Accommodation and Restaurant	52.6	26.2	40.1	44.0	16.9	21.5	12.2	26.0
3.3. Transport and Storage	7.4	5.6	7.7	7.2	5.1	6.2	3.0	2.8
3.4. Information and Communication	6.1	9.9	9.0	11.2	11.8	9.0	6.4	7.3
3.5. Financial and Insurance	11.5	12.8	17.0	16.1	9.6	5.8	13.5	14.7
3.6. Public Administration	6.0	4.5	6.2	3.8	3.4	6.6	3.8	4.2
3.7. Others	10.8	5.2	6.7	5.5	4.7	4.8	4.9	6.3
of which: Professional, Admin & Support Services	7.1	9.4	13.1	10.9	9.0	7.3	5.5	9.5
Real Estate	6.7	4.5	6.0	5.0	4.0	5.2	5.8	6.2
Education	22.8	4.8	4.6	4.4	3.9	3.0	4.0	4.7
Health	8.9	4.5	5.7	4.4	3.7	5.4	5.0	5.1
Taxes less subsidies	11.9	7.0	9.5	6.1	7.3	5.3	4.0	2.8
Real GDP	7.6	4.8	6.2	5.2	4.3	5.5	5.5	5.9

Source of Data: Kenya National Bureau of Statistics.

Tharaka-Nithi County's economy in the FY 2023/24 primarily supported agriculture, infrastructure development, and public services. The Key areas of focus included enhancing crop and livestock production, improving roads and water supply, and investing in healthcare and education. The county prioritized development projects that boost living standards and economic growth, with significant investments in urban development, healthcare, and public administration. While agriculture remains a cornerstone, ongoing efforts to improve infrastructure and service delivery aim to foster overall economic progress and enhance residents' quality of life. The huge wage-bill the county incurs leaves little allocation towards county endeavors thus curtailing achievement of key targets. Through this paper, policy suggestions that can be implemented in the short to medium term, to tame the rising wage-bill include review of recruitment practices, freeze on employment on need basis, and streamlining payroll and control systems (cleaning of payroll) in the county.

3.5 Risks to the Outlook

The county's economic performance is intertwined with national policies and global economic conditions, which pose several risks as outlined below:

Climate change and natural disasters.

The Climate Outlook for the October-November-December (OND) 2024 'Short Rains' season indicates that the central parts of the country which includes our county are predicted to receive near to below average rainfall. The distribution is expected to be poor over most parts of the country with prolonged dry spells and cases of isolated storms. This may lead to weakened agricultural output and animal feeds, poor water regeneration and gradual declines in livestock body conditions and production, leading to destruction of capital, increase food insecurity and eventually a surge in cases of water-borne diseases. It is therefore advisable for the relevant county departments to evaluate the predicted seasonal rainfall scenarios for planning and decision making to build resilience in all the related social economic activities in the county.

Changes in the macroeconomic assumptions

Kenya's GDP is projected to grow 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption. Inflation is expected to fall to 6.2% in 2024 and 5.5% in 2025, as food and global inflation both decline. Monetary policy is expected to be accommodative due to projected stable inflation and exchange rates. This portrays a stable macroeconomic environment in the medium term. However, there are downside risks to this macroeconomic outlook emanating from domestic as well as external sources. External risks include further escalation of geopolitical tensions – particularly the wars in the Middle East and Ukraine; potential worsening of supply disruptions due to the shipping crisis in the Red Sea and Suez Canal, which could result in higher import and production costs; and uncertainty about the evolution of international oil prices. The effect will trickle down to the grass-root level countrywide, Tharaka Nithi not being exceptional.

The upside risk to the domestic economy relate to fast-tracked implementation of structural reforms under BETA and the Fourth Medium-Term Plan (MTP) IV. Early normalization in global financing conditions and lower international fuel and food prices would strengthen Kenya's external balances. Faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. Continued coordination between monetary and fiscal policies are expected to strengthen the macroeconomic conditions that are necessary for investment and savings thereby promoting economic growth. In a bid to support economic stability there is a need for the

government to invest more effectively in development priorities. Consequently, the Government will continue to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against adverse effects of the risks if they were to materialize.

Revenue risks

Given the current and future conditions and events that have been discussed above, the County Government may not achieve the projected revenues which could lead to unprecedented budget deficits, pending bills, service inadequacies, and hinder overall development. To curb the revenue risks the County Government is committed to establishing internal controls to ensure ongoing enhancements in revenue collections are strengthened.

SECTION IV: RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to the 2024/25 FY Budget

The first quarter of the financial year has been characterized by prudent evaluation of equitable share disbursements from the National Treasury. This is despite this period being occasioned by challenges arising from political tension within the overall government framework, including removal of the Finance Bill, 2024. The impact to counties included expenditure rationalization which is expected to source the deficit amount allocated under the equitable share category.

Total receipts for the County by the end of the first quarter stood at KES 885.9 million, reflecting 54.6% percent of the quarterly target revenue budget of KES 1.6 billion. An estimated KES 722.4 million has been received as equitable share, KES 56.1 million was generated as own source revenue for the first quarter of the year. The unspent balance of KES 107.4 million includes KES 104 million for conditional loans and grants. Own Source Revenue was KES 78.35 comprised KES 37.42 million collected as FIF and KES 40.94 million from conventional revenue streams. The expenditure for quarter one of FY 2024-25 was KES 409.8 million comprising KES 374.9 million for recurrent expenditure and KES 34.9 million for development expenditures. During this period, the county assembly spent KES 38.9 million. Expenditure pressures, especially recurrent expenditures, pose a fiscal risk. Wage pressures and implementation of the new salary increases may limit continued funding for development expenditure. In addition, implementation pace in the spending units continues to be a source of concern especially regarding the development expenditures and uptake of loans and grants. These risks will be monitored closely, and the government will take appropriate measures in the context of the next Supplementary Budget.

4.2 Medium Term Expenditure Framework

FY 2025/26 has aligned budget implementation to the Medium-Term Expenditure Framework, which is based on the third-generation County Integrated Development Plan. In line with the desire for the County Government of Tharaka Nithi to continue being a haven of value addition and the mantra of leaving no one behind, the framework proposes strengthening the local economy, fostering holistic growth and greater impact of public investments. This is in accordance with public demand for governance support of all members of the public. Outlined

priorities will be efficiently managed through the proposed framework which envisions optimization as a key approach to managing resources.

4.3 Proposed 2025/26 Budget Framework

The medium- term budget framework for FY 2025/26 will be focusing on achieving the Goal of “*Leaving No One Behind*”. Through the reference of the five-year CIDP 2023-2027 implementation of the program and interventions identified can be achieved. Through fiscal consolidation the government will be targeting on enhancement of revenue mobilization from all possible sources. The focus of the social investments will be the main agenda in enhancing living standards and minimizing the level of poverty within our economy through our program-based budget. It’s important to high write that our target is to have a zero fiscal deficit in our budget framework.

4.3.1 Revenue Projections

In FY 2025/26 total revenue including Facility Improvement Fund (F-I-F) is projected at KShs KES 6.725 billion. Of this, ordinary revenue is projected at KES 480 million, equitable share of KES 4.59 billion and loans and grants of KES 1.65 billion. This revenue performance will be underpinned by the on-going reforms in policy and revenue administration. The County own revenue is expected to maintain an upward increase trend relatively given the improved administrative measures and efforts to increase the tax base. The aim is to mobilize more revenue from those categories to reach the full potential from the local sources, the priority goal in the budget framework.

Table 10: MTEF Revenue Projections by source 2022/23-2027/28

Description	Actual 2022/23 FY	Actual 2023/24 FY	Printed Estimate 2024/25FY	2025/26 FY projected	Projection 2026/27 FY	Projection 2027/28 FY
Equitable Share Allocation	4,551,419,814	4,027,976,038	4,534,480,732	4,594,480,200	4,824,204,210	5,065,414,421
Grant income	238,795,699	559,317,341	1,497,684,585	1,650,600,500	1,733,130,525	1,819,787,051
Local Revenue	286,737,650	417,346,035	450,000,000	480,000,000	504,000,000	529,200,000
Unspent Bal from Previous FY	183,981,694	253,643,267	-	-	-	-
Grand Total	5,260,934,857	5,258,282,681	6,482,165,317	6,725,080,700	7,061,334,735	7,414,401,472

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

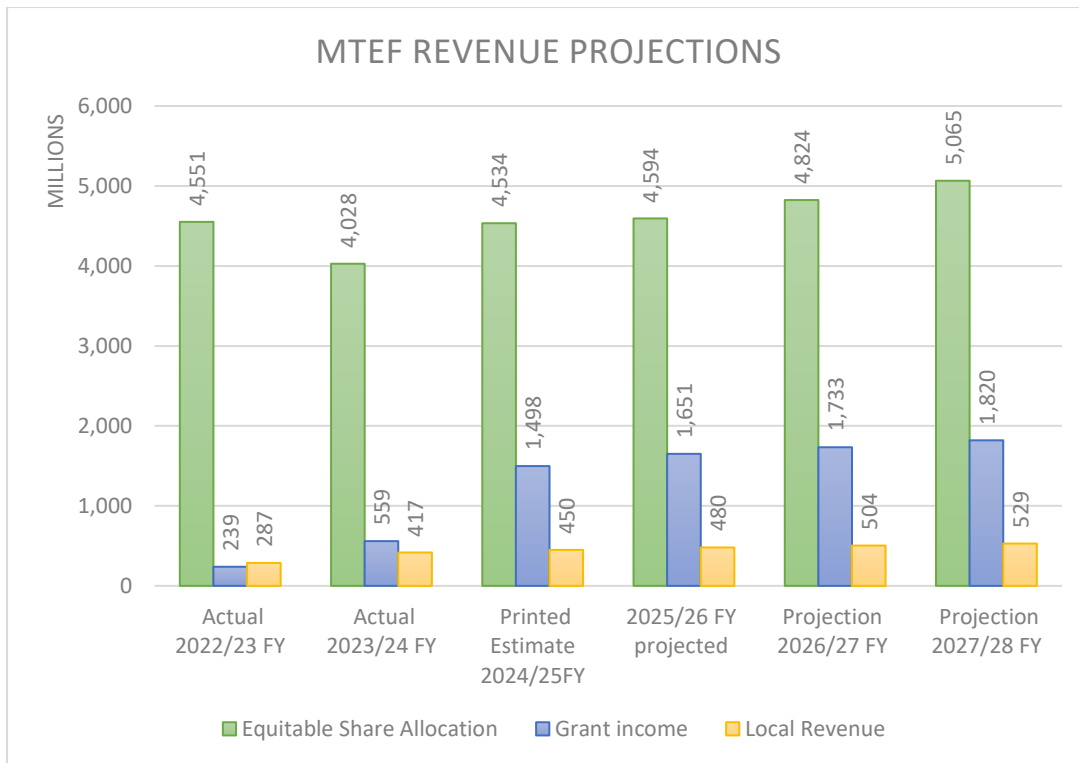


Figure 4: Revenue Projections FY 2022/23-2027/28

Figure 4 shows that there is a marked increase in local (own source) revenue collection from KES 286.7 million realized in FY 2022/23 to KES 417.3 million collected in FY 2023/24 representing a 68.7% increase and 92.7% achievement of the annual target. This can be attributed to the increased supervision and monitoring of Revenue collection. In the current FY, the County will strive to enhance this further to increase the local revenue performance to more than 95 % of the annual target.

4.3.2 Expenditure Forecasts

The estimated budget for FY 2025/26 is projected to be about KES 6,73 billion. This will in turn increase to KES 7.06 billion and KES 7.41 billion in FY 2026/27 and FY 2027/28 respectively. Out of the total expenditure estimates, recurrent expenditure is estimated at KES 4.3 billion compared to 4.1 billion planned for in the current FY 2024/25 and KES 3.53 billion that was utilized in FY 2023/24. These recurrent expenditure estimates represent 64 percent of total expenditure which is mainly driven by compensation of employees.

The development expenditure for FY 2025/26 is expected to amount to KES million 2.42 billion which is a marginal increase from KES 2.38 billion planned during FY 2024/25. The priority areas for investments will be universal health care, skills development, public service administration, road construction, improvement of urban areas and markets, water access and sanitation, climate change, enhance value addition and market participation of small-scale farmers, agriculture for increased food security and MSMEs.

Table 12: Summary of Actual and Projected Expenditure MTEF

Expenditure Classification	Actual Expenditure 2023/24	Approved Budget Estimates 2024/25	Projected Estimates (MTEF) 2025/26	Projected Estimates (MTEF) 2026/27	Projected Estimates (MTEF) 2027/28
Total Recurrent	3,889,304,912	4,098,679,103	4,308,389,865	4,523,809,358	4,749,999,826
Personnel Emoluments	2,354,655,972	2,294,496,131	2,405,993,953	2,526,293,651	2,652,608,333
Operations & Maintenance	1,534,648,940	1,804,182,972	1,902,395,912	1,997,515,708	2,097,391,493
Total Development	1,261,537,807	2,383,486,214	2,416,690,835	2,537,525,377	2,664,401,646
Development	1,261,537,807	2,383,486,214	2,416,690,835	2,537,525,377	2,664,401,646
<i>County Assembly</i>	<i>517,106,065</i>	<i>604,516,596</i>	<i>490,000,000</i>	<i>514,500,000</i>	<i>540,225,000</i>
Un spent Bal current FY	107,439,962	-	-	-	-
Total	5,258,282,681	6,482,165,317	6,725,080,700	7,061,334,735	7,414,401,472

Table 13: Summary of Indicative departmental Ceilings for the MTEF Period 2023/24- 2027/28

SECTOR	MINISTERIAL DEPARTMENTS	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
		2023/24 Actual Expenditure	2024/25 Estimates	2025/26 Ceilings	2026/27 Projections	2027/28 Projections	2023/24 Actual Expenditure	2024/25 Estimates	2025/26 Ceilings	2026/27 Projections	2027/28 Projections
Public Administration	Governor's Office	109,750,762	144,275,700	157,249,500	165,111,975	173,367,574	2.13%	2.23%	2.34%	2.34%	2.34%
	Finance and Economic Planning	218,753,186	216,729,900	220,564,500	231,592,725	243,172,361	4.25%	3.34%	3.28%	3.28%	3.28%
	County Public Service Board	22,520,540	34,133,400	42,200,400	44,310,420	46,525,941	0.44%	0.53%	0.63%	0.63%	0.63%
	Public Administration, Intergovernmental Coordination and Devolution Affairs	113,873,192	167,754,300	275,000,000	288,750,000	303,187,500	2.21%	2.59%	4.09%	4.09%	4.09%
	County Assembly	517,106,065	620,004,325	630,000,000	661,500,000	694,575,000	10.04%	9.56%	9.37%	9.37%	9.37%
	Sub Total	982,003,745	1,182,897,625	1,325,014,400	1,391,265,120	1,460,828,376	19.06%	18.25%	19.70%	19.70%	19.70%
	Roads, Transport and Infrastructure	760,655,379	917,241,434	960,300,500	1,008,315,525	1,058,731,301	14.77%	14.15%	14.28%	14.28%	14.28%
	Sub Total	760,655,379	917,241,434	960,300,500	1,008,315,525	1,058,731,301	14.77%	14.15%	14.28%	14.28%	14.28%
Health Services	Medical Services	1,632,676,532	1,729,584,194	1,750,113,800	1,837,619,490	1,929,500,465	31.70%	26.68%	26.02%	26.02%	26.02%
	Public Health and Sanitation	327,941,797	395,782,688	420,500,400	441,525,420	463,601,691	6.37%	6.11%	6.25%	6.25%	6.25%
	Sub Total	1,960,618,329	2,125,366,882	2,170,614,200	2,279,144,910	2,393,102,156	38.06%	32.79%	32.28%	32.28%	32.28%
Education and Social Services	Youth and Sports	24,658,072	106,888,800	120,200,350	126,210,368	132,520,886	0.48%	1.65%	1.79%	1.79%	1.79%
	Culture and tourism	16,954,211	36,200,000	45,400,430	47,670,452	50,053,974	0.33%	0.56%	0.68%	0.68%	0.68%
	Gender, Children and social services	17,600,000	38,600,000	40,960,700	43,008,735	45,159,172	0.34%	0.60%	0.61%	0.61%	0.61%
	Education and Vocation Training	284,208,753	264,623,423	300,763,400	315,801,570	331,591,649	5.52%	4.08%	4.47%	4.47%	4.47%
	Sub Total	343,421,036	446,312,223	507,324,880	532,691,124	559,325,680	6.67%	6.89%	7.54%	7.54%	7.54%
general economic and	Trade, Investment Promotion, Energy and Industry	47,562,549	312,831,880	205,700,400	215,985,420	226,784,691	0.92%	4.83%	3.06%	3.06%	3.06%

commercial affairs	Revenue and Resource Mobilization	104,871,054	123,334,200	124,525,040	130,751,292	137,288,857	2.04%	1.90%	1.85%	1.85%	1.85%
	Sub Total	152,433,603	436,166,080	330,225,440	346,736,712	364,073,548	2.96%	6.73%	4.91%	4.91%	4.91%
Agriculture	Agriculture and Crop Production	609,496,416	578,524,558	620,700,300	651,735,315	684,322,081	11.83%	8.92%	9.23%	9.23%	9.23%
	Fisheries and Ecosystem management	32,407,119	35,810,384	40,600,340	42,630,357	44,761,875	0.63%	0.55%	0.60%	0.60%	0.60%
	Lands, Physical Planning and Urban	63,605,215	101,965,000	104,400,250	109,620,263	115,101,276	1.23%	1.57%	1.55%	1.55%	1.55%
	Sub Total	705,508,750	716,299,942	765,700,890	803,985,935	844,185,231	13.70%	11.05%	11.39%	11.39%	11.39%
Environment, Water and Natural Resources	Environment and Natural Resources	171,016,191	179,668,000	195,400,050	205,170,053	215,428,555	3.32%	2.77%	2.91%	2.91%	2.91%
	Water Services and Irrigation	75,185,686	478,213,131	470,500,340	494,025,357	518,726,625	1.46%	7.38%	7.00%	7.00%	7.00%
	Sub Total	246,201,877	657,881,131	665,900,390	699,195,410	734,155,180	4.78%	10.15%	9.90%	9.90%	9.90%
Grand Total	Grand Total	5,150,842,719	6,482,165,317	6,725,080,700	7,061,334,735	7,414,401,472	100.00%	100.00%	100.00%	100.00%	100.00%

Table 14: Summary of Indicative Sector Ceilings

SECTOR	TOTAL EXPENDITURE KSHS					% SHARE OF TOTAL EXPENDITURE				
	2023/24 Actual Expenditure	2024/25 Estimates	2025/26 Ceilings	2026/27 Projections	2027/28 Projections	2023/24 Actual Expenditure	2024/25 Estimates	2025/26 Ceilings	2026/27 Projections	2027/28 Projections
Public Administration	982,003,745	1,182,897,625	1,325,014,400	1,391,265,120	1,460,828,376	19.06%	18.25%	19.70%	19.70%	19.70%
Infrastructure, Energy, ICT and Housing	760,655,379	917,241,434	960,300,500	1,008,315,525	1,058,731,301	14.77%	14.15%	14.28%	14.28%	14.28%
Health Services	1,960,618,329	2,125,366,882	2,170,614,200	2,279,144,910	2,393,102,156	38.06%	32.79%	32.28%	32.28%	32.28%
Education and Social Services	343,421,036	446,312,223	507,324,880	532,691,124	559,325,680	6.67%	6.89%	7.54%	7.54%	7.54%
general economic and commercial affairs	152,433,603	436,166,080	330,225,440	346,736,712	364,073,548	2.96%	6.73%	4.91%	4.91%	4.91%
Agriculture	705,508,750	716,299,942	765,700,890	803,985,935	844,185,231	13.70%	11.05%	11.39%	11.39%	11.39%
Environment, Water and Natural Resources	246,201,877	657,881,131	665,900,390	699,195,410	734,155,180	4.78%	10.15%	9.90%	9.90%	9.90%
Grand Total	5,150,842,719	6,482,165,317	6,725,080,700	7,061,334,735	7,414,401,472	100.00%	100.00%	100.00%	100.00%	100.00%

Recurrent vs Development Budget Expenditure

The FY 2025/26 budget targets a recurrent expenditure of KES 4.31 billion including KES 590 million allocated to the County Assembly against KES 4.1 million estimated in FY 2024/25 and KES 3.9 billion spent in FY 2023/24. This recurrent expenditure represents 64.0 per cent of the total revenues in FY 2025/26. The county government expected development expenditure for FY 2025/26 is estimated to be KES 2.42 billion. This represents 36 percent of total expenditure which conforms to fiscal responsibility principles that requires at least 30% be allocated for development expenditure. The recurrent and development expenditure projections are presented in table 15 below.

Table 15: Recurrent and Development Expenditure 2023/24-2027/28

Expenditure classification	Actual Expenditure 2023/24	Approved budget estimates 2024/25	Projected estimates (MTEF) 2025/26	Projected estimates (MTEF) 2026/27	Projected estimates (MTEF) 2027/28
Recurrent	3,889,304,912	4,098,679,103	4,308,389,865	4,523,809,358	4,749,999,826
Development	1,261,537,807	2,383,486,214	2,416,690,835	2,537,525,377	2,664,401,646
Total	5,150,842,719	6,482,165,317	6,725,080,700	7,061,334,735	7,414,401,472

4.4 Projected fiscal Balance (deficit) and likely financing

The proposed county budget for the FY 2025/26 is balanced, however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Council (IBEC).

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

4.5 Pending Bills

The total outstanding County Government pending bills as of 30th June 2024 amounted to KES 849.94 million. These comprise of KES 218.50 million and KES 631.44 million for development and recurrent respectively. Additionally, the County Assembly closed the financial year with a pending bill amounting to KES 97.64 million. The pending bills arise from contracts with service providers, infrastructure projects, employee salaries, public

services among others. The delay in settling these bills is due to budget shortfalls, delays in the release of the national government funds, economic downturns among others. The County Government has constituted a pending bills committee that helps the county executive in proactive fiscal management measures on the pending bills, hence ensuring the county continues to function efficiently. For the County Government to effectively address the issue of pending bills, it is necessary to prioritize budgeting for the pending bills in current and forecasted years thus pending bills will take first charge in FY 2024/25. It is also important for cash flow management to ensure that sufficient funds are available for upcoming payments.

SECTION V: CONCLUSION

The review of implementation of FY 2023/24 budget shows that the fiscal framework and the updated macroeconomic forecast demands for the need for caution and review of the financial objectives for 2024/25 FY. The effects of the failure to enact the finance bill 2024 will greatly impact on the capacity of the government to mobilize adequate resources to fund the counties. This will result in uncertainty in the expected revenue both for the equitable share, own source revenue and grants and loans.

The County, through its long-term development objectives, is devoted to ensuring services delivered are aligned to specific needs of our communities as contained in the CIDP 2023-2027. The fiscal proposals contained in the CBROP 2024 are geared towards realizing the development objectives contained in the MTP IV, CIDP III (2023-2027), Annual Development Plans and the fiscal responsibility principles outlined in the PFM Act 2012.

As budgetary resources are limited, the county departments should prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities and financial prudence. To minimize pending bills, all departments will be required to clear outstanding liabilities in addition to adhering to the principles of project management, for example preparing bills in quantities in advance. County Sector Working Groups need to prudently consider detailed costing of projects, strategic significance, deliverables (outputs and outcomes), alternative interventions, administration and implementation plans for efficient and effective utilization of resources. There is a need to adhere to the budget calendar as outlined in the Budget Circular of August 2024 as detailed in Annex1.

To mirror this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending entities to ensure that resource application bears maximum benefits to the citizens. The involvement of all stakeholders in budget execution will be key in enhancing overall budget implementation. In addition, the prioritization of public needs will be key in shaping the final budget policies and allocations for the 2025/26 financial year.

The county will continue to strengthen its revenue collection and management systems with the goal of generating more revenues while ensuring the stability of the fiscal framework and financial health of the County. The identification of other sources of revenue, for example

implementation of the new valuation roll will avail more resources for development programmes. The Revenue Board will revitalize revenue collection measures to ensure that the various projections for revenue streams for the MTEF will be realized.

ANNEXURES

Annex I: Budget Calendar for the FY 2024/25

ACTIVITY	RESPONSIBILITY	DEADLINE
1. Prepare and issue budget circular with guidelines	CEC Member for Finance	August 18 th 2024
1.1 Two-day sensitization workshop for accounting officers		6 th - 7 th August 2024
2. Sector Working Groups and CBEF	County Treasury	
2.1.1 1 st CBEF Meeting – Review of FY 2023/2024 and Consideration of ADP FY 2025/26		21 st -23 rd August 2024
2.1.2 First meeting for SWGs		October 2024
2.2 Second meeting for SWGs		February 2025
Submission of projects and programmes to be implemented for FY 2025/26		December 2024
2.3 Third meeting for SWGs		April 2025
3. County Annual Progress Report		County Treasury (Economic Planning Department)
3.1 Draft CAPR	30 th July 2024	
3.2 Validation of the CAPR	1 st – 2 nd August 2024	
3.3 Submission to CEC for Approval	15 th August 2024	
3.4 Submission to CA for Approval	30 th August 2024	
4. Monitoring and Evaluation	County Treasury (Economic Planning Department)	
4.1 M&E field work		August 2024, October 2024, January 2025 and May 2025
4.2 Annual M&E week		2 nd Week November 2024
5. Statistical abstract 2024	County Treasury (Economic Planning Department)	
5.1 Draft		November 2024
5.2 Launch		December 2024
6. Development of ADPs for FY 2025/26	County Treasury (Economic Planning Department)	
6.1. Draft ADP FY 2025-2026		13 th August 2024
6.2 Public Participation of ADP FY 2025-2026		19 th – 21 st August 2024
6.3 Submission of ADP FY 2025-2026 to CEC		26 th August 2024
6.4 Submission of ADP FY 2025-2026 to County Assembly		30 th August 2024
6.5. Report of ADP from County Assembly		
6.6. Consolidation of CA recommendations to Final ADP		
6.7. Approval of ADP by County Assembly		<i>(Within 21 days upon submission)</i>
7. Development of County Budget Review and Outlook Paper (CBROP) 2024	County Treasury (Budget Unit)	
7.1. Estimation of Resource Envelope		9 th September 2024
7.2. Determination of policy priorities		“
7.3. Preliminary resource allocation to Sectors		“
7.4. Draft County Budget Review and Outlook Paper		17 th September 2024
7.5. Validation		20 th September 2024
7.6. Submission and approval of CBROP by CEC/CBEF		30 th September 2024
7.7. Submission of approved CBROP to County Assembly		14 th October 2024
8. Preparation of Budget proposals for the MTEF	Departments	

8.1. First retreat to draft Sector Reports (Programmes and projects submitted)	SWGs	14 th -18 th October 2024
8.2. Public Sector Hearings	County Treasury	August 2024 and February 2025
8.3. Review and Incorporation of stakeholder inputs in Sector proposals	SWGs	14 th January 2025
8.4. Submission of Sector Reports to Treasury	Sector Chairpersons	17 th February 2025
8.5. Consultative meeting with CECs/COs on budget proposals	County Treasury	14 th April 2025
8.6 3 rd CBEF Meeting: Consideration of Budget Estimates	County Treasury	24 th April 2025
9. Draft County Fiscal Strategy Paper (CFSP) 2025 and Debt Management Strategy (DMS) 2025		
9.1. Draft CFSP	County Treasury	7 th February 2025
9.2. Draft Debt Management Strategy (DMS)	Budget Unit	“
9.3.1 Validation Workshop	Budget Unit	10 th - 14 th February 2025
9.3.2 2 nd CBEF Meeting: Consideration of CFSP and DMS (Strategic Planning)	County Treasury	19 th February 2025
9.4. Submission of CFSP and DMS to CEC for approval	County Treasury	21 st February 2025
9.5. Submission of CFSP & DMS to County Assembly for approval	County Assembly	28 th February 2025
10. Preparation and approval of Final Departmental Budgets		
10.1. Develop and issue final guidelines on preparation of 2025-2026 MTEF Budget	County Treasury	January, 2025
10.2. Submission of Draft Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	28 th March, 2025
10.3. Submission of Budget proposals to County Treasury (First draft)	Line departments	31 st March, 2025
10.4. Consolidation of the Draft Budget Estimates (final draft)	County Treasury	14 th April, 2025
10.5. Submission of Draft Budget Estimates to CEC	County Treasury	24 th April, 2025
10.6. Submission of Draft Budget Estimates to County Assembly	County Treasury	30 th April, 2025
10.7. Submission of Final Revenue Raising Measures (Finance Bill) to County Treasury	Revenue Department	30 th April, 2025
10.8. Review of Draft Budget Estimates by County Assembly	County Assembly	17 th June, 2025
10.9. Report on Draft Budget Estimates from County Assembly	County Assembly	18 th June, 2025
10.10. Consolidation of the Final Budget Estimates	County Treasury	19 th June, 2025
10.11. Approval of Appropriation Bill by County Assembly	County Assembly	27 th June, 2025
10.12. Approval of Vote on Account by County Assembly	County Assembly	27 th June, 2025
10.13 Budget Statement	CEC Finance	24 th June, 2025
10.14 Appropriation Bill passed	County Assembly	27 th June, 2025
11. Public participation	County Treasury (Economic Planning Department)	August 2024 - February 2025

Annex II: Revenue Performance per Stream and location

SNO	SOURCE OF INCOME	CODE	Sum of Proposed Budget Estimates FY 2023/24	Sum of Revised Budget Estimates 2023-2024	Actual Revenue (KShs.)	Variance (KShs.)
				A	B	C=B-A
1	Plot / Land Rates & Rents	R002	11,672,000	8,672,000	5,952,449	(2,719,551)
2	Single Business Permit	R003	70,000,000	70,000,000	85,078,213	15,078,213
3	natural Cess Fees	R004	57,000,000	75,000,000	55,827,623	(19,172,377)
4	Barter Market / Slaughter Fees	R005	24,000,000	27,000,000	17,934,134	(9,065,866)
5	Parking Fees	R006	25,000,000	25,000,000	19,823,583	(5,176,417)
6	Rent / Lease County Houses and Stalls	R007	5,000,000	5,000,000	2,741,160	(2,258,840)
7	Plan Approval fees	R009	-	5,000,000	4,704,434	(295,566)
8	Weights and measures	R010	300,000	300,000		(300,000)
9	Penalties	R011	-	-	64,850.00	64,850
10	Livestock and Agriculture Produce Cess	R012	500,000	2,500,000	7,818,640	5,318,640
11	Tourism (Mt. Kenya Lodge)	R013	978,000	978,000		(978,000)
12	Technical Services/Advertisement	R016	3,900,000	4,900,000	14,412,221	9,512,221
13	Miscellaneous	R018	16,000,000	18,000,000	247,059	(17,752,941)
14	Liquor License	R022	22,000,000	22,000,000	22,614,311	614,311
15	Property Fees (Transfer, Search)	R026	12,150,000	7,820,000	4,396,269	(3,423,731)
16	Veterinary services	R027	8,600,000	8,600,000	8,295,720	(304,280)
17	Cooperative services	R028	100,000	100,000		(100,000)
18	Administration Fees and Charges	R032	20,000,000	20,000,000	6,451,846	(13,548,154)
						-
	Net Own Source Revenue		277,200,000	300,870,000	256,362,512	(44,507,488)
	Appropriation-in-Aid (Receipts from Medical services-FIF)		122,800,000	149,800,000	160,983,523	11,183,523

	Annual Own source Revenue		400,000,000	450,670,000	417,346,035	(33,323,965)
	Balance CF 2022/23		-	-	31,432,558	-
	Gross Annual Revenue		400,000,000	450,670,000	448,778,593	(1,891,407)

REVENUE BY SUB COUNTY

SNO	SUB COUNTY /TOWN	TARGET	ACTUAL	Variance
1	Chuka Sub County	17,000,000	15,057,651	-1,942,349
2	Tharaka South	31,000,000	24,239,327	-6,760,673
3	Chogoria Urban	25,000,000	24,959,166	-40,834
4	Chuka Urban	70,000,000	76,604,935	6,604,935
5	Igambang'ombe	30,000,000	25,735,835	-4,264,165
6	Tharaka North	41,000,000	29,244,587	-11,755,413
7	Chiakariga Sub County	28,000,000	22,139,823	-5,860,177
8	Mwimbi Sub County	15,000,000	8,630,252	-6,369,748
9	Muthambi Sub County	17,000,000	10,731,427	-6,268,573
10	Kathwana Municipality	6,270,000	3,589,027	-2,680,973
11	Veterinary	8,600,000	3,461,321	-5,138,679
12	Disposal of Assets (Misc) and Direct Banking	12,000,000	11,969,167	-30,833
13	Hospital Fees	149,800,000	160,726,664	10,926,664
	GRAND TOTAL	450,670,000	417,089,182	-33,580,818