



**COUNTY GOVERNMENT OF ELGEYO MARAKWET**

**THE COUNTY TREASURY**

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**APPROVED 2023 COUNTY FISCAL STRATEGY PAPER  
(CFSP)**

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**FEBRUARY 2023**

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## FOREWORD

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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 Year (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).

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

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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

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|          |  |
|----------|--|
| 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                    |
| EMC      | Elgeyo Marakwet County                       |
| FY       | Financial Year                               |
| FIF      | Facility Improvement Fund                    |
| FLLoCA   | Financing 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

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### 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 28<sup>th</sup> 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

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### 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

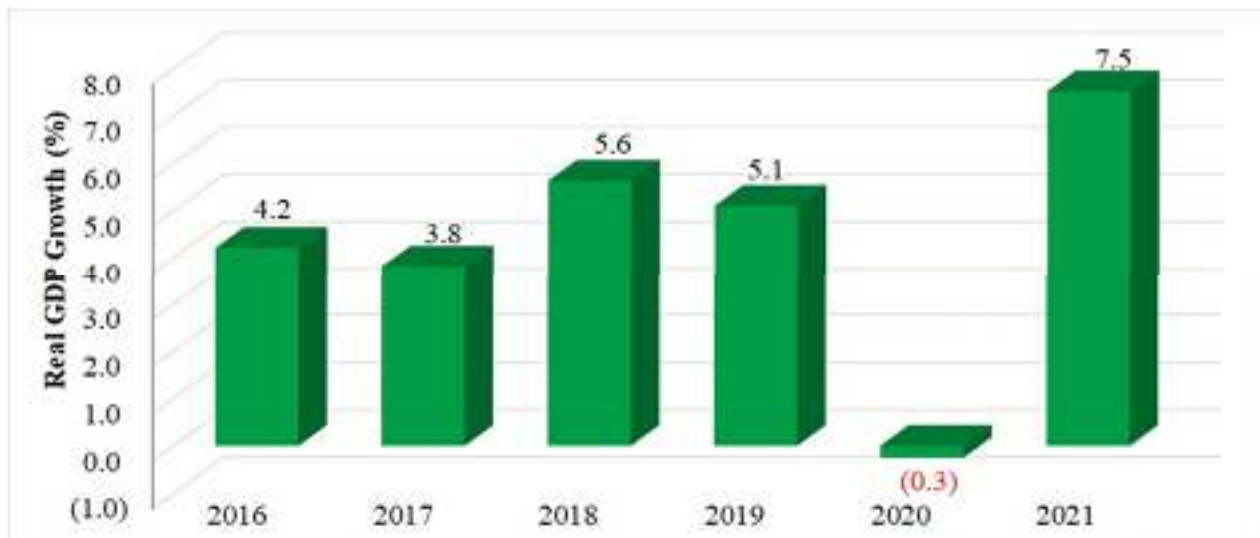
Global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic, and persistent supply chain disruptions. Global growth is projected to slow down to 2.7 percent in 2023 from the earlier 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

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### 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                |
| <b>TOTAL</b>                                     | <b>6,663,573,486</b>        | <b>5,894,333,969</b>    | <b>88.46</b>         |

#### 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                |
| <b>TOTALS</b>  | <b>266,100,000</b>        | <b>162,253,072</b>          | <b>(103,846,928)</b> | <b>60.97</b>         |

#### 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%                  |

| 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 |                      |                        |
| 4374 | County Public Service Board           | 56,644,075           | 50,089,320           | 2,500,000            | -                    | 59,144,075                        | 50,089,320               | 9,054,755            | 84.7%                  |
| 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%                  |
|      | <b>TOTAL</b>                          | <b>3,695,832,857</b> | <b>3,507,189,338</b> | <b>2,858,559,004</b> | <b>1,597,342,229</b> | <b>6,554,391,861</b>              | <b>5,104,429,477</b>     | <b>1,449,962,384</b> | <b>77.9%</b>           |

## 4.2 2022/2023 FINANCIAL PERFORMANCE

The revenue collected in the first half of FY 2022/2023 was Ksh. 75,542,665 against annual target of Ksh. 246,339,212. 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 | 0                                   | 0                  | 0                 |
| 7.    | Health (A-I A)-FIF                     | 200,000,000                         | 100,000,000        | 57,966,372        |
| 8.    | House/Stall Rent                       | 1,730,500                           | 865,250            | 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                             | 0                                   | 0                  | 177,199           |
| 13.   | Others                                 | 3,917,250                           | 1,958,625          | 4,174,245         |
|       | <b>TOTALS</b>                          | <b>246,339,212</b>                  | <b>123,169,607</b> | <b>75,542,471</b> |

## 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                 |

| Code   | Department   | Approved FY 2022/23 Budget | Cumulative Expenditure. | Balance              | Absorption Rates (%) |
|--------|--|----------------------------|-------------------------|----------------------|----------------------|
| R.4366 | Education & Technical Training                             | 225,275,804                | 92,736,304              | 132,539,500          | 41.2                 |
| 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                 |
|        | <b>Grand Total</b>   | <b>3,711,311,021</b>       | <b>1,723,025,971</b>    | <b>1,988,285,050</b> | <b>46.4</b>          |

**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                    |

| Code   | Department   | Approved FY 2022/23 Budget | Cumulative Expenditure. | Balance              | Absorption Rates (%) |
|--------|--|----------------------------|-------------------------|----------------------|----------------------|
| D.4371 | Trade, Tourism & Industrialization                           | 8,850,000                  | 0                       | 8,850,000            | 0                    |
| 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                       | 71,929,887           | 0                    |
|        | <b>Grand Total</b>   | <b>1,141,460,671</b>       | <b>0</b>                | <b>1,141,360,671</b> | <b>0.14</b>          |

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) EXPENDITURE

Table 7: Personnel Emoluments Analysis

| Code   | Department  | Approved, FY 2022/2023 | Approved, FY 2023/2024 |
|--------|---|------------------------|------------------------|
| R.4361 | County Assembly   | -                      |                        |
| R.4362 | Office of the Governor                                  | 119,625,732            | 106,806,184            |
| R.4363 | Finance and Economic Planning                           | 182,975,644            | 171,653,623            |
| R.4364 | Agriculture Livestock Fisheries and Irrigation          | 90,156,541             | 135,614,131            |
| R.4365 | Water, Environment and Climate Change                   | 0                      | 36,403,180             |
| R.4366 | Education & Technical Training                          | 216,814,641            | 267,337,764            |
| R.4367 | Health Services   | 1,348,093,615          | 1,332,768,320          |
| R.4368 | Lands, Physical Planning, Housing and Urban Development | 62,994,051             | 35,364,251             |
| R.4369 | Roads, Transport & Public Works                         | 97,011,719             | 87,925,415             |

| Code   | Department   | Approved, FY 2022/2023 | Approved, FY 2023/2024 |
|--------|--|------------------------|------------------------|
| R.4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 31,451,794             | 55,037,244             |
| 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             | 120,774,111            |
| R.4374 | County Public Service Board                                      | 41,763,360             | 40,495,702             |
| R.4377 | Livestock & Co-op. Development                                   | 86,220,807             | 0                      |
|        | <b>TOTAL (KSHS)</b>  | <b>2,413,174,391</b>   | <b>2,429,038,461</b>   |

**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                                | 0              |  | 688,567,522                  | 0                  | 688,567,522   |
| R.4362 | Office of the Governor                         | 35,473,454     | Peace Initiatives                                      | 3,000,000                    | 0                  | 38,473,454    |
| R.4363 | Finance and Economic Planning                  | 18,488,413     | Emergency Fund   | 1,000,000                    | 0                  | 26,588,413    |
|        |  |                | Revenue System   | 5,100,000                    | 0                  |               |
|        |  |                | Valuation rolls and revenue Businesses inventory       | 2,000,000                    | 0                  |               |
| R.4364 | Agriculture Livestock Fisheries and Irrigation | 13,640,088     | Abattoir   | 962,350                      | 0                  | 14,602,438    |
| R.4365 | Water, Environment and Climate Change          | 7,365,331      | Financing Locally- Led Climate Action Program (FLLoCA) | 0                            | 6,514,200          | 13,879,531    |
| R.4366 | Education & Technical Training                 | 9,040,707      |  | 0                            | 0                  | 9,040,707     |
| R.4367 | Health Services                                | 13,561,061     | FIF  | 150,000,000                  | 0                  | 345,117,561   |
|        |  |                | Medical Drugs  | 150,000,000                  | 0                  |               |
|        |  |                | User Fees  | 8,790,000                    | 0                  |               |
|        |  |                | DANIDA Co- Financing                                   | 0                            | 5,490,000          |               |

| Code   | Department   | Normal O&M (A)     | Mandatory O&M Description   | Mandatory O&M Allocation (B) | Conditional Grants | Total (C=A+B)        |
|--------|--|--------------------|---|------------------------------|--------------------|----------------------|
|        |  |                    | DANIDA  | 0                            | 7,276,500          |                      |
|        |  |                    | NI  | 10,000,000                   | 0                  |                      |
| R.4368 | Lands, Physical Planning, Housing and Urban Development          | 8,060,770          | Solid Waste Collection Tractors and compactor maintenance/ (Insurance, service, Tyres/fittings, Fuel) | 3,110,000                    | 0                  | 11,170,770           |
| R.4369 | Roads, Transport & Public Works                                  | 12,043,739         |   | 0                            | 0                  | 12,043,739           |
| R.4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 6,827,947          | Rimoi Development and Maintenance   | 3,300,000                    | 0                  | 10,127,947           |
| R.4372 | Sports Youth Affairs, Culture Children and Social Services       | 6,448,616          | Iten International Marathon   | 5,000,000                    | 0                  | 14,448,616           |
|        |  |                    | Happy Days Small Homes Support  | 1,000,000                    | 0                  |                      |
|        |  |                    | Kenya Inter-Counties Sports and Cultural Association (Kicosca)  | 2,000,000                    | 0                  |                      |
| R.4373 | Public Service, Administration, Devolution, ICT and E-Governance | 7,902,716          | staff medical cover   | 142,000,000                  | 0                  | 151,902,716          |
|        |  |                    | Chepkorio and Chesoi Sub County offices operationalization  | 2,000,000                    | 0                  |                      |
| R.4374 | County Public Service Board                                      | 8,550,739          | Board Services & HRD  | 3,000,000                    | 0                  | 11,550,739           |
|        | <b>TOTAL (KSHS)</b>  | <b>147,403,581</b> |   | <b>1,180,829,872</b>         | <b>19,280,700</b>  | <b>1,347,514,153</b> |

The total O&M is Ksh 1,347,514,153. This comprises Ksh 114,740,358.1 as general day-to-day running of departmental operation, Ksh. 1,180,829,872 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, among the other provisions and conditional grants of 19,280,700 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 Approved | 2023/24 FY Normal O&M Approved | 2023/24 FY Mandatory O&M Approved | FY 2023/24 Total Recurrent Approved |
|--------|--|------------------------|--------------------------------|-----------------------------------|-------------------------------------|
| R.4361 | County Assembly  |                        |                                | 688,567,522                       | <b>688,567,522</b>                  |
| R.4362 | Office of the Governor   | 106,806,184            | 35,473,454                     | 3,000,000                         | <b>145,279,638</b>                  |
| R.4363 | Finance and Economic Planning                                    | 171,653,623            | 18,488,413                     | 8,100,000                         | <b>198,242,036</b>                  |
| R.4364 | Agriculture Livestock Fisheries and Irrigation                   | 135,614,131            | 13,640,088                     | 962,350                           | <b>150,216,569</b>                  |
| R.4365 | Water, Environment and Climate Change                            | 36,403,180             | 7,365,331                      | 6,514,200                         | <b>50,282,711</b>                   |
| R.4366 | Education & Technical Training                                   | 267,337,764            | 9,040,707                      | 0                                 | <b>276,378,471</b>                  |
| R.4367 | Health Services  | 1,332,768,320          | 13,561,061                     | 331,556,500                       | <b>1,677,885,881</b>                |
| R.4368 | Lands, Physical Planning, Housing and Urban Development          | 35,364,251             | 8,060,770                      | 3,110,000                         | <b>46,535,021</b>                   |
| R.4369 | Roads, Transport & Public Works                                  | 87,925,415             | 12,043,739                     | 0                                 | <b>99,969,154</b>                   |
| R.4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 55,037,244             | 6,827,947                      | 3,300,000                         | <b>65,165,191</b>                   |
| R.4372 | Sports, Youth Affairs, Culture Children and Social Services      | 38,858,536             | 6,448,616                      | 8,000,000                         | <b>53,307,152</b>                   |
| R.4373 | Public Service, Administration, Devolution, ICT and E-Governance | 120,774,111            | 7,902,716                      | 144,000,000                       | <b>272,676,827</b>                  |
| R.4374 | County Public Service Board                                      | 40,495,702             | 8,550,739                      | 3,000,000                         | <b>52,046,441</b>                   |
|        | <b>TOTAL (KSHS)</b>  | <b>2,429,038,461</b>   | <b>147,403,581</b>             | <b>1,200,110,572</b>              | <b>3,776,552,614</b>                |

## 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                   | 104,298,417          | 61,484,567         | 165,782,984          |
| D.4365  | Water, Environment and Climate Change                            | 240,747,997          | 77,962,500         | 318,710,497          |
| D.4366  | Education, Science and Technology                                | 191,493,437          | -                  | 191,493,437          |
| D.4367  | Health Services  | 150,655,632          | -                  | 150,655,632          |
| D.4368  | Lands, Physical Planning, Housing and Urban Development          | 29,504,611           | 41,196,087         | 70,700,698           |
| D.4369  | Roads, Public Works, and Transport                               | 263,543,261          | -                  | 263,543,261          |
| D.4371  | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 17,081,386           | 229,673,368        | 246,754,754          |
| D.4372  | Sports Youth Affairs, Culture Children and Social Services       | 71,867,013           | -                  | 71,867,013           |
| D.4373  | Public Service, Administration, Devolution, ICT and E-Governance | 30,255,525           | -                  | 30,255,525           |
| D.4374  | County Public Service Board                                      | -                    | -                  | -                    |
| D.4377  | Livestock Production, Fisheries and Co-operative Development     | -                    | -                  | -                    |
|         | <b>Total(Ksh.s)</b>  | <b>1,099,447,279</b> | <b>410,316,522</b> | <b>1,509,763,801</b> |

#### 4.4.2.2 ANALYSIS OF DEVELOPMENT PRIORITIES

**Table 11: Analysis of Development Priorities**

| Code   | Department   | Approved FY 2022/23 Budget | Approved 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                | 165,782,984           |
| D.4365 | Water, Environment and Climate Change                            | 257,592,762                | 318,710,497           |
| D.4366 | Education, Science and Technology                                | 237,627,613                | 191,493,437           |
| D.4367 | Health Services  | 452,627,160                | 150,655,632           |
| D.4368 | Lands, Physical Planning, Housing and Urban Development          | 89,077,879                 | 70,700,698            |
| D.4369 | Roads, Transport and Public Works                                | 553,333,784                | 263,543,261           |
| D.4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 20,124,819                 | 246,754,754           |
| D.4372 | Sports Youth Affairs, Culture Children and Social Services       | 82,624,640                 | 71,867,013            |
| D.4373 | Public Service, Administration, Devolution, ICT and E-Governance | 27,959,148                 | 30,255,525            |
| D.4374 | County Public Service Board                                      | 2,500,000                  | 0                     |
| D.4377 | Livestock Production, Fisheries and Co-operative Development     | 0                          | 0                     |
|        | <b>TOTAL</b>   | <b>2,264,898,059</b>       | <b>1,509,763,801</b>  |

#### 4.4.3 2023/24 CFSP OVERALL EXPENDITURE ANALYSIS

**Table 12: Overall Expenditure Analysis**

| Expenditure Type          | Budget Allocation    | Percentage of Estimated Budget (%) |
|---------------------------|----------------------|------------------------------------|
| Development               | <b>1,509,763,801</b> | 28.56                              |
| Compensation to Employees | <b>2,429,038,461</b> | 45.95                              |
| Mandatory O&M             | <b>1,180,829,872</b> | 22.33                              |
| Conditional Grants        | <b>19,280,700</b>    | 0.36                               |
| Utilities and operations  | <b>147,403,581</b>   | 2.79                               |
| <b>TOTAL</b>              | <b>5,286,316,415</b> | <b>100.00%</b>                     |

From the above summary, development allocations are Ksh. **1,509,763,801** translating to **28.56 %** of the total budget whereas the balance makes up the recurrent expenditure totaling Ksh **3,776,552,614**.

#### 4.5 Resource envelop of the Medium Term

**Table 13: Resource Envelope**

| REVENUE SOURCE                | APPROVED 2021/2022   | APPROVED 2022/2023   | APPROVED 2023/2024   | Projection 2024/25   | Projection 2025/26   |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| CRA Share                     | 4,606,532,480        | 4,606,532,480        | 4,796,087,483        | 5,035,891,857        | 5,287,686,450        |
| Transfer for Library Services | 0                    | 0                    | 5,795,078            | 6,084,832            | 6,389,073            |
| Conditional Grants            |                      |                      | 294,433,854          | 309,155,547          | 324,613,324          |
| Nutrition International       |                      |                      | 10,000,000           | 10,500,000           | 11,025,000           |
| Local Revenue                 | 164,000,000          | 367,100,000          | 180,000,000          | 189,000,000          | 198,450,000          |
| <b>TOTAL REVENUE</b>          | <b>4,770,532,480</b> | <b>4,973,632,480</b> | <b>5,286,316,415</b> | <b>5,550,632,236</b> | <b>5,828,163,847</b> |

#### 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) which include IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program - County Climate Resilience Investment (CCIS) 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**

| Code | Department/ Sector                             | Description | Approved      | Approved      | Approved      | 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   | 688,567,522   | 722,995,898         | 759,145,693         |
|      |  | Dev         | -             | 0             |               | 0                   | 0                   |
| 4362 | Office of the Governor                         | Rec         | 167,276,993   | 203,237,177   | 145,279,638   | 152,543,620         | 160,170,801         |
|      |  | Dev         | 16,000,000    | 0             |               | 0                   | 0                   |
| 4363 | Finance & Economic Planning                    | Rec         | 341,534,368   | 242,746,177   | 198,242,036   | 208,154,138         | 218,561,845         |
|      |  | Dev         | 0             | 0             | 0             | 0                   | 0                   |
| 4364 | Agriculture Livestock Fisheries and Irrigation | Rec         | 98,605,070    | 99,199,387    | 150,216,569   | 157,727,397         | 165,613,767         |
|      |  | Dev         | 494,304,593   | 541,430,254   | 165,782,984   | 174,072,133         | 182,775,740         |
| 4365 | Water, Environment and Climate change          | Rec         |               | 2,305,442     | 50,282,711    | 52,796,847          | 55,436,689          |
|      |  | Dev         |               | 257,592,762   | 318,710,497   | 334,646,022         | 351,378,323         |
| 4366 | Education and Technical Training               | Rec         | 232,142,986   | 267,934,098   | 276,378,471   | 290,197,395         | 304,707,264         |
|      |  | Dev         | 133,360,500   | 237,627,613   | 191,493,437   | 201,068,109         | 211,121,514         |
| 4367 | Health Services                                | Rec         | 1,549,291,902 | 1,756,342,428 | 1,677,885,881 | 1,761,780,175       | 1,849,869,184       |
|      |  | Dev         | 208,495,517   | 452,627,160   | 150,655,632   | 158,188,414         | 166,097,834         |
| 4368 |  | Rec         | 89,961,627    | 77,059,204    | 46,535,021    | 48,861,772          | 51,304,861          |

| Code | Department/ Sector   | Description | Approved             | Approved             | Approved             | Projected Estimates  | Projected Estimates  |
|------|--|-------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|      |  |             | FY 2021/2022         | FY 2022/2023         | FY 2023/2024         | FY 2024/2025         | FY 2025/2026         |
|      | Lands, Physical Planning, Housing and Urban Development          | Dev         | 268,321,570          | 89,077,879           | 70,700,698           | 74,235,733           | 77,947,520           |
| 4369 | Roads, Transport, Public Works, and Transport                    | Rec         | 127,877,870          | 122,127,201          | 99,969,154           | 104,967,612          | 110,215,992          |
|      |  | Dev         | 384,895,588          | 553,333,784          | 263,543,261          | 276,720,424          | 290,556,445          |
| 4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | Rec         | 39,425,694           | 38,552,344           | 65,165,191           | 68,423,451           | 71,844,623           |
|      |  | Dev         | 44,998,684           | 20,124,819           | 257,081,386          | 269,935,455          | 283,432,228          |
| 4372 | Sports, Youth Affairs, Culture Children and Social Services      | Rec         | 54,291,406           | 62,586,817           | 53,307,152           | 55,972,510           | 58,771,135           |
|      |  | Dev         | 97,349,562           | 82,624,640           | 71,867,013           | 93,347,431           | 98,014,802           |
| 4373 | Public Service, Administration, Devolution, ICT and E-Governance | Rec         | 227,539,758          | 245,668,514          | 272,676,827          | 286,310,668          | 300,626,202          |
|      |  | Dev         | 61,812,715           | 27,959,148           | 30,255,525           | 31,768,301           | 33,356,716           |
| 4374 | County Public Service Board                                      | Rec         | 54,296,311           | 44,980,938           | 52,046,441           | 54,648,763           | 57,381,201           |
|      |  | 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                    | -                    | -                    | -                    |
|      | <b>TOTAL</b>   | Rec         | <b>3,687,928,375</b> | <b>3,991,288,162</b> | <b>3,776,552,614</b> | <b>3,965,380,245</b> | <b>4,163,649,257</b> |
|      |  | Dev         | <b>1,784,658,488</b> | <b>2,264,898,059</b> | <b>1,509,763,801</b> | <b>1,585,251,991</b> | <b>1,664,514,591</b> |
|      | <b>GRANT TOTAL</b>   |             | <b>5,472,586,863</b> | <b>6,256,186,221</b> | <b>5,286,316,415</b> | <b>5,550,632,236</b> | <b>5,828,163,848</b> |

## ANNEXES

### Annex 1: Recurrent Departmental Ceilings

| Code   | Department/ Sector   | Approved             | Approved Estimates   | Approved Estimates   | Approved             | 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          | 688,567,522          | 722,995,898          |
| R.4362 | Office of the Governor   | 143,881,512          | 194,343,714          | 203,237,177          | 145,279,638          | 152,543,620          |
| R.4363 | Finance & Economic Planning                                      | 223,846,869          | 213,583,293          | 242,746,177          | 198,242,036          | 208,154,138          |
| R.4364 | Agriculture Livestock Fisheries and Irrigation                   | 100,777,147          | 95,797,320           | 99,199,387           | 150,216,569          | 157,727,397          |
| R.4365 | Water, Environment and Climate Change                            | 78,059,121           | 96,178,512           | 2,305,442            | 50,282,711           | 52,796,847           |
| R.4366 | Education and Technical Training                                 | 196,390,607          | 256,268,616          | 267,934,098          | 276,378,471          | 290,197,395          |
| R.4367 | Health Services  | 1,545,876,304        | 1,553,784,098        | 1,756,342,428        | 1,677,885,881        | 1,761,780,175        |
| R.4368 | Lands, Physical Planning, Housing and Urban Development          |                      |                      | 77,059,204           | 46,535,021           | 48,861,772           |
| R.4369 | Roads, Transport, Public Works                                   | 66,968,217           | 113,728,668          | 122,127,201          | 99,969,154           | 104,967,612          |
| R.4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 35,609,808           | 37,889,225           | 38,552,344           | 65,165,191           | 68,423,451           |
| R.4372 | Sports, Youth affairs, Children's, Culture and Social Services   | 38,369,182           | 43,421,119           | 62,586,817           | 53,307,152           | 55,972,510           |
| R.4373 | Public Service, Administration, Devolution, ICT and E-Governance | 152,260,578          | 216,500,980          | 245,668,514          | 272,676,827          | 286,310,668          |
| R.4374 | County Public Service Board                                      | 46,738,274           | 48,652,913           | 44,980,938           | 52,046,441           | 54,648,763           |
| R.4377 | Livestock Production, Fisheries and Cooperatives Development     | 97,522,268           | 93,464,981           | 95,356,098           | 0                    | 0                    |
|        | <b>TOTAL</b>   | <b>3,284,021,050</b> | <b>3,556,868,411</b> | <b>3,991,288,162</b> | <b>3,776,552,614</b> | <b>3,965,380,245</b> |

## Annex 2: Development Departmental Ceilings

| Code   | Department/ Sector   | Approved             | Approved             | Approved             | Approved             | Projections          |
|--------|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|        |  | FY 2020/2021         | FY 2021/2022         | FY 2022/2023         | FY 2023/2024         | FY 2024/2025         |
| D.4361 | County Assembly  | 15,253,618           | 0                    |                      | 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          | 165,782,984          | 174,072,133          |
| D.4365 | Water, Lands, Environment and Climate Change                     | 518,709,963          | 486,926,858          | 257,592,762          | 318,710,497          | 334,646,022          |
| D.4366 | Education and Technical Training                                 | 280,613,534          | 266,562,806          | 237,627,613          | 191,493,437          | 201,068,109          |
| D.4367 | Health Services  | 299,102,466          | 432,269,417          | 452,627,160          | 150,655,632          | 158,188,414          |
| D.4368 | Lands, Physical Planning, Housing and Urban Development          |                      | 268,321,570          | 89,077,879           | 70,700,698           | 74,235,733           |
| D.4369 | Roads, Transport, Public Works and Transport                     | 499,065,857          | 690,055,391          | 553,333,784          | 263,543,261          | 276,720,424          |
| D.4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 15,678,318           | 82,763,273           | 20,124,819           | 257,081,386          | 269,935,455          |
| D.4372 | Sports Youth Affairs, Culture Children and Social Services       | 111,442,206          | 106,312,111          | 82,624,640           | 71,867,013           | 93,347,431           |
| D.4373 | Public Service, Administration, Devolution, ICT and E-Governance | 31,971,009           | 46,062,166           | 27,959,148           | 30,255,525           | 31,768,301           |
| D.4374 | County Public Service Board                                      | 0                    | 2,500,000            | 2,500,000            | 0                    | 0                    |
| D.4377 | Livestock Production, Fisheries and Cooperatives Development     | 98,446,438           | 186,657,441          | 0                    | 0                    | 0                    |
|        | <b>Total</b>   | <b>2,621,532,747</b> | <b>3,095,348,409</b> | <b>2,264,898,059</b> | <b>1,509,763,801</b> | <b>1,585,251,991</b> |

### Annex 3: Summary (Recurrent and Development) Departmental Ceilings

| Code | Department/ Sector   | Approved             | Approved             | Approved             | Approved             | 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          | 688,567,522          | 722,995,898          |
| 4362 | Office of the Governor   | 143,881,512          | 194,343,714          | 203,237,177          | 145,279,638          | 152,543,620          |
| 4363 | Finance & Economic Planning                                      | 223,846,869          | 213,583,293          | 242,746,177          | 198,242,036          | 208,154,138          |
| 4364 | Agriculture Livestock Fisheries and Irrigation                   | 852,026,485          | 891,036,266          | 640,629,641          | 315,999,553          | 331,799,531          |
| 4365 | Water, Environment and Climate Change                            | 596,769,084          | 583,105,370          | 259,898,2044         | 368,993,208          | 387,442,868          |
| 4366 | Education and Technical Training                                 | 477,004,141          | 522,831,422          | 505,561,711          | 467,871,908          | 491,265,503          |
| 4367 | Health Services  | 1,844,978,770        | 1,986,053,515        | 2,208,969,588        | 1,828,541,513        | 1,919,968,589        |
| 4368 | Lands, Physical Planning, Housing and Urban Development          |                      | 268321570            | 166,137,083          | 117,235,719          | 123,097,505          |
| 4369 | Roads, Transport, Public Works, and Transport                    | 566,034,074          | 803,784,059          | 675,460,985          | 363,512,415          | 381,688,036          |
| 4371 | Cooperatives, Trade, Industrialization, Tourism and Wildlife     | 51,288,126           | 120,652,498          | 58,677,163           | 322,246,577          | 338,358,906          |
| 4372 | Sports, Youth Affairs, Culture Children and Social Services      | 149,811,388          | 149,733,230          | 145,211,457          | 125,174,165          | 131,432,873          |
| 4373 | Public Service, Administration, Devolution, ICT and E-Governance | 184,231,587          | 262,563,146          | 273,627,662          | 302,932,352          | 318,078,970          |
| 4374 | County Public Service Board                                      | 46,738,274           | 51,152,913           | 47,480,938           | 52,046,441           | 54,648,763           |
| 4377 | Livestock Production, Fisheries and Cooperatives Development     | 195,968,706          | 280,122,422          | 95,356,098           | 0                    | 0                    |
|      | <b>TOTAL</b>   | <b>5,905,553,797</b> | <b>6,652,216,820</b> | <b>6,256,186,221</b> | <b>5,286,316,415</b> | <b>5,550,632,236</b> |