

COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

2023 COUNTY FISCAL STRATEGY PAPER (CFSP)

FEBRUARY 2023

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FOREWORD

This 2023 County Fiscal Strategy Paper (CFSP) is the first to be prepared under the new county administration and its development objectives as prioritized in the 2023-2027 County Integrated Development Plan (CIDP III). The 2023 CFSP sets out the county's priority programs, projects, and policies to be implemented in 2023/24 Financial Years (FY) and aligns them with the national broad strategic priorities and policy goals as set out in the 2023 Budget Policy Statement (BPS) for the 2023/24 FY national budget priority areas.

As such, the 2023 CFSP contains budget priorities which have been deliberately selected in readiness of the actualization of the broad national policy objectives and goals adopted by the new country Administration under the framework of Bottom-up Economic Transformation Agenda (BETA). BETA development model informed the identification of nine development pillars under CIDP III. These pillars are, 1) Efficient and high-quality healthcare system, 2) Modern roads and transport infrastructure, 3) Water secure communities in habitable environment, 4) Accelerated growth through human settlement and urban development, 5) Food security and wealth creation, 6) Commercial empowerment for investments and industrialization, 7) Quality, equitable and accessible education and training, 8) Empowerment through sports, social welfare, and inclusion, 9) Transformative leadership through accountable governance.

However, this CFSP is being prepared in the backdrop of a slowdown in economic growth nationally, the rising cost of investments caused by high inflation effects and the cost of national debt repayments. These factors have led to a modest increase in the amount allocated to counties in the proposed vertical allocation amount under the Division of Revenue Bill (DORA).

To adapt to this modest increase in amounts allocated to counties, Elgeyo Marakwet County has adopted two strategies, 1) Budget priorities have been reorganized in the 2023 CFSP to accommodate the national strategic focus areas expected to achieve the BETA objectives and, 2) Revamping of Own Source Revenue (OSR) management to increase local revenue by at least Kshs. 20m to supplement the additional allocation of Kshs. 190m from the horizontal share from the amount allocated to counties under DORA. However, a significant amount of these additional allocations will be gobbled-up by the continued rise in the county wage bill caused by the mandatory annual salary increments for staff.

In the 2023/24 FY the county wage bill is projected to be 49% of the annual budget which is 15% percentage points above the legal (PFMA Act 205) ceiling of 35%. This high wage bill level was caused by

the large number of devolved staff at the time of devolution in 2013 given the size, employment of staff cadres which previously did not exist such as the ECDE teachers and the many salary adjustments by the Salaries and Remuneration Commission (SRC) for staff, mainly those in the health sector guided by the periodic Collective Bargaining agreements (CBAs). It is worth noting that the wage bill would already be at over 60% of the annual budget had it not been for the various wage bill management strategies adopted since devolution including hiring of new staff at entry levels as replacements for exiting staff, an approach has successfully helped to pin the growth of wage at a minimum level.

Budget expenditure has remained a barrier in ensuring there is value for money in budgets provisions. Therefore, to ensure maximum absorption within the budget period, expenditure processes will be streamlined to ensure prudent financial management. The 2023 CFSP emphasizes on containing costs and improving efficiency across government departments and entities. These strategies will be achieved through automation of processes including drugs and project management, adopting periodical performance measures including the Rapid Results Initiative (RRI) and service re-engineering approaches such as medical camps initiatives amongst others. These efforts are expected to moderate the pace of public expenditure growth while accelerating the delivery of quality services and also stimulate economic growth. Spending baselines which are basis for ceilings allocations in CFSPs have undergone objective reviews whilst considering factors which include: the capacity of departments and public entities to manage resources, the link between outcomes, expenditure and departmental mandates, proposals from the public and programme performance so far and the provisions of the Public Finance Management (County Governments) Regulations, 2015.

ALPHAEUS K. TANUI
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ACKNOWLEDGEMENTS

The CFSP is an essential guide for our organization's financial planning and decision-making processes, and various contributions have ensured that it is both comprehensive and actionable. The team's insightful ideas, thorough analysis, and attention to detail have been critical in shaping the content of this plan.

This 2023 CFSP is a product of collective efforts by all County Departments led by respective CECMs, Ag Chief Officers, Directors, and other staff. On behalf of this team therefore, I would like to pass our special gratitude to individuals and entities for the passion in the CFSP related work which culminated in the completion of this document. We especially acknowledge the dedication of core team of technical staff from the Department of Finance and Economic Planning, specifically the Directorate of Economic Planning and Budgeting which comprises Economists and budget officers whose assignment was to collect, collate and analyze departmental findings from the CFSP questionnaires administered to all county entities and which formed the primary data for the preparation of this document.

We also wish to thank the County Executive Committee led by H.E Governor Wisely Rotich and H.E Deputy Governor Prof Grace Cheserek for the direction and policy guidance whose objective is to align the CFSP's strategies with the county's long-term development aspirations contained in the County Integrated Development Plan (CIDP) 2023-2027.

The draft 2023 CFSP was presented to the various departments for their inputs, and we hereby wish to acknowledge their collaborative efforts, willingness to work together for the common good of the county. Finally, as a county it is our desire to provide efficient and effective service delivery and development process, and we have no doubt that this CFSP will be instrumental in guiding our government's development strategies in the 2023/24 Fiscal Year.

JOHN MARITIM

DIRECTOR ECONOMIC PLANNING AND BUDGETING

ABBREVIATIONS

AIA	Appropriation in Aid
ADP	Annual Development Plan
BPS	Budget Policy Statement
CBA	Collective Bargaining Agreement
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
COVID-19	Coronavirus 2019
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
ECDE	Early Childhood Development Education
EDA	Equitable Development Act
FY	Financial Year
FIF	Facility Improvement Fund
FLLoCA	Finance Locally Led Climate Action Program
GDP	Gross Domestic Product
KRA	Kenya Revenue Authority
ICT	Information Communication Technology
KDSP	Kenya Devolution Support Program
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
VSD	Vocational Skills Development
OSR	Own Source Revenue
O&M	Operations and Maintenance
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission
BETA	Bottom-Up Economic Transformation Agenda
DANIDA	Danish International Development Agency

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CHAPTER ONE: INTRODUCTION

1.0 Overview

The County Fiscal Strategy Paper (CFSP) is a County Government policy document that sets out the broad strategic priorities and policy goals to guide the County Governments in preparing its budgets for the subsequent financial year and over the medium term.

It outlines the County Government priority programs, policies, and reforms to be implemented in the 2023/24 FY. The 2023 CFSP comes at a time when the County Government is finalizing the preparation of the 2023-2027 County Integrated Development Plan (CIDP) which prioritizes implementation of sound development strategies of the new Administration for enhanced sustainable development.

It is aligned to the 2023 Budget Policy Statement (BPS) which sets out the national government priority programs, policies, and reforms of the Administration (Bottom-Up Economic Transformation Agenda (BETA) geared towards economic turnaround and inclusive growth) that will be implemented in the Medium-Term Expenditure Framework (MTEF).

1.1 Legal Framework for County Fiscal Strategy Paper (CFSP)

The 2023 County Fiscal Strategy Paper (CFSP) is prepared in line with the provision of the Public Finance Management (PFM) Act section 117 with emphasis on:

1. Timelines which the County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly by the 28th February of each year.
2. How County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.
3. How County Treasury in the County Fiscal Strategy Paper shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
4. How County Treasury in the County Fiscal Strategy Paper shall include the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

5. In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and consider the views of:
 - a. The Commission on Revenue Allocation.
 - b. The public.
 - c. Any interested persons or groups; and
 - d. Any other forum that is established by legislation.
6. Not later than fourteen days after submitting the County Fiscal Strategy Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments. This provision is further expounded by section 37(1) of the PFM Act 2012 Regulations which indicates the extent of the percentages to amended by County Assembly and states that “Where a county assembly approves any changes in the estimates of budget under section 131 of the Act, any increase or reduction in expenditure of a Vote, shall not exceed one (1%) percent of the Vote’s ceilings. Section 26(3) of the PFM Act 2012 Regulations further provides for an engagement framework between the CEC Finance and the Budget Committee of the County Assembly on changes and decisions to be made by the county assembly on budget documents and process. It states that; “Before tabling a report containing recommendations on the County Fiscal Strategy Paper for adoption by the County Assembly in accordance with section 117(6) of the Act, the relevant committee of the County Assembly shall seek the views of the County Executive Committee member on its recommendations.
7. The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.
8. The County Treasury shall publish and publicize the County Fiscal Strategy

1.2 Fiscal Responsibility Principles for the County Government

In keeping with prudent and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles In line with the Constitution, the Public Finance Management (PFM) Act, 2012, the PFM regulations. These principles are as follows:

- a. The county government's recurrent expenditure has not exceeded the county government's total revenue.

- b. In line with the law, the county's development expenditure is less than thirty percent of the county government's budget. Adherence to this principle in the 2023 CFSP is not going to be achieved easily, though there is ongoing negotiation between the Intergovernmental Budget and Economic Council (IBEC), the national treasury and the attorney general on adopting a framework which will enable transfer of funds emanating from court fines relating to county legislation from the exchequer to the County Revenue Funds. These funds might not be much, but it will raise the development allocation significantly.
- c. Section 25(1)(b) of the PFM (County Governments) Regulations, 2015 requires that County Governments' wage bill shall not exceed 35 percent of their total revenue. The county has not been able to adhere to this principle because of continued pressure on wage bills occasioned by CBA agreements for the health workers, SRC salary harmonization review circulars including conversion of engagement terms of ECDE teachers from contract to permanent and pensionable and service delivery needed for the devolved functions necessitating additional employees' recruitment together with annual basic pay allowance increments.

1.3 Development Allocations Guidelines

Development expenditure allocations are shared out amongst departments based on the Equitable Development Act, 2015, County Integrated Development Plan (CIDP) and Annual Development Plan (ADP) as well as other strategic objectives and policy goals identified in this CFSP as aligned to the 2022 BPS. Development ceilings for departments/sectors are the aggregate for the cost of projects for Wards and County prioritized for that departments/sector through statute framework of citizen representation or participation as proposed in 2023/24 FY ADP.

CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM OUTLOOK

2.1 Overview

The Kenyan economy continued to expand in 2022, though at a slower pace than the 7.5 percent recorded in 2021. The economy is projected to rebound to 6.1 percent in 2023, reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. The coordination between monetary and fiscal policies continued to support macroeconomic stability with interest rates remaining relatively stable. Year-on-year overall inflation rate declined for the second consecutive month in December 2022. Inflation rate eased to 9.1 percent in December 2022 from 9.5 percent in November 2022 due to a decline in food prices.

The fiscal policy continues to pursue growth friendly fiscal consolidation to preserve debt sustainability. This will be achieved through enhancing revenue collection and curtailing non-core expenditures while prioritizing high impact social and investment expenditure. As such, the fiscal deficit is projected to decline from 5.8 percent of GDP in FY 2022/23 to 4.3 percent of GDP in FY 2023/24.

2.2 Recent Economic Developments and Outlook

2.2.1 Global and Regional Economic Developments

Global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic, and persistent supply chain disruptions. Global growth is projected to slow down to 2.7 percent in 2023 from the earlier forecast of 2.9 percent. The USA economy is projected to slow down to 1.0 percent in 2023 from 1.6 percent in 2022, Euro Area economies will slow down to 0.5 percent from 3.1 percent in 2022. China's economy is projected to improve to 4.4 percent from 3.2 percent in 2022.

In the sub-Saharan Africa region, growth is projected at 3.7 percent in 2023 from a growth of 3.6 percent in 2022. This outlook is weaker than the growth of 4.7 percent in 2021 reflecting lower trading partner growth, tighter financial and monetary conditions, and a negative shift in the commodity terms of trade.

2.2.2 Domestic Economic Developments

The Kenyan economy demonstrated a remarkable resilience and recovery from COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020. This is as shown by the table below.

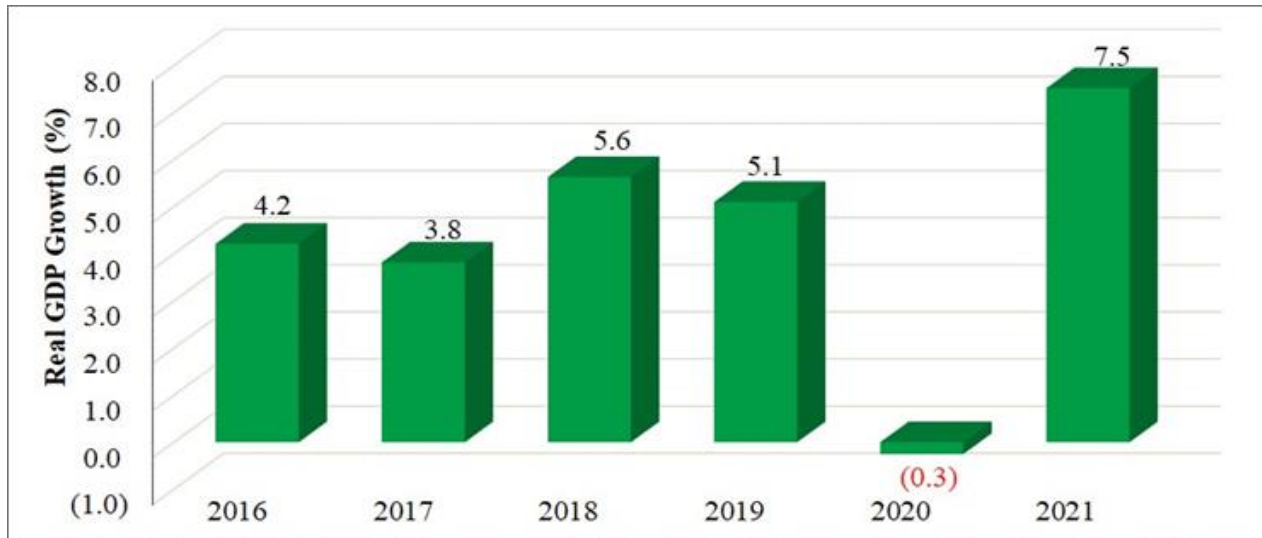


Figure 1: Annual Real GDP Growth rates

The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarters in 2021. In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.3 percent in the corresponding quarter of 2021. Most sectors posted slower growth owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. The growth in the third quarter of 2022 was mainly supported by the service sectors. The growth was however slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors. Manufacturing subsector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth in the industry sector was supported by positive growths in the Electricity and Water Supply subsector and construction sub-sector which grew by 4.7 percent and 4.3 percent, respectively. The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID-19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

2.2 External Sector Developments

The overall balance of payments position improved to a surplus of USD 2,245.4 million (2.0 percent of GDP) in November 2022 from a deficit of USD 976.8 million (0.9 percent of GDP) in November 2021. This was mainly due to an improvement in the capital account despite a decline in the merchandise account reflecting increased imports of petroleum products owing to high international crude oil prices.

The current account deficit was generally stable at USD 5,771.0 million (5.2 percent of GDP) in November 2022 compared to USD 5,811.6 million (5.4 percent of GDP) in November 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account.

2.3 Fiscal Policy

Budget execution in the first five months of FY 2022/23 progressed well. Revenues continued to record growth albeit revenue shortfall reflecting improvement in business environment, tax policy measures and enhanced revenue administration by the Kenya Revenue Authority.

Overall expenditures were below programme target underpinned by shortfalls recorded in revenue performance and inadequate liquidity in the government securities market. However, ministerial expenditure targets were not fully met partly due to low absorption of foreign and domestic financed projects. Disbursement to the counties was also short of the target for the period to November 2022.

Revenue collection to November 2022 grew by 10.6 percent compared to a growth of 29.5 percent in November 2021. This decline in rate of growth is attributed to the fact that the previous FY's growth was anchored on a lower base – a contraction recorded in the FY 2019/20 which had the effects of COVID-19 pandemic. As at end November 2022, the cumulative total revenue inclusive of Ministerial Appropriation in Aid (A-i-A) was Ksh 893.8 billion against a target of Ksh 912.9 billion. This performance was Ksh 19.1 billion below the set target. 100. Ordinary revenue to November 2022 recorded a growth of 9.5 percent compared to a growth of 27.2 percent in November 2021. This growth was also recorded in all broad categories of ordinary revenue. Specifically, Income tax grew by 10.3 percent, Value Added Tax (VAT) by 8.9 percent, Excise taxes by 7.9 percent, and Import duty by 18.8 percent. In nominal terms, ordinary revenue collection to November 2022 was Ksh 786.5 billion against a target of Ksh 818.7 billion. This performance was Ksh 32.2 billion below the target.

Total expenditure and net lending for the period ending November 2022 was Ksh 1,096.6 billion which was below the projected amount of Ksh 1,183.7 billion by Ksh 87.1 billion. Recurrent spending amounted to Ksh 825.6 billion; development expenditure was Ksh 149.0 billion while transfer to County Governments was Ksh 122.1 billion.

The fiscal policy stance over the medium term aims at supporting the economic recovery agenda of the Government through a growth friendly fiscal consolidation plan designed to slow the annual growth in public debt and implementing an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that the development agenda honors the principle of intergenerational equity.

The fiscal policy also indicates a deliberate convergence path towards the fiscal targets under the East African Community Monetary Union Protocol that sets a ceiling of fiscal deficit including grants of 3.0 percent of GDP and deficit excluding grants of 6.0 percent of GDP. The fiscal policy will target to grow tax revenues above 17.8 percent of GDP in the FY 2023/24 and above 18.0 percent of GDP over the medium term. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. To achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms.

2.4 Economic Outlook

2.4.1 Global Growth Outlook

The global economic outlook remains highly uncertain with growth projected to slow down from 3.2 percent in 2022 to 2.7 percent in 2023. This projected growth in 2023 was revised downwards from the initial projection of 2.9 percent largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies.

2.4.2 Domestic Growth Outlook

Domestically, the economy continued to expand, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP grew by 5.5 percent in the first three quarters of 2022 (6.7 percent in quarter one, 5.2 percent in quarter two and 4.7 percent in quarter three) supported by the ongoing recovery in the services sector, driven by accommodation and food services, wholesale and retail trade, finance and insurance, education and transport and storage.

The economy is expected to recover in 2023 to 6.1 percent and maintain that momentum over the medium-term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24). This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labour market recovery, improved consumer confidence, and resilient remittances.

The growth outlook will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personal finance that includes savings, credit, insurance, and investment. To address the adverse impact of the ongoing drought, the Government in partnership with the Development Partners and the private sector under the auspices of the National Steering Committee on Drought Response has provided response to affected persons, regions, and communities. The Committee will work with both the National and County Governments in strengthening the national capacity for resilient recovery to protect development gains from recurrent drought.

2.4.3 Risks to the Economic Outlook

There are downside risks to the macroeconomic outlook emanating from domestic as well as external sources. On the domestic front, risks emanate from climate change resulting in unfavorable weather conditions. This could affect agricultural production and result in domestic inflationary pressures.

On the external front, uncertainties in the global economic outlook have also increased which could impact on the domestic economy. These risks include: the possible worsening of the Russia - Ukraine conflict which could heighten the risk of oil and commodity price volatility and elevated inflationary pressures;

lingering effects of COVID-19 (coronavirus) pandemics; and global monetary policy tightening, especially in the United States, could increase volatility in the financial markets.

Global and national economic stability highly determine the performance of the county's economy. The global monetary and fiscal impacts are felt by the Kenyan economy and are consequently translated to the counties. The surging drought would hamper agricultural performance. This may greatly affect streams of the county government's own source revenue and thus pose a fiscal risk to the county budget.

The inflation of commodity prices led to drained household financial resources. The declining national revenue performance led to delay in release of funds by National Treasury to county governments in FY 2021/22; this meant that implementation to county development programmes delayed and thus slowed down the development agenda of the county as manifested by huge amounts of rollover funds and pending bills which necessitated a supplementary budget to accommodate them in FY 2022/23.

Wage bill is a major risk to the fiscal outlook in the medium-term. The burden that wage-bill weighs on the budget is heavy and it is expected to continue posing fiscal risk to the County Government.

The county is home to Kerio Valley and the frequent attacks from bandits continued to pose great security risks along the Kerio Valley and its environs. The county is prone to natural disasters including landslides, flooding and drought, these disasters pose a huge risk to life and property. The disasters also threaten food security, utilities, road network and public health. Occurrence of such disasters will require huge financial resources and thus pose fiscal risk to the county government.

CHAPTER THREE: COUNTY FISCAL POLICY

3.1 Overview

The County Government fiscal policy over the medium term aims at supporting a stable economic growth and ensuring the effective delivery of services. The fiscal policy is aligned to the country's MTP IV targets. To sustain the budget, there will be concerted efforts to expand the revenue base and increase revenue collection as projected. The County Government will also pursue prudent fiscal policy to ensure macroeconomic stability. The County fiscal policy objective will provide an avenue to support economic activity while allowing for implementation of mandates bestowed upon the County Government, within a sustainable public finances management system.

3.2 CFSP Alignment to Budget Policy Statement

The County Government CFSP's strategic priorities and policy goals have been aligned to the national Budget Policy Statement (BPS) 2023. This CFSP borrows heavily and seeks to feed into the Bottom-up Economic Transformation Agenda (BETA) of the Kenya Kwanza's administration. The agenda is geared towards economic turnaround and inclusive growth and aims to increase investments in at least five sectors envisaged to have the largest impact and linkages to the economy as well as on household welfare. These include Agricultural Transformation; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; Digital Superhighway and Creative Industry. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The implementation of these interventions is expected to stimulate economic recovery to 6.1 percent growth in 2023 from the estimated 5.5 percent in 2022.

The County Government's fiscal policy stance over the medium term aims at supporting the Bottom-Up Economic Transformation Agenda of the Government through a growth friendly fiscal consolidation plan designed to provide economic empowerment opportunities to residents as well as enhance service delivery.

3.3 Fiscal Performance

Going forward into the medium term, the Government will continue in its fiscal rationalization path with the overall fiscal balance being maintained broadly at the levels outlined in the CFSP 2023, this will ensure fiscal balance is maintained between recurrent and development. To achieve these targets, the Government will continue to rationalize recurrent spending while doubling its effort in resource mobilization. To mobilize revenues, the Government has put in place revenue enhancement measures to boost performance and cushion against further revenue shortfalls by strengthening collection and compliance through:

1. Continued automation of collection through cashless payments and Point of Sale (PoS) collection.
2. Follow ups of cess payments from millers and road contractors
3. Inventory of Business Enterprises in every urban area to ensure targeting is evidence based.
4. Setting of personal targets for individual officers through Performance Contracting and Appraisal System.

3.4 Deficit, Debt policy and Debt Sustainability

Currently, the county has no public debt. On the National level, the Government is required to maintain public debt at sustainable levels as set out in the Public Finance Management Act 2012, and its regulations. The external debt sustainability indicators illustrate that Kenya remains within the sustainable bounds. This is attributed to the large portion of debt that is on concessional terms in terms of low costs and long-term maturity.

3.5 County Economic Performance and Prospects

3.5.1 Growth Prospects and Challenges

The county growth prospects that can propel the county to higher economic possibilities include improved agricultural productivity, urban growth, enhanced tourism, value addition ventures, increased irrigated agriculture and economic gains from other sectors.

The county's economic growth majorly relies on rain-fed agriculture and agricultural activities. Climatic conditions, therefore, play a key role in determining the county's economy. It is with this in mind that the county continues to pursue climate-smart initiatives in a bid to combat the impacts of global warming. Citizens within the wards in the Kerio Valley have continued to prioritize and allocate substantial resources to irrigation projects. This has also been complemented by projects from the climate smart programme. All the three ecological zones depend on rainfall, and the zones have varied levels of socio-economic developments and resource endowments. A review of these zones shows that for the overall socioeconomic development to be realized, there is need to invest in value addition and modernization of agriculture, improving road network and power supply and improving the marketing chains through cooperatives and farmer organizations. The implementation of climate smart agriculture programme has a potential to improve production of horticultural crops and thus improve household incomes. The implementation of Iten Urban Economic plan will drive urban growth with a positive ripple effect on all sectors creating a significant number of direct and indirect job opportunities.

The county government continues to face challenges because of constrained fiscal space necessary for implementation of strategic priorities especially in the productive sector. The major challenges include wage bill pressure which has been occasioned over the years by implementation of SRC circulars. The wage bill pressure has been compounded by stagnation of equitable share of revenue from the national government as well as under performance in local revenue collection.

3.5.2 Risks to Fiscal Outlook in the County

The possible worsening of the Russia - Ukraine conflict could heighten the risk of oil and commodity price volatility and elevated inflationary pressures; The lingering effects of COVID-19 pandemics causes undue pressure on the healthcare system and thus substantial resources need to be allocated to healthcare.

The proposed National Treasury allocation to county governments has stagnated thus there is no growth in the equitable share from the national government. The implication of this is that allocation to the county will be the reduction of allocations to programmes which may slow down the development agenda of the county. Below target Own Source Revenue Collections that results to unfunded budget plans thus negatively affecting service delivery to the citizens.

The county is prone to natural disasters including landslides, flooding and drought, these disasters pose huge risk to life and property. The disasters also threaten food security, utilities, road network and public

health. Occurrence of such disasters will require huge financial resources and thus pose fiscal risk to the county government. Other risks emanate from climate change resulting in unfavorable weather conditions. This could affect agricultural production and result in inflationary pressures.

CHAPTER FOUR: COUNTY BUDGET FRAMEWORK

4.1 Fiscal Performance of County Governments in FY 2021/22

In FY 2021/22, the County Government had a total budget of Ksh. 6,663,573,486 out of which Ksh 4,606,532,480 was CRA allocation while the additional consisted of Own Source Revenue (OSR), conditional grants and rollover funds from FY 2020/21. From the total revenue, Ksh. 3,695,832,857 was recurrent budget and Ksh. 2,858,559,004 development budgets. The table below presents the overview of fiscal performance of the county during the financial year 2021/2022.

Table 1: Fiscal Outturn in FY 2021/2022

Revenue Sources	Approved FY 2021/2022 (Net)	Total (Ksh) Expenditure	Percent of Total (%)
CRA Share	4,606,532,480	4,238,009,884	92.00
Local Revenue	266,100,000	158,660,200	59.62
Returned CRF Issues (Roll-over funds)	1,078,886,623	-	100.00
Kenya Climate Smart Agriculture Project (KCSAP)	350,000,000	158,523,596	45.29
KDSP-II	184,795,683	184,795,683	100.00
Transforming Health Systems -THS	37,021,153	36,633,382.35	98.95
DANIDA -Universal Health Care	8,555,250	4,277,625	50.00
Other Grants and Loans			-
Agricultural Sector Dev. Support (ASDSP) -Sweden	23,843,630	11,920,195	49.99
Emergency Locust Response Programme (ELRP)	47,838,667	17,626,781	36.85
Kenya Informal Settlement Improvement Project	50,000,000		-
Nutrition International	10,000,000	5,000,000	50.00
TOTAL	6,663,573,486	5,894,333,969	88.46

4.1.1 County Governments' Own-Source Revenue (OSR)

Total OSR collected amounted to Ksh 153,819,514 against a target of Ksh 266,100,000. There was a deficit of Kshs 103,846,928 in the 2021/22FY translating to a 39.03% shortfall. The shortfall in OSR is attributed majorly to increased political campaigns which slowed down business activities, closure of livestock markets due to quarantine occasioned by outbreak of zoonotic diseases, insecurity along the Kerio Valley and slow recovery of the economy from shocks of COVID-19 pandemic

Table 2: County Governments' Own-Source Revenue (OSR) for period July 2021 to June 2022 (F/Y 2021/2022)

Revenue Sources	Approved FY 2021/22 (Net)	Actual FY 2021/22 Ksh (Net)	Variance	Percent of Total (%)
Animal Stock auction fees	1,360,350	976,688	(383,662)	71.80
Produce and other cess	19,149,304	10,815,416	(8,333,888)	56.48
Single Business Permit	13,032,200	9,186,598	(3,845,602)	70.49
Single business permit-Liquor license	-	-	-	-
Lands Rates/Plot Rent	2,500,392	1,662,512	(837,880)	66.49
Bus Park/motorcycle fees	3,610,318	3,215,340	(394,978)	89.06
Trade applications fees	1,910,890	1,117,810	(793,080)	58.50
Slaughter fees	1,471,000	511,420	(959,580)	34.77
House rent/stall/ground	1,730,500	239,534	(1,490,966)	13.84
Conservancy fees	1,436,927	678,600	(758,327)	47.23
Plan approval fees	150,550	215,800	65,250	143.34
Clearance fees	-	55,100	55,100	-
Hide and skins	50,000	7,665	(42,335)	15.33
Promotion/advert	1,103,580	2,021,380	917,800	183.17
Hire of road field	218,230	-	(218,230)	-
Trade	185,000	9,500	(175,500)	5.14
Fines	810,000	83,428	(726,572)	10.30
FI Funds	200,000,000	117,789,535	(82,210,465)	58.89
VSD Funds	-	864,595	864,595	-

Revenue Sources	Approved FY 2021/22 (Net)	Actual FY 2021/22 Ksh (Net)	Variance	Percent of Total (%)
Water Department	1,519,688	68,100	(1,451,588)	4.48
Health Services-Public Health	3,013,975	2,187,200	(826,775)	72.57
Sports Youth Affairs, Culture Children and Social Services	-	-	-	-
Agriculture Livestock Fisheries and Irrigation	-	-	-	-
Tourism	1,056,923	188,850	(868,073)	17.87
Market fees and others	4,322,923	3,443,391	(879,532)	79.65
Recoveries	-	574,170	574,170	-
Others	7,417,250	6,026,684	(1,390,566)	81.25
TOTALS	266,100,000	162,253,072	(103,846,928)	60.97

4.1.2 County Governments' Budget Absorption

The total expenditure for the FY 2021/2022 amounted to Ksh 5,104,429,477 against an approved budget of KSh 6,554,391,861, representing an under spending of Ksh. 1,449,962,384. Absorption rate of recurrent budget was high amounting to Ksh. 3,507,189,338 against an approved budget of Kshs. 3,695,832,857 reflecting an absorption rate of 94.90%, the absorption of the development budget amounted to Ksh 1,597,342,229 against an approved budget Ksh. 2,858,559,004. This reflected an absorption rate of 55.88%. The main reasons for under-performance were delayed disbursements of funds from the national treasury, electioneering period, COVID-19 pandemic, and insecurity along the Kerio Valley.

Table 3: Overall absorption Rates for FY 2021/2022

Code	Department	Recurrent		Development		Total (Recurrent and Development)		Balance	% On Total Expenditure
		Approved Budget	Actual Expenditure	Approved Budget	Actual Expenditure	Total Approved budget	Actual total Expenditure		
4361	County Assembly	593,254,972	591,874,955	-		593,254,972	591,874,955	1,380,017	99.8%
4362	Governor's Office	166,850,666	162,514,484	-	-	166,850,666	162,514,484	4,336,182	97.4%
4363	Finance and Economic Planning	260,334,663	226,147,051	-	-	260,334,663	226,147,051	34,187,612	86.9%
4364	Agriculture Livestock Fisheries and Irrigation	93,458,495	90,373,719	693,222,007	284,649,801	786,680,502	375,023,520	411,656,982	47.7%
4366	Education & Technical Training	293,659,070	272,882,283	201,779,459	97,785,936	495,438,529	370,668,219	124,770,310	74.8%
4367	Health Services	1,685,867,002	1,603,814,298	494,350,971	166,900,324	2,180,217,973	1,770,714,622	409,503,351	81.2%
4368	Water, Lands and Physical Planning	95,158,451	92,805,247	515,548,353	334,742,701	610,706,804	427,547,948	183,158,856	70.0%
4369	Roads, Transport & Public Works	136,697,140	123,679,262	633,906,757	468,099,354	770,603,897	591,778,616	178,825,281	76.8%
4371	Trade, Tourism & Industrialization	37,977,361	37,090,422	20,350,729	13,246,874	58,328,090	50,337,296	7,990,794	86.3%
4372	Sports Youth Affairs, Culture Children and Social Services	44,914,178	42,493,100	117,100,011	87,922,086	162,014,189	130,415,186	31,599,003	80.5%
4373	Public Service Management	130,707,019	116,273,396	24,702,755	18,894,099	155,409,774	135,167,495	20,242,279	87.0%
4374	County Public	56,644,075	50,089,320	2,500,000	-	59,144,075	50,089,320	9,054,755	84.7%

Code	Department	Recurrent		Development		Total (Recurrent and Development)		Balance	% On Total Expenditure
		Approved Budget	Actual Expenditure	Approved Budget	Actual Expenditure	Total Approved budget	Actual total Expenditure		
	Service Board								
4377	Livestock, Fisheries and Cooperatives	100,309,765	97,151,801	155,097,962	125,101,054	255,407,727	222,150,765	33,256,962	87.0%
	TOTAL	3,695,832,857	3,507,189,338	2,858,559,004	1,597,342,229	6,554,391,861	5,104,429,477	1,449,962,384	77.9%

4.2 2022/2023 FINANCIAL PERFORMANCE

The revenue collected in the first half of FY 2022/2023 was Ksh. 75,427,645 against annual target of Ksh. 166,100,000. This is as shown in the table below.

Table 4: Revenue Collection for Period July 2022 to Dec 2022 (F/Y 2022/2023)

S/NO	Revenue Sources	Approved FY 2022/23 Estimates (Net)	Half Year Targets	Half Year Actuals
1.	Penalties/Fines	810,000	405,000	38,430
2.	Market fees	2,922,923	1,461,462	3,440,099
3.	Bus Park/Parking fees	2,749,530	1,374,765	1,030,250
4.	Produce/ Cess	11,149,304	5,574,652	4,271,392
5.	Single Business Permits	9,032,200	4,516,100	984,360
6.	Single Business Permits liquor license	-	-	-
7.	Health (A-I A)-FIF	200,000,000	100,000,000	57,966,372
8.	House/Stall Rent	1,730,500	8,652,550	98,500
9.	Lands Rates/Plot Rent	1,500,392	750,196	662,378
10.	Promotion & Advertising	1,103,580	551,790	55,500
11.	Other Departments	11,423,533	5,711,767	2,643,746
12.	Recoveries	-	-	177,199
13.	Others	3,917,250	1,958,625	4,174,245
	TOTALS	246,339,212	1,123,169,606	75,542,471

4.3 FY 2022/2023 ABSORPTION RATES

The absorption rates among departments in the county for the first half year of FY 2022/23 are as shown in table 5 and table 6 below.

Table 5: Recurrent absorption

CODE	DEPARTMENT	Approved FY 2022/23 Budget	Cumulative Expenditure.	Balance	Absorption Rates (%)
R.4361	County Assembly	662,408,337	334,513,634	327,894,703	50.5
R.4362	Governor's Office	187,634,484	79,809,052	107,825,432	42.5
R.4363	Finance and Economic Planning	226,510,456	83,972,819	142,537,637	37.1
R.4364	Agriculture Livestock Fisheries and Irrigation	99,199,387	38,382,770	60,816,617	38.7
R.4366	Education & Technical Training	225,275,804	92,736,304	132,539,500	41.2

CODE	DEPARTMENT	Approved FY 2022/23 Budget	Cumulative Expenditure.	Balance	Absorption Rates (%)
R.4367	Health Services	1,661,827,955	757,326,056	904,501,899	45.6
R.4368	Water, Lands and Physical Planning	77,059,204	32,147,773	44,911,431	41.7
R.4369	Roads, Transport & Public Works	111,602,092	43,333,042	68,269,050	38.8
R.4371	Trade, Tourism & Industrialization	37,975,644	16,855,788	21,119,856	44.4
R.4372	Sports Youth Affairs, Culture Children and Social Services	43,936,817	17,792,585	26,144,232	40.5
R.4373	ICT & Public Service	239,130,205	167,668,072	71,462,133	70.1
R.4374	County Public Service Board	44,534,538	19,859,199	24,675,339	44.6
R.4377	Livestock & Co-op. Development	94,216,098	38,628,877	55,587,221	41.0
	Grand Total	3,711,311,021	1,723,025,971	1,988,285,050	46.4

Table 6: Development Absorption Rates

CODE	DEPARTMENT	Approved FY 2022/23 Budget	Cumulative Expenditure.	Balance	Absorption Rates (%)
D.4361	County Assembly	0	0	0	0
D.4362	Governor’s Office	600,000	0	600,000	0
D.4363	Finance and Economic Planning	0	0	0	0
D.4364	Agriculture Livestock Fisheries and Irrigation	86,639,120	0	86,639,120	0
D.4366	Education & Technical Training	163,939,610	0	163,939,610	0
D.4367	Health Services	164,598,800	0	164,598,800	0
D.4368	Water, Lands and Physical Planning	201,254,772	0	201,254,772	0
D.4369	Roads, Transport & Public Works	346,993,362	0	346,993,362	0
D.4371	Trade, Tourism & Industrialization	8,850,000	0	8,850,000	0

CODE	DEPARTMENT	Approved FY 2022/23 Budget	Cumulative Expenditure.	Balance	Absorption Rates (%)
D.4372	Sports, Youth Affairs, Culture, Children and Social Services	70,500,000	100,000	70,400,000	0.14
D.4373	ICT & Public Service	26,155,120	0	26,155,120	0
D.4374	County Public Service Board	0	0	0	0
D.4377	Livestock & Co-op. Development	71,929,887	0	71,929,888	0
	Grand Total	1,141,460,671	0	1,141,360,671	0.14

During the first half of FY 2022/23, the recurrent and development absorption rates are 46.4 percent and 0.14 percent respectively.

4.4 FY 2023/2024 EXPENDITURE

4.4.1 RECURRENT EXPENDITURE

4.4.1.1 PERSONAL EMOLUMENTS (PE)TURE

Table 7: Personnel Emoluments Analysis

CODE	DEPARTMENT	Approved, FY 2022/2023	Estimates FY 2023/2024
R.4361	County Assembly	-	
R.4362	Office of the Governor	119,625,732	112,100,816
R.4363	Finance and Economic Planning	182,975,644	179,680,529
R.4364	Agriculture Livestock Fisheries and Irrigation	90,156,541	149,925,501
R.4365	Water, Environment and Climate Change	0	50,417,536
R.4366	Education & Technical Training	216,814,641	288,870,764
R.4367	Health Services	1,348,093,615	1,368,459,430
R.4368	Lands, Physical Planning, Housing and Urban Development	62,994,051	41,061,699
R.4369	Roads, Transport & Public Works	97,011,719	90,256,925

CODE	DEPARTMENT	Approved, FY 2022/2023	Estimates FY 2023/2024
R.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	31,451,794	57,028,860
R.4372	Sports Youth Affairs, Culture Children and Social Services	37,612,967	38,858,536
R.4373	Public Service, Administration, Devolution, ICT and E-Governance	98,453,520	122,443,603
R.4374	County Public Service Board	41,763,360	42,173,194
R.4377	Livestock & Co-op. Development	86,220,807	0
	TOTAL (KSHS)	2,413,174,391	2,541,275,389

4.4.1.2 OPERATIONS AND MAINTENANCE

Table 8: Personnel Emoluments Analysis

CODE	DEPARTMENT	Normal O&M (A)	Mandatory O&M Description	Mandatory O&M Allocation (B)	Conditional Grants	TOTAL (C=A+B)
R.4361	County Assembly			607,408,337		607,408,337
R.4362	Office of the Governor	41,473,454	Peace Initiatives	3,000,000		53,473,454
			Legal Fees	3,000,000		
			Donations	3,000,000		
			Resource Mobilization	3,000,000		
R.4363	Finance and Economic Planning	23,139,153	Emergency Fund	2,000,000		45,439,153
			Revenue System	5,100,000		
			Planning and Budgeting Documents preparation; ADP, CFSP, CBROP and PBB	4,000,000	0	
			Valuation rolls and revenue Businesses inventory	2,000,000		
			Data management	2,500,000		
			Financial Requisitions & intergovernmental meetings (IBEC)	2,500,000		
			Revenue Management system Fees	2,500,000		

CODE	DEPARTMENT	Normal O&M (A)	Mandatory O&M Description	Mandatory O&M Allocation (B)	Conditional Grants	TOTAL (C=A+B)
			Financial Bill preparation	1,700,000		
R.4364	Agriculture Livestock Fisheries and Irrigation	13,640,088	Chebara ATC	1,000,000		15,602,438
			Abattoir	962,350		
R.4365	Water, Environment and Climate Change	7,365,331	Rural Service Boards	2,000,000		20,879,531
			Water electricity bills	1,500,000		
			Financing Locally- Led Climate Action Program (FLLoCA)		6,514,200	
			Water service providers matching grant support	3,500,000		
R.4366	Education & Technical Training	9,040,707	Quality Assurance (ECDs and VTCs)	2,000,000		15,340,707
			PEPEA program operations	3,000,000		
			Refund for erroneous registration of Schools	1,300,000		
R.4367	Health Services	13,561,061	FIF	202,900,000		338,017,561
			Medical Drugs	90,000,000		
			User Fees	8,790,000		
			DANIDA Co- Financing		5,490,000	
			DANIDA		7,276,500	
			NI	10,000,000		
R.4368	Lands, Physical Planning, Housing and Urban Development	8,060,770	Solid waste (AIA)	1,000,000		24,110,770
			Conservancy safety gears	1,500,000		
			Solid Waste Collection Tractors and compactor maintenance/ (Insurance, service, Tyres/fittings, Fuel)	3,110,000		
			Streetlights and maintenance billing	7,000,000		
			Development control	500,000		
			Physical planning Institutions	1,000,000		

CODE	DEPARTMENT	Normal O&M (A)	Mandatory O&M Description	Mandatory O&M Allocation (B)	Conditional Grants	TOTAL (C=A+B)
			Physical planning and surveying equipment (GIS laptops, handheld GPS receivers, Real Time Kinematics (RTK) equipment, Distance and measuring tools)	1,940,000		
R.4369	Roads, Transport & Public Works	12,043,739	Maintenance of Plant & Machinery	4,000,000		16,043,739
R.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	6,827,947	Water and electricity for markets and toilets in centres and public markets	1,000,000		10,127,947
			Rimoi Development and Maintenance	1,300,000		
			Branding, Advertising, marketing, and promotion	1,000,000		
R.4372	Sports Youth Affairs, Culture Children and Social Services	6,448,616	Iten International Marathon	10,000,000		19,448,616
			Happy Days Small Homes Support	1,000,000		
			Kenya Inter-Counties Sports and Cultural Association (Kicosca)	2,000,000		
R.4373	Public Service, Administration, Devolution, ICT and E-Governance	7,902,716	staff medical cover	142,000,000		171,002,716
			ward and sub county administration operations	4,800,000		
			internet, web hosting and maintenance	1,500,000		
			uniforms for administrators and enforcement	800,000		
			Chepkorio and Chesoi Sub County offices operationalization	4,000,000		
			conference hall construction and equipping	10,000,000		
R.4374	County Public Service Board	8,550,739	Board Services & HRD	4,604,440		13,155,179
	TOTAL (KSHS)	158,054,322		1,168,205,127	23,790,700	1,350,050,149

The total O&M is Ksh 1,350,050,149. This comprises Ksh 158,054,322 as general day-to-day running of departmental operation, Ksh. 1,168,205,127 being Mandatory O&M which is composed of the following: County Assembly Ceiling, Emergency fund provision, FIF, Street Lighting Bills, Conservancy services, Staff medical scheme, medical drugs, and Preparation of county planning documents among the other provisions and conditional grants of 23,790,700 comprising of FLLoCA, NI and DANIDA.

4.4.1.3 OVERALL RECURRENT EXPENDITURE ANALYSIS

Table 9: Summary of Total Recurrent Estimate

CODE	DEPARTMENT	FY 2023/24 PE Estimates	2023/24 FY Normal O&M Estimates	2023/24 FY Mandatory O&M Estimates	FY 2023/24 Total Recurrent Estimates
R.4361	County Assembly			607,408,337	607,408,337
R.4362	Office of the Governor	112,100,816	41,473,454	12,000,000	165,574,270
R.4363	Finance and Economic Planning	179,680,529	23,139,153	22,300,000	225,119,682
R.4364	Agriculture Livestock Fisheries and Irrigation	149,925,501	13,640,088	1,962,350	165,527,939
R.4365	Water, Environment and Climate Change	50,417,536	7,365,331	13,514,200	71,297,067
R.4366	Education & Technical Training	288,870,764	9,040,707	6,300,000	304,211,471
R.4367	Health Services	1,368,459,430	13,561,061	324,456,500	1,706,476,991
R.4368	Lands, Physical Planning, Housing and Urban Development	41,061,699	8,060,770	16,050,000	65,172,469
R.4369	Roads, Transport & Public Works	90,256,925	12,043,739	4,000,000	106,300,664
R.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	57,028,860	6,827,947	3,300,000	67,156,807
R.4372	Sports, Youth Affairs, Culture Children and Social Services	38,858,536	6,448,616	13,000,000	58,307,152

CODE	DEPARTMENT	FY 2023/24 PE Estimates	2023/24 FY Normal O&M Estimates	2023/24 FY Mandatory O&M Estimates	FY 2023/24 Total Recurrent Estimates
R.4373	Public Service, Administration, Devolution, ICT and E-Governance	122,443,603	7,902,716	163,100,000	293,446,319
R.4374	County Public Service Board	42,173,194	8,550,739	4,604,440	55,328,373
	TOTAL (KSHS)	2,541,277,393	158,054,322	1,191,995,827	3,891,327,541

4.4.2 DEVELOPMENT EXPENDITURE

4.4.2.1 SUMMARY OF DEVELOPMENT ALLOCATIONS FOR FY 2023-24

Table 10: Summary of Development Allocation

CODE	DEPARTMENT	WARD PROJECTS (EDA)	COUNTY LEVEL	TOTAL (KSH)
D. 4361	County Assembly			
D.4362	Office of Governor	0	0	0
D.4363	Finance and Economic Planning	0	0	0
D.4364	Agriculture Livestock Fisheries and Irrigation	104,076,031	61,484,567	165,560,598
D.4365	Water, Environment and Climate Change	195,656,469	77,962,500	273,618,969
D.4366	Education, Science and Technology	144,193,100		144,193,100
D.4367	Health Services	250,169,000	0	250,169,000
D.4368	Lands, Physical Planning, Housing and Urban Development	54,838,016	41,196,087	96,034,103
D.4369	Roads, Public Works, and Transport	160,996,415	0	160,996,415
D.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	47,494,164	200,000,000	247,494,164

CODE	DEPARTMENT	WARD PROJECTS (EDA)	COUNTY LEVEL	TOTAL (KSH)
D.4372	Sports Youth Affairs, Culture Children and Social Services	88,902,315	-	88,902,315
D.4373	Public Service, Administration, Devolution, ICT and E-Governance	53,121,769	-	53,121,769
D.4374	County Public Service Board	-	-	-
D.4377	Livestock Production, Fisheries and Co-operative Development	-	-	-
	TOTAL (KSHS)	1,099,447,279	380,643,154	1,480,090,433

4.4.2.2 ANALYSIS OF DEVELOPMENT PRIORITIES

Table 11: Analysis of Development Priorities

Code	Department	APPROVED FY 2022/23 Budget	ESTIMATES FY 2023/2024
D.4361	County Assembly	-	-
D.4362	Office of Governor	0	0
D.4363	Finance and Economic Planning		0
D.4364	Agriculture Livestock Fisheries and Irrigation	541,430,254	165,560,598
D.4365	Water, Environment and Climate Change	257,592,762	273,618,969
D.4366	Education, Science and Technology	237,627,613	144,193,100
D.4367	Health Services	452,627,160	250,169,000
D.4368	Lands, Physical Planning, Housing and Urban Development	89,077,879	96,034,103
D.4369	Roads, Transport and Public Works	553,333,784	160,996,415
D.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	20,124,819	247,494,164
D.4372	Sports Youth Affairs, Culture Children and Social Services	82,624,640	88,902,315

Code	Department	APPROVED FY 2022/23 Budget	ESTIMATES FY 2023/2024
D.4373	Public Service, Administration, Devolution, ICT and E-Governance	27,959,148	53,121,769
D.4374	County Public Service Board	2,500,000	0
D.4377	Livestock Production, Fisheries and Co-operative Development	0	0
	TOTAL	2,264,898,059	1,480,090,433

4.4.3 2023/24 CFSP OVERALL EXPENDITURE ANALYSIS

Table 12: Overall Expenditure Analysis

Expenditure Type	Budget Allocation	Percentage of Estimated Budget (%)
Development	1,480,090,433	27.55
Compensation to Employees	2,541,277,393	47.31
Mandatory O&M	1,191,995,827	21.75
Conditional Grants	23,790,700	0.44
Utilities and operations	158,054,322	2.94
TOTAL	5,371,417,977	100.00%

From the above summary, development allocations are Ksh. 1,480,090,433 translating to **27.55 %** of the total budget whereas the balance makes up the recurrent expenditure totaling Ksh. **3,891,327,544**.

4.5 Resource envelop of the Medium Term

Table 13: Resource Envelope

REVENUE SOURCE	APPROVED 2018/19	APPROVED 2019/20	APPROVED 2020/2021	APPROVED 2021/2022	APPROVED 2022/2023	PROJECTED 2023/2024
CRA Share	3,768,000,000	3,782,000,000	3,861,300,000	4,606,532,480	4,606,532,480	4,796,087,483
Transfer for Library Services						5,795,078
Conditional Grants						294,433,854
Nutrition International						10,000,000
Local Revenue	130,000,000	144,000,000	144,000,000	164,000,000	367,100,000	265,101,562
TOTAL REVENUE	3,898,000,000	3,926,000,000	4,005,300,000	4,770,532,480	4,973,632,480	5,371,417,977

4.5.1 Collaboration with National Government and Development Partners

Collaboration and partnership between the national government and development partners will be undertaken through existing intergovernmental frameworks such as Intergovernmental Budget & Economic Council (IBEC). Examples of collaborations and partnerships are conditional allocations from Development Partners and national government as per the 2023 Budget Policy Statement (BPS) include IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant, Sweden- Agricultural Sector Development Support Programme (ASDSP) II, World Bank - Emergency Locust Response Project (ELRP) , World bank - Kenya Informal Settlement Improvement Project (KISIP II), Kenya Livestock Commercialization Project (KELCLOP), IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP) and DANIDA Grant - Primary Health Care in Devolved Context from development partners. Conditional grants from the national government include Leasing of Medical Equipment, transfer for library services and Aggregated Industrial Parks Programme. These are projected to be Kshs. 294,433,854.

4.5.2 Medium-Term Expenditure Estimates

Table 14: Medium-Term Expenditure Estimates

	Department/ Sector	Description	Approved	Approved	Estimates	Projected Estimates	Projected Estimates
			FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025	FY 2025/2026
4361	County Assembly	Rec	607,974,781	733,192,337	607,408,337	637,778,754	669,667,692
		Dev	-	0		0	0
4362	Office of the Governor	Rec	167,276,993	203,237,177	165,574,270	173,852,984	182,545,633
		Dev	16,000,000	0		0	0
4363	Finance & Economic Planning	Rec	341,534,368	242,746,177	225,119,682	236,375,666	248,194,449
		Dev	0	0	0	0	0
4364	Agriculture Livestock Fisheries and Irrigation	Rec	98,605,070	99,199,387	165,527,939	173,804,336	182,494,553
		Dev	494,304,593	541,430,254	165,560,598	173,838,628	182,530,559
4365	Water, Environment and Climate change	Rec		2,305,442	71,297,068	74,861,921	78,605,017
		Dev		257,592,762	273,618,969	287,299,917	301,664,913
4366	Education and Technical Training	Rec	232,142,986	267,934,098	304,211,472	319,422,046	335,393,148
		Dev	133,360,500	237,627,613	144,193,100	151,402,755	158,972,893
4367	Health Services	Rec	1,549,291,902	1,756,342,428	1,706,476,991	1,791,800,841	1,881,390,883
		Dev	208,495,517	452,627,160	250,169,000	262,677,450	275,811,323
4368	Lands, Physical Planning, Housing and Urban Development	Rec	89,961,627	77,059,204	65,172,469	68,431,092	71,852,647
		Dev	268,321,570	89,077,879	96,034,103	100,835,808	105,877,599
4369	Roads, Transport, Public Works, and Transport	Rec	127,877,870	122,127,201	106,300,665	111,615,698	117,196,483
		Dev	384,895,588	553,333,784	160,996,415	169,046,236	177,498,548
4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	Rec	39,425,694	38,552,344	67,156,807	70,514,647	74,040,380
		Dev	44,998,684	20,124,819	247,494,164	259,868,872	272,862,316
4372	Sports, Youth Affairs, Culture Children and Social Services	Rec	54,291,406	62,586,817	58,307,153	61,222,511	64,283,636
		Dev	97,349,562	82,624,640	88,902,315	93,347,431	98,014,802
4373	Public Service, Administration, Devolution, ICT and E-Governance	Rec	227,539,758	245,668,514	293,446,319	308,118,635	323,524,567
		Dev	61,812,715	27,959,148	53,121,769	55,777,857	58,566,750
4374	County Public Service Board	Rec	54,296,311	44,980,938	55,328,373	58,094,792	60,999,531
		Dev	2,500,000	2,500,000	0	0	0
4377	Livestock Production, Fisheries and Cooperatives Development	Rec	97,709,609	95,356,098	-	-	-
		Dev	72,619,759	0	-	-	-
	TOTAL	Rec	3,687,928,375	3,991,288,162	3,891,327,545	4,085,893,922	4,290,188,618

	Department/ Sector	Description	Approved	Approved	Estimates	Projected Estimates	Projected Estimates
			FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025	FY 2025/2026
		Dev	1,784,658,488	2,264,898,059	1,480,090,433	1,554,094,955	1,631,799,702
	GRANT TOTAL		5,472,586,863	6,256,186,221	5,371,417,978	5,639,988,877	5,921,988,322

ANNEXES

Annex 1: Recurrent Departmental Ceilings

Code	Department/ Sector	Approved	Approved Estimates	Approved Estimates	Estimates Ceiling	Projection
		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
R.4361	County Assembly	557,721,163	593,254,972	733,192,337	607,408,337	637,778,754
R.4362	Office of the Governor	143,881,512	194,343,714	203,237,177	165,574,270	173,852,984
R.4363	Finance & Economic Planning	223,846,869	213,583,293	242,746,177	225,119,682	236,375,666
R.4364	Agriculture Livestock Fisheries and Irrigation	100,777,147	95,797,320	99,199,387	165,527,939	173,804,336
R.4365	Water, Environment and Climate Change	78,059,121	96,178,512	2,305,442	71,297,067	74,861,920
R.4366	Education and Technical Training	196,390,607	256,268,616	267,934,098	304,211,471	319,422,045
R.4367	Health Services	1,545,876,304	1,553,784,098	1,756,342,428	1,706,476,991	1,791,800,841
R.4368	Lands, Physical Planning, Housing and Urban Development			77,059,204	65,172,469	68,431,092
R.4369	Roads, Transport, Public Works	66,968,217	113,728,668	122,127,201	106,300,664	111,615,697
R.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	35,609,808	37,889,225	38,552,344	67,156,807	70,514,647
R.4372	Sports, Youth affairs, Children's, Culture and Social Services	38,369,182	43,421,119	62,586,817	58,307,152	61,222,510
R.4373	Public Service, Administration, Devolution, ICT and E-Governance	152,260,578	216,500,980	245,668,514	293,446,319	308,118,635
R.4374	County Public Service Board	46,738,274	48,652,913	44,980,938	55,328,373	58,094,792
R.4377	Livestock Production, Fisheries and Cooperatives Development	97,522,268	93,464,981	95,356,098	0	0
	TOTAL	3,284,021,050	3,556,868,411	3,991,288,162	3,891,327,541	4,085,893,918

Annex 2: Development Departmental Ceilings

Code	Department/ Sector	Approved	Approved	Approved	Estimates Ceiling	Projections
		FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025
D.4361	County Assembly	15,253,618	0			
D.4362	Office of the Governor	0	0	0	0	
D.4363	Finance & Economic Planning	0	0	0	0	
D.4364	Agriculture Livestock Fisheries and Irrigation	751,249,338	795,238,946	541,430,254	165,560,598	173,838,628
D.4365	Water, Lands, Environment and Climate Change	518,709,963	486,926,858	257,592,762	273,618,969	287,299,917
D.4366	Education and Technical Training	280,613,534	266,562,806	237,627,613	144,193,100	151,402,755
D.4367	Health Services	299,102,466	432,269,417	452,627,160	250,169,000	262,677,450
D.4368	Lands, Physical Planning, Housing and Urban Development		268,321,570	89,077,879	96,034,103	100,835,808
D.4369	Roads, Transport, Public Works and Transport	499,065,857	690,055,391	553,333,784	160,996,415	169,046,236
D.4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	15,678,318	82,763,273	20,124,819	247,494,164	259,868,872
D.4372	Sports Youth Affairs, Culture Children and Social Services	111,442,206	106,312,111	82,624,640	88,902,315	93,347,431
D.4373	Public Service, Administration, Devolution, ICT and E-Governance	31,971,009	46,062,166	27,959,148	53,121,769	55,777,857
D.4374	County Public Service Board	0	2,500,000	2,500,000	0	
D.4377	Livestock Production, Fisheries and Cooperatives Development	98,446,438	186,657,441	0		
	Total	2,621,532,747	3,095,348,409	2,264,898,059	1,480,090,433	1,554,094,955

Annex 3: Summary (Recurrent and Development) Departmental Ceilings

Code	Department/ Sector	Approved	Approved	Approved	Estimated Ceiling	Projection
		FY 2020/2021	FY 2021/2022	FY 2022/2023	2023/20234	2024/2025
4361	County Assembly	572,974,781	593,254,972	733,192,337	607,408,337	637,778,754
4362	Office of the Governor	143,881,512	194,343,714	203,237,177	165,574,270	173,852,984
4363	Finance & Economic Planning	223,846,869	213,583,293	242,746,177	225,119,682	236,375,666
4364	Agriculture Livestock Fisheries and Irrigation	852,026,485	891,036,266	640,629,641	331,088,537	347,642,964
4365	Water, Environment and Climate Change	596,769,084	583,105,370	259,898,2044	344,916,036	362,161,838
4366	Education and Technical Training	477,004,141	522,831,422	505,561,711	448,404,571	470,824,800
4367	Health Services	1,844,978,770	1,986,053,515	2,208,969,588	1,956,645,991	2,054,478,291
4368	Lands, Physical Planning, Housing and Urban Development		268321570	166,137,083	161,206,572	169,266,901
4369	Roads, Transport, Public Works, and Transport	566,034,074	803,784,059	675,460,985	267,297,079	280,661,933
4371	Cooperatives, Trade, Industrialization, Tourism and Wildlife	51,288,126	120,652,498	58,677,163	314,650,971	330,383,520
4372	Sports, Youth Affairs, Culture Children and Social Services	149,811,388	149,733,230	145,211,457	147,209,467	154,569,940
4373	Public Service, Administration, Devolution, ICT and E-Governance	184,231,587	262,563,146	273,627,662	346,568,088	363,896,492
4374	County Public Service Board	46,738,274	51,152,913	47,480,938	55,328,373	58,094,792
4377	Livestock Production, Fisheries and Cooperatives Development	195,968,706	280,122,422	95,356,098	-	-
	TOTAL	5,905,553,797	6,652,216,820	6,256,186,221	5,371,417,974	5,639,988,873