# REPUBLIC OF KENYA

# COUNTY GOVERNMENT OF NYERI

## DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

# COUNTY BUDGET REVIEW AND OUTLOOK PAPER

## 2022

## SEPTEMBER 2022

CBROP 2022

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@ 2022 Nyeri County Budget Review and Outlook Paper (CBROP)

To obtain a copy of the document, please contact:

Office of the County Executive Committee Member for Finance and Economic Planning

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NYERI

The document is also available in the County Government website

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## FOREWORD

The County Budget Review and Outlook Paper (CBROP) 2022, is prepared from a background of economic slowdown caused by the ongoing Russia-Ukraine conflict, effects of the covid-19 pandemic, general increase in oil and food prices which has led to rising inflation levels nationally and internationally. However, the Kenyan economy has portrayed remarkable resilience and recovery owing to its diversity as well as timely government interventions. This recovery and performance are anticipated to continue with the support of key sectors in the economy such as the service and agriculture sectors.

The County Government will continue to be part of this recovery journey by working in partnership with the national government in implementing projects and programs that are linked to economic recovery and sustainability. While doing so, the County Government will also aim at achieving higher and sustainable growth, generate employment, deliver quality health care, reduce poverty and inequality thus enabling Nyeri to realize the aspirations of the CIDP 2023-2027, Kenya Vision 2030 and Sustainable Development Goals (SDGs). However, we remain cognizant of the tight fiscal space that we are in as well as the external and internal risks that may hinder our ability to achieve the intended aspirations. We will, therefore, continue to monitor these risks and make appropriate readjustments if need be.

The budget outlays for the financial year 2021/2022 will greatly determine the expenditure priorities for the FY 2022/2023 due to the issues of escalating wage bill, pending bills, uncompleted projects and the effects of high inflation rate. In the process of preparation of the County Fiscal Strategy Paper, 2023, allocation of funds to programs will be done on the basis of how they demonstrate alignment to the objectives as identified in the Economic Recovery Strategy, the ADP for FY 2023/2024 and the CIDP 2023-2027.

I call upon all Accounting Officers to adhere to the schedule of activities and timelines as outlined in the Budget Circular issued earlier to enable finalization and appropriation of the FY 2023/2024 budget estimates as well as successful implementation FY 2022/2023 Budget.

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Robert Thuo Mwangi.

County Executive Committee Member

**FINANCE AND ECONOMIC PLANNING**

## ACKNOWLEDGEMENT

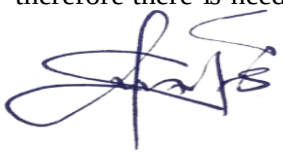
The County Budget Review and Outlook Paper (CBROP), 2022 has been prepared in accordance with the provisions of the Public Finance Management (PFM) Act, 2012 and its Regulations. The document provides the fiscal out-turn of the FY 2021/2022, the macro-economic projections and will form the basis for setting the departmental ceilings for the FY 2023/2024 and the medium budget.

The CBROP also provides an overview of the actual performance of the FY 2021/2022 and how it affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the PFM Act as well as information that will help in making adjustments in the projections outlined in the County Fiscal Strategy Paper, 2022 during preparation of this year's revised budget. Financial predictability (budgeting) is quite different from financial certainty (flow of funds) and the FY 2021/2022 was a year full of uncertainties due to erratic flow of funds from the National Treasury.

Further, it's good to note that this document was prepared through a collaborative effort of all the county departments/entities who provided valuable and credible information for analysis and inclusion herein. We value their contributions to this noble undertaking which is an essential step in the preparation of the county budget for the financial year 2023/2024. Exceptional gratitude goes to His Excellency the Governor, His Excellency the Deputy Governor, the County Secretary, the County Executive Committee Members, Chief Officers, County Directors, and other county authorities who offered their unwavering support during the process of preparation of this document.

Special thanks go to the team from the Directorate of Economic Planning, Budgeting, Monitoring and Evaluation who spent valuable time to ensure the success of this statutory requirement. The officers include: Senior Economists- Gibson Mwangi and Chris Gathogo; Economists- Kelvin Kiruki and Germano Wang'ombe; Damaris Gichuhi- Office Administrator, Susan Njuguna- Office Administrator and Clement Macharia- intern. To everyone who made this exercise successful, I thank you and assure your time that was spent for the success of this noble task was not in vain as the document will be of insurmountable importance to the future planning and budgeting process in the county.

As we enter into the critical phase of the preparation of the FY 2023/2024 budget estimates, I urge that we strictly adhere to the set guidelines and deadlines without forgetting the importance of public participation and consultation with other statutory institutions. Note that, allocation of resources will be geared towards ensuring development is outcome and result oriented for increased household income in our county. Success in implementation of any budget largely depends on its quality and therefore there is need for investing time and resources in its preparation.



**F.A. Stephen Mwai**
**Ag. Chief Officer**

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## LEGAL BASIS FOR THE PUBLICATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER

The Nyeri County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012 which states that:

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

## FISCAL RESPONSIBILITY PRINCIPLES IN THE PUBLIC FINANCIAL MANAGEMENT LAW

Section 107(2) of the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of county public resources. The PFM Act states that:

(a) the county government's recurrent expenditure shall not exceed the county government's total revenue;

(b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;

(c) the county government's expenditures on wages and benefits shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for finance in regulations and approved by the County Assembly

(d) over the medium term, the county government's borrowings shall be used only for the purpose for financing development expenditure and not for recurrent expenditure;

(e) the county debt shall be maintained at a sustainable level as approved by the County Assembly.

(f) the fiscal risks shall be managed prudently; and

(g) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

## EXECUTIVE SUMMARY

The County Budget Review and Outlook Paper (CBROP), 2022 reviews the budget implementation for the FY 2021/2022 as well as projecting the broad outlook for county's development agenda for FY 2023/2024. It provides a reflection of fiscal framework for creating strong basis for fiscal discipline and public funds accountability. The CBROP reminds us on the need for maintaining an ideal balance between government receipts and expenditures.

The document provides objectives and the legal basis under which it is prepared and how the performance of the FY 2021/2022 budget adhered to the fiscal responsibility principles and financial objectives spelt out in the PFM Act, 2012.

The CBROP is a key policy document that will guide the preparation of the CFSP, 2023. It shows the macro-economic projections at the national level as they will have a significant impact on the county's development performance in the medium term. The CFSP, 2023 will highlight the progress in the implementation of the projects and programmes prioritized in the FY 2022/2023 budget while also taking into account the recent macroeconomic developments.

In the review of the fiscal performance in FY 2021/2022, the CBROP provides some of the reasons as to why there were delays in implementation of development projects. During the financial year, the exchequer releases to the county were highly erratic throughout the period. This led to slow or insufficient execution of the planned projects and programmes thus leading to cancellation of payments resulting into pending bills that accrued to the current financial year. By the end of the FY, 83 per cent of the revenue had been realized while overall spending stood at 95 and 53 percent on recurrent and development votes respectively.

The document also provides an analysis of the county's recent economic development which summarizes all development projects and programmes undertaken during the last financial year, 2021/2022, in all sectors. Most of the development resources were spent on infrastructure as they are critical enablers of socioeconomic progression.

The CBROP provides the factors to be considered in allocation of resources under the MTEF and budget preparation process. During the FY 2021/2022 the County Treasury revised the budget twice and thus it becomes difficult to give projections for the FY 2023/2024 although generally it will not be very different from the amounts provided in the current FY 2022/2023 budget estimates.

The county has continued to operate under tight resources constraints with lots of unpredictable scenarios. Prudency will be observed at all levels to ensure value-for-money from the limited resources.

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# I. INTRODUCTION

## A. Background

**1.** The County Budget Review and Outlook Paper (CBROP) is developed as per the requirements of section 118 of the Public Finance Management Act, 2012 which states that every county must prepare a CBROP by 30th September, of every fiscal year, and submit the same to the County Executive Committee (ExCom). The ExCom shall in turn:

- Within fourteen days after submission, consider the CBROP with a view to approving it, with or without amendments.
- Not later than seven days after the ExCom has approved the paper, the County Treasury shall.
- Arrange for the paper to be laid before the County Assembly
- As soon as practicable after having done so, publish and publicize the Paper.

## B. Objectives of CBROP

**2.** The objective of the County Budget Review and Outlook Paper (CBROP), 2022 is to provide a review of fiscal performance for the FY 2021/22 and how this performance affects the financial objectives and fiscal responsibility principles set out in the PFM Act and outlined in the County Fiscal Strategy Paper (CFSP), 2022. This, together with updated macroeconomic developments and outlook provides a basis for revision of the current budget in the context of Supplementary Estimates and the broad fiscal parameters underpinning the FY 2022/23 and the medium-term budget. Details of the fiscal framework and the medium-term policy priorities will be firmed up in the CFSP, 2023.

**3.** The CBROP, 2022 is a key policy document that will guide the development of the CFSP, 2023. The CFSP, 2023 will highlight the progress in the implementation of the projects and programmes prioritized in the FY 2022/2023 Budget while also taking into account the recent macroeconomic developments.

**4.** The absolute performance in revenue collection during the FY 2021/22 increased by 7.0 percent compared to FY 2020/21. The increase in own source revenue was as result of the roll out of the Health Service Fund that retains collections from all health sources within the fund, paving way for improvement in the performance of health revenue collections by almost twice the amount collected in the preceding year.

**5.** However, a closer analysis of collections from other revenue streams reveals a significant drop in receipts, occasioned by heightened political activities before the just concluded general election.

**6.** As required by the PFM Act, 2012, the budget process emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities. This will in turn ensure that the debt situation remains sustainable and enhance continued fiscal discipline. In order to meet the resource requirements of the FY

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2022/23, the County Government will continue to apply prudent measures aimed at enhancing local revenue collection as well as rationalization of expenditures.

# II. REVIEW OF FISCAL PERFORMANCE IN 2021/2022

## A. Overview

**7.** In the financial year 2021/22, the County Government was faced with delayed disbursement of funds from the National Treasury and this affected execution of planned projects and programme. For instance, the allocation for June was not released by the end of the financial year under review leading to cancelation of payments already processed in the IFMIS amounting to pending bills that accrued to the current financial year.

**8.** It is also noteworthy that the second half of the financial year 2021/22 was characterized by heightened political activities culminating to the just concluded general election. These activities affected negatively the mobilization of revenue from own sources and therefore not achieving the set target. However, going forward we believe that the situation will return to normalcy and all efforts will be geared toward intensifying revenue collection to guarantee service delivery to the citizenly.

**9.** During the financial year 2021/22 the county treasury revised the county budget to align it with the County Allocation of Revenue Act, 2021 as well as the changing social needs and prevailing economic trends. The balances accruing from the FY 2020/21 were also appropriated by revising budget estimates to allow for spending and payment of pending bills and commitments. As at the end of the FY 2021/22, the approved second supplementary budget for the financial year amounted to Kshs. 8,733,268,481 comprising of Kshs. 6,097,464,070 for recurrent and Kshs 2,635,804,411 for development.

## B. Fiscal Performance in FY 2021/22

***Revenue Performance***

**10.** In the financial year 2021/22, cumulative revenues received by the County Government from the National Government releases, conditional grants and unspent balances in FY2020/21 amounted to Kshs. 7,023,055,441 while Kshs. 948,313,629 was received from the county own revenue sources as shown in **Table 1 below.**

**Table 1: Revenue Performance in Financial Year 2021/22**

| Revenue Sources and Expenditure | Approved Appropriation (Kshs) | Revised Appropriation (Kshs.) | Actual Performance (Kshs.) | Deviation (Kshs.) | Performance % |
|---|---|---|---|---|---|
| Balance B/F | 0 | 995,311,111 | 995,311,111 | 0 | 100.00 |
| Equitable Share | 6,228,728,555 | 6,228,728,555 | 5,730,430,268 | (498,298,287) | 92.00 |
| Kenya Devolution Support Program (KDSP) Level II Grant | 184,795,683 | 0 | 0 | 0 | 0 |
| Kenya Urban Support Program (UDG) | 236,000,000 | 0 | 0 | 0 | 0 |
| Kenya Informal Settlement Programme | 60,000,000 | 60,000,000 | | (60,000,000) | 0 |
| Transforming Health Systems for | 48,739,220 | 48,739,220 | 43,479,045 | (5,260,175) | 89.21 |

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| Revenue Sources and Expenditure | Approved Appropriation (Kshs) | Revised Appropriation (Kshs.) | Actual Performance (Kshs.) | Deviation (Kshs.) | Performance % |
|---|---|---|---|---|---|
| Universal Health Care (THS -UCP) | | | | | |
| DANIDA | 11,991,375 | 11,991,375 | 5,995,688 | (5,995,687) | 50.00 |
| Agriculture Sector Development Support Programme (ASDSP) | 21,917,144 | 29,070,952 | 5,500,000 | (23,570,952 | 18.92 |
| Kenya Climate Smart Agriculture Project (KCSAP) | 352,822,250 | 352,822,250 | 235,734,311 | (117,087,939) | 66.81 |
| CDC- HIV Programme | 50,000,000 | 6,605,018 | 6,605,018 | 0 | 100.00 |
| **Sub-total** | **7,194,994,227** | **7,733,268,481** | **7,023,055,441** | **(710,213,040)** | **90.82** |
| Own Source Revenue | 1,000,000,000 | 1,000,000,000 | 948,313,629 | (51,686,371) | 94.83 |
| **Total Revenue** | **8,194,994,227** | **8,733,268,481** | **7,971,369,070** | **(761,899,411)** | **91.28** |
| | | | | | |
| Salaries & Wages | 3,845,138,346 | 3,928,587,926 | 3,851,117,788 | (77,470,138) | 98.03 |
| Operations & Maintenance (O&M) | 1,849,529,211 | 2,168,876,144 | 1,963,254,280 | (205,621,864) | 90.52 |
| Development | 2,500,326,670 | 2,635,804,411 | 1,403,365,763 | (1,232,438,648) | 53.24 |
| **Total Expenditure** | **8,194,994,227** | **8,733,268,481** | **7,217,737,831** | **(1,515,530,650)** | **82.65** |

***Source: County Treasury, 2022***

**11.** As at the end of June 2022, most of the targeted revenues had not been fully realized including own source revenue, Kenya Informal Settlement Programme, World Bank Loan for Transforming Health Systems for Universal Health Coverage (UHC), Danida Grant, Kenya Climate Smart Agriculture Programme (KCSAP) and Agricultural Sector Development Support Programme (ASDSP). The unspent cash balances accruing from the financial year 2020/21 amounted to Kshs. 995,311,111 and this necessitated the formulation of the first supplementary budget to appropriate the balances and align it to the County Allocation of Revenue Act, 2021.

**12.** In the financial year 2021/2022, the County Government received Kshs. 5,730,430,268 as shareable revenues from the National Government which was short of the approved amount by Kshs 498,298,287 which was the expected disbursement for June 2022. Further the county received Kshs. 5,995,688 as a grant from DANIDA, Kshs. 43,479,045 as World Bank Loan for transforming health systems for universal care project, Kshs. 235,734,311 for Kenya Climate Smart Agricultural Project, Kshs. 5,500,000 for Agricultural Sector Development Support Programme and Kshs. 6,605,018 as grant from Centre for Disease Control for Prevention and management of HIV.

**13.** The County Government collected Kshs. 948,313,629 from its own revenue streams against a target of Kshs. 1,000,000,000 during the financial year 2021/22. The performance shows an increase of 7.0 percent compared with the preceding financial year. The increase in own source revenue is attributable to the roll out of the Health Service Fund that retains collections from all health facilities within the fund. This has seen the performance of health revenue collection almost doubling in financial year 2021/22 as compared the financial year 2020/21.

**14.** However, the performance of the own revenue collection from the other sources recorded a significant dip and this can be attributed to the heightened political activities before the just concluded general election. We are confident that things will return to normal and through concerted effort, more revenue will be collected this financial year.

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**15.** Going forward, the County Government will identify new ways of increasing its own revenue collection without necessarily overburdening its populace. The County Government will ensure that all the necessary legislation to support revenue collection is enacted so as to reduce conflict and litigations that hinder optimal revenue collection. Further, the personnel involved at all levels of revenue mobilization, collection, enforcement and management will continue to be trained and capacity built on their role and responsibilities so that more resources can be available for development projects and programmes. Increased revenue will also reduce the pending bills that arise from underperformance.

**Table 2: Local Revenue Performance – FY 2021/22**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | Revenue Performance (Kshs) in 2021/2022 | Deviation in Revenue Performance in 2021/2022 | Percentage Performance (%) |
|---|---|---|---|---|---|
| 1 | Liquor License | 40,000,000 | 34,645,322 | -5,354,678 | 86.61 |
| 2 | Agricultural Mechanization Station | 1,500,000 | 1,139,735 | -360,265 | 75.98 |
| 3 | Wambugu Agricultural Training Centre | 7,000,000 | 6,415,824 | -584,176 | 91.65 |
| 4 | Veterinary Charges (Slaughtering Fees & Slaughter House Inspection Fees/ vaccination) | 7,459,424 | 6,159,527 | -1,299,897 | 82.57 |
| 5 | Nyeri Slaughter House | 500,000 | 350,000 | (150,000 | 70.00 |
| 6 | Kiganjo Slaughter House | 100,000 | 70,000 | (30,000) | 70.00 |
| 7 | Sale of Fertilizer/lime | 712,000 | 691,300 | (20,700) | 97.09 |
| 8 | Coffee License | 350,000 | 324,215 | (25,785) | 92.63 |
| 9 | Fisheries (Including Gura Fishing Camp) | 44,000 | 6,300 | (37,700) | 14.32 |
| 10 | Market Entrance/Stalls/Shop Rents | 45,000,000 | 41,549,865 | (3,450,135) | 92.33 |
| 11 | Weights and Measures | 5,000,000 | 3,235,260 | (1,764,740) | 64.71 |
| 12 | Co-operative Audit | 1,922,642 | 1,573,500 | (349,142) | 81.84 |
| 13 | Hospital Services | 300,000,000 | 345,058,500 | 45,058,500 | 115.02 |
| 14 | Public Health | 13,372,807 | 11,035,203 | (2,337,604) | 82.52 |
| 15 | Commission 3% | 6,500,000 | 6,321,798 | (178,202) | 97.26 |
| 16 | Business Permits | 124,415,000 | 101,496,016 | (22,918,984) | 81.58 |
| 17 | Ambulant Hawkers Licences (Other than BSS Permits) | 1,000,000 | 814,780 | (185,220) | 81.48 |
| 18 | Miscellaneous Income | 1,000,000 | 737,144 | (262,856) | 73.71 |
| 19 | Document Search Fee | 80,000 | 69,750 | (10,250) | 87.19 |
| 20 | Impounding Charges/Court Fines, penalties, and forfeitures | 3,118,590 | 1,654,030 | (1,464,560) | 53.04 |
| 21 | Application Fee | 6,000,000 | 5,460,860 | (539,140) | 91.01 |
| 23 | Central Kenya show annual permit | 100,000 | - | 0 | 0.00 |
| 24 | Right-of-Way / Way-Leave Fee (KPLN, Telkom, e.t.c.) | 4,000,000 | 3,323,920 | (676,080) | 83.10 |
| 25 | Cess (Quarry, Produce, Kaolin, e.t.c.) | 71,286,144 | 56,612,943 | (14,673,201) | 79.42 |
| 26 | street Parking Fees | 39,354,254 | 34,704,092 | (4,650,162) | 88.18 |
| 27 | Enclosed Bus Park | 79,527,653 | 76,983,869 | (2,543,784) | 96.80 |
| 28 | Parking Clamping/Penalties/Offences fees | 3,000,000 | 2,156,786 | (843,214) | 71.89 |
| 29 | Land Rates/other property charges | 62,222,839 | 50,428,240 | (11,794,599) | 81.04 |
| 30 | Ground Rent - Current Year/Temporary Occupation License (TOL), New Occupation, Space Rent, Retainers fees | 4,000,000 | 3,030,161 | (969,839) | 75.75 |
| 31 | Ground Rent - Other Years | 3,000,000 | 2,043,585 | (956,415) | 68.12 |
| 32 | Plot Transfer Fee/Business Subletting / Transfer Fee | 600,000 | 562,500 | (37,500) | 93.75 |
| 33 | Housing Estates Monthly Rent | 29,000,000 | 24,278,446 | (4,721,554) | 83.72 |

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| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | Revenue Performance (Kshs) in 2021/2022 | Deviation in Revenue Performance in 2021/2022 | Percentage Performance (%) |
|---|---|---|---|---|---|
| 34 | Approvals (Extension of users, Pegging for Kiosk, Subdivision, transfer, Amalgamation, survey, Occupation Cert, boundary dispute e.t.c.) | 6,352,539 | 5,774,595 | (577,944) | 90.90 |
| 35 | Sign Boards & Advertisement Fee | 37,182,998 | 36,377,665 | (805,333) | 97.83 |
| 36 | Buildings Plan Approval Fee | 30,759,012 | 29,327,566 | (1,431,446) | 95.35 |
| 38 | Consent to Charge Fee/Property Certification Fee (Use as Collateral) | 2,296,000 | 1,841,600 | (454,400) | 80.21 |
| 39 | Sales of Council's Minutes / Bylaws | 558,500 | 490,100 | (68,400) | 87.75 |
| 40 | Debts Clearance Certificate Fee | 1,902,000 | 1,568,500 | (333,500) | 82.47 |
| 41 | Social Hall Hire/Hire of Grounds (Kamukunji, Whispers park) | 1,500,000 | 1,188,443 | (311,557) | 79.23 |
| 42 | Fire-Fighting Services | 16,927,998 | 13,521,550 | (3,406,448) | 79.88 |
| 43 | Food Ration (KRT) Nursery School | 200,000 | 194,300 | (5,700) | 97.15 |
| 44 | Food Ration (King'ong'o) Nursery School | 305,000 | 301,100 | (3,900) | 98.72 |
| 45 | Food Ration (Nyakinyua) Nursery School | 370,000 | 363,200 | (6,800) | 98.16 |
| 46 | Stadium Hire(Ruring'u, Karatina etc)/Registration of School, Training/Learning Center Fee | 50,000 | 43,500 | (6,500) | 87.00 |
| 47 | Public Toilets/Use of public toilets | 150,000 | 89,580 | (60,420) | 59.72 |
| 48 | Refuse Collection Fee/Tipping charges/Garbage Dumping Fee/waste disposal charges | 40,000,000 | 34,093,460 | (5,906,540) | 85.23 |
| 49 | Burial Fees | 180,600 | 120,000 | (60,600) | 66.45 |
| 50 | Noise Regulation/Pollution | 100,000 | 85,000 | (15,000) | 85.00 |
| | **Sub-total** | **1,000,000,000** | **948,313,629** | **(51,686,370)** | **94.83** |

***Source: County Treasury, 2022***

**16.** From a monthly review, the county government's performance of local revenue collection sharply rises from January with March recording the highest amount as shown in the figure below. This is because the key revenue sources such as Single Business Permits and land rates have a payment deadline of the month of March before they start attracting fines and penalties.

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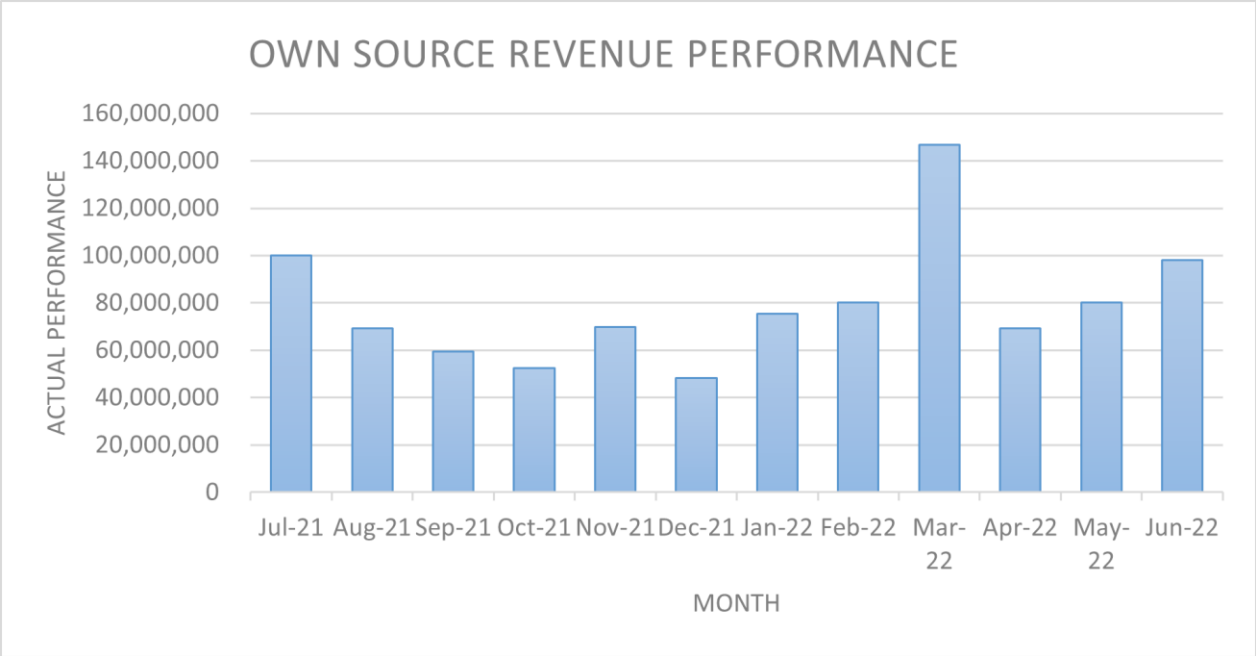
**Figure 1: Monthly revenue collections in FY 2021/2022**




***Source: County Treasury, 2022***

***Expenditure Performance***

**17.** The Total expenditure in the 2021/22 financial year amounted to Kshs. 7,217,737,831 against a budget of Kshs. 8,733,268,481 representing an under performance of Kshs. 1,515,530,650 as shown in **Table 3** below. This shortfall in absorption was attributed to failure by the National Treasury to release the disbursement for the Month of June, 2022 as well as not having met the local revenue targets. Further, the allocated donor funds were not disbursed despite being approved in the County Budget and hence reflected as underperformance of the overall budget.

**Table 3: Expenditure Performance in FY 2021/22**

| Expenditure Classification | Approved Appropriation (Kshs) | Revised Appropriation (Kshs.) | Actual Performance (Kshs.) | Deviation (Kshs.) | Percentage Performance |
|---|---|---|---|---|---|
| Salaries & Wages | 3,845,138,346 | 3,928,587,926 | 3,851,117,788 | (77,470,138) | 98.03 |
| O&M | 1,849,529,211 | 2,168,876,144 | 1,963,254,280 | (205,621,864) | 90.52 |
| **Total Recurrent** | **5,694,667,557** | **6,097,464,070** | **5,814,372,068** | **(283,092,002)** | **95.36** |
| Development | 2,500,326,670 | 2,635,804,411 | 1,403,365,763 | (1,232,438,648) | 53.24 |
| **Total Expenditure** | **8,194,994,227** | **8,733,268,481** | **7,217,737,831** | **-1,515,530,650** | **82.65** |

***Source: County Treasury, 2022***

**18.** During the FY 2021/22 the County Government incurred recurrent expenditure amounting to Kshs 5,814,372,068 against a proposed budget of Kshs 6,097,464,070 representing an under-performance of Kshs 283,092,002. The County spent Kshs. 3,851,117,788 and Kshs. 1,963,254,280 on personnel emoluments and operations and maintenance respectively.

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**19.** On the other hand, the expenditure on development amounted to Kshs 1,403,365,763 against a revised estimate of Kshs 2,635,804,411, representing an under-performance of Kshs 1,232,438,648. This can be attributed mainly to low disbursement of donor funds which are mainly development in nature, failure by the National Treasury to release all the equitable share allocation on time as well as shortfall in own source revenue collection in the financial year under review.

***Performance by Departments and Other County Units***

**20.** Analysis of the performance by departments and other county units indicates that the Office of the County Secretary had the highest percentage of recurrent expenditure at 99.49 percent while the Office or the County Attorney had the lowest at 79.88 percent as shown in Table 4 below.

**Table 4 : Performance of Recurrent Budget in FY 2021/22**

| Department/Entity | Approved Appropriation (Kshs) | Revised Appropriation (Kshs) | Actual Performance (Kshs) | Deviation (Kshs) | Performance (%) |
|---|---|---|---|---|---|
| Office of the Governor & Deputy Governor | 143,083,962 | 157,083,962 | 141,238,216 | 15,845,746 | 89.91 |
| Office of the County Secretary | 300,199,168 | 323,191,828 | 321,544,822 | 1,647,006 | 99.49 |
| Finance and Economic Planning | 840,221,954 | 1,006,751,850 | 887,542,445 | 119,209,405 | 88.16 |
| Lands, Physical Planning, Housing and Urban Development | 59,379,640 | 60,179,640 | 54,026,224 | 6,153,416 | 89.77 |
| Health Services | 2,575,080,164 | 2,615,080,164 | 2,561,439,978 | 53,640,186 | 97.95 |
| Gender, Youth and Social Services | 56,164,024 | 67,164,024 | 58,500,643 | 8,663,381 | 87.10 |
| County Public Service and Solid Waste Management | 109,385,107 | 113,185,107 | 107,705,028 | 5,480,079 | 95.16 |
| Agriculture, Livestock and Fisheries | 244,766,843 | 244,766,843 | 241,676,544 | 3,090,299 | 98.74 |
| Trade, Culture, Tourism & Cooperative Development | 50,245,025 | 58,245,025 | 52,581,226 | 5,663,799 | 90.28 |
| Education and Sports | 410,894,783 | 441,445,927 | 417,034,834 | 24,411,093 | 94.47 |
| Water, Irrigation, Environment & Climate Change | 75,724,101 | 75,931,854 | 66,582,843 | 9,349,011 | 87.69 |
| County Assembly | 706,085,232 | 734,500,292 | 716,501,123 | 17,999,169 | 97.55 |
| County Public Service Board | 39,548,187 | 43,548,187 | 43,256,732 | 291,455 | 99.33 |
| Transport, Public Works, Infrastructure and Energy | 73,155,887 | 115,155,887 | 111,803,529 | 3,352,358 | 97.09 |
| Office of the County Attorney | 10,733,480 | 41,233,480 | 32,937,881 | 8,295,599 | 79.88 |
| **TOTAL** | **5,694,667,557** | **6,097,464,070** | **5,814,372,068** | **283,092,002** | **95.36** |

**Source: County Treasury, 2022**

**21.** From the analysis of the development outlay below, the department of County Public Service Board had the highest absorption rate of development budget at 85.38 percent followed by Transport, Public Works, Infrastructure and Energy with 70.80 percent. The Office of the County Secretary had the lowest absorption at 18.32 percent followed by the County Assembly with 23.14 percent. **Table 5** below shows the performance of the departments and units. However, the figures on the tables may change slightly due to year-end adjustments.

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**Table 5: Performance of the Development Budget in FY 2021/22**

| Department | Approved Appropriation (Kshs) | Revised Appropriation (Kshs) | Actual Performance (Kshs) | Deviation (Kshs) | Performance (%) |
|---|---|---|---|---|---|
| Office of the Governor & Deputy Governor | 20,000,000 | 0 | | 0 | 0 |
| Office of the County Secretary | 40,000,000 | 24,500,000 | 4,488,125 | 20,011,875 | 18.32 |
| Finance and Economic Planning | 273,252,577 | 268,252,577 | 107,733,503 | 160,519,074 | 40.16 |
| Lands, Physical Planning, Housing and Urban Development | 348,277,991 | 347,077,991 | 216,167,008 | 130,910,983 | 62.28 |
| Health Services | 387,145,918 | 339,186,218 | 136,168,312 | 203,017,906 | 40.15 |
| Gender, Youth and Social Services | 71,200,000 | 67,850,000 | 35,942,065 | 31,907,935 | 52.97 |
| County Public Service and Solid Waste Management | 74,000,000 | 69,000,000 | 45,046,606 | 23,953,394 | 65.28 |
| Agriculture, Livestock and Fisheries | 508,875,646 | 493,466,340 | 226,296,653 | 267,169,687 | 45.86 |
| Trade, Culture, Tourism & Cooperative Development | 103,526,955 | 76,976,955 | 21,308,026 | 55,668,929 | 27.68 |
| Education and Sports | 78,100,000 | 89,450,000 | 48,852,021 | 40,597,979 | 54.61 |
| Water, Irrigation, Environment & Climate Change | 137,869,171 | 140,319,171 | 56,780,742 | 83,538,429 | 40.47 |
| County Assembly | 50,000,000 | 12,000,000 | 2,776,460 | 9,223,540 | 23.14 |
| County Public Service Board | 5,000,000 | 5,000,000 | 4,269,038 | 730,962 | 85.38 |
| Transport, Public Works, Infrastructure and Energy | 587,075,159 | 702,725,159 | 497,537,204 | 205,187,955 | 70.80 |
| **TOTAL** | **2,684,323,417** | **2,635,804,411** | **1,403,365,763** | **1,232,438,648** | **53.24** |

**Source: County Treasury, 2022**

## C. Fiscal performance of the FY 2021/2022 in relation to fiscal responsibility principles and financial objectives

**22.** The performance in the fiscal year 2021/22 had an enormous bearing on the financial objectives as outlined in the 2021 CFSP and the fiscal responsibility principles, in the following ways.

**23.** In the financial year 2021/2022 the projected revenue decreased as compared to FY 2020/21. This is because most of the revenue sources were not released in full by the end of the financial year despite being appropriated in the budget for the same period. These includes the equitable share, conditional grants as well as the own revenue sources.

**24.** According to the County Allocation of Revenue Act (CARA 2022) the amount of expected revenue in form of equitable share is Kshs 6,228,728,555, which is equal to the amount received in FY 2021/22. In addition, the target for Own Source Revenue in FY2022/23 is Kshs. 700,000,000 for all the revenue streams apart from health sources which will be maintained in the Health Fund that was created by the Nyeri Health Service Act, 2021. Subsequently, the contribution of local revenues has remained below 15 percent of the projected total county revenues in both FY 2021/2022 and 2022/2023. Actual contribution of local revenue to total county budget in FY 2021/22 amounted to only 11.9 percent.

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**25.** The amount of revenue collected by the County Government from own sources in FY 2021/22 improved considerably in absolute terms as compared to FY2020/21. Notably, an analysis of the various streams indicated that the actual collection from the health-related sources almost doubled while other sources significantly dipped as compared to the previous financial year's achievement. The improved health related own revenue performance can be attributed to the roll out of the Health Services Fund while the reduction experienced in the other streams can be ascribed to the heightened political activities geared towards the general election.

**26.** However, despite the challenges experienced, revenue collection is expected to return to normalcy and efforts will be made for further improvement. This will include expansion of the county's revenue base, strengthening existing revenue streams and reduction in litigations by engaging all stakeholders in formulation of related legislation. The enforcement and inspectorate units will continue being facilitated through capacity building in order to be more effective in revenue mobilization.

**27.** For the FY 2022/23 budget, adjustments will be introduced on fiscal aggregates as provided for under section 108 (2) of the PFM Act, 2012; CARA, 2022 and the unspent balances as at 30th June, 2022. The pending bills accruing from the FY 2021/2022 totaled Kshs 446,963,864. These will partly be paid as first charge in respective departmental votes and the remaining amount will be provided for during supplementary budget from the amount brought forward from 2021/22 financial year. However, it is imperative to note that some of the pending bills originated from failure by the National Treasury to release the last tranche of the equitable share as well as non-release of part of the conditional funds in line with the approved amounts leading to cancellation of already processed payments.

**28.** In accordance with section 25(1) (b) of the PFM (County Governments) Regulations, the county government is required not to spend more than 35 percent of its cumulative revenue on salaries and wages. Since the advent of devolution, pressure has been mounting for counties to adhere to this provision on wage bill ceiling despite the fact that the rise is triggered, mainly, by external factors. These includes the signing of CBA's nationally and the effects being imposed on counties to execute without provision of additional resources e.g., the CBA for nurses and doctors that has continued to strain the county's resource basket.

**29.** The County's allocation on salaries and wages in FY 2021/22 stood at Kshs. 3,928,587,926 representing 44.98 percent of the total county budget. The continuous recruitment of staff without consideration of its effect on the budget has further intensified pressure on the already strained budget leaving very little for operations and maintenance. Notwithstanding, the demand for promotions from workers, whenever they are due, has also contributed significantly to the continued rise in the wage bill.

**30.** By the end of FY 2021/22 the County Government expenditure on wages and salaries was Kshs. 3,851,117,788 which translated to 53.36 percent of county's total actual expenditure. The county government has continued to explore ways of reducing the wage bill so as to release funds to development activities. There is need for the county government to prioritize addressing

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the issue of the alarming wage bill pressure and explore sustainable ways to avoid ending up with a budget that can only settle salaries and leave nothing for operations.

**31.** In the financial year 2021/2022, the amount allocated for the development expenditure was 30.18 percent of the total county budget which was within the legal requirement in line with the PFM Act 2012 that requires the county government to allocate at least 30% of their annual budget towards development expenditure over the medium term. By the end of this period only Kshs. 1,403,365,763 of the development budgets had been spent which translates to 19.44 percent of the total county expenditure.

**32.** During the FY 2021/22, the County Government did not enter into any debt through borrowing and allocation was provided in the budget for payment of all the eligible pending bills most of which were settled. The cash balances carried forward to FY 2021/22 amounted to Kshs. 995,311,112, consisting mainly of donor/conditional grants, and this necessitated appropriation through a supplementary budget to enable the funds to be utilized.

**33.** Pursuant to the provisions of the PFM Act, 2012, the County Treasury prepared the Finance Bill, 2021. This was done through involvement of all key stakeholders and members of the public to guarantee ownership and understanding of the process. This will in turn minimize the chances of conflict in matters in settlement of fees, rates and charges. This also ensured that the stakeholders were also aware of the accruing benefit from payment of fees rates and charges and hence adhere to the law requirement effortlessly. The finance bill was submitted to the county assembly and enacted to, as soon as the Assembly resumes their sittings, to facilitate revenue collection.

**34.** The County Government is in the process of preparing the third generation County Integrated Development Plan that will guide the development agenda over the medium term. The CIDP that will run from 2023 to 2027 will be aligned to the Sustainable Development Goals, Kenya's Vision 2030, National Government Agenda for the current administration as well as other necessary policies that will impact the development of the county in the next five years.

## III. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

**35.** The development agenda of the County over the medium term is heavily linked to national and international aspirations as outlined in Kenya's Vision 2030 and its medium-term plans as well as other regional and international plans and agreements. Consequently, global, and national economic indicators have a significant impact on the economic outlook at the county level. It is therefore crucial to track these occurrences with the aim of making appropriate local adjustments.

**36.** From a financial perspective, it is important to understand that any internal or external factors that have a negative impact on the economic and financial trends at the national level will have a ripple effect on the county government's expenditure trends and its economic agenda.

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**37.** According to the July 2022 issue of the World Economic Outlook by the IMF, the Global Economy is anticipated to record a growth rate of 3.2 percent in 2022. This is a slump by 2.9 and 0.4 percentage points compared to the rate recorded in 2021 and the April, 2022 projection respectively. This slow down reflects the impact of the ongoing Russia-Ukraine clash, worldwide, higher than anticipated, inflation rates resulting from the global oil crisis and increased food prices. The slowdown in economic growth is expected to be worse in advanced economies which are expected to grow by 2.5 percent in 2022 from 5.2 percent in 2021. On the other hand, developing economies and the sub-Saharan region are expected to record growth rates of 3.6 and 3.8 percent respectively in the same period.

**38.** These global indicators point out to tough times ahead. With increasing prices of goods and oil and an expected overall rise in inflation rates, it is prudent for policy makers to prioritize deflationary measures. While imposition of tighter monetary policies may result to real economic costs, failing to do so will worsen the situation. The government may put in place fiscal measures to cushion the vulnerable population from the tough economic conditions. However, such measures will have to be offset through increased local revenue collection and a cut in government spending through enforcing of austerity measures.

## A. Recent National Economic Developments

**39.** The Kenyan economy recorded remarkable resilience and recovery in the first quarter of 2022 due to its diversified nature and the various government interventions that were put in place to support business growth. In the first quarter of 2022, the economy expanded by 6.8 per cent compared to a 2.7 per cent growth in a similar period in 2021. This was supported by a resumption in most economic activities that had contracted significantly in the first quarter of 2021 due to measures instituted to curb the spread of the Covid-19 pandemic.

**40.** The most tremendous recoveries were recorded in transportation and storage (8.1%), accommodation and food serving activities (56.2%), professional, administrative and support services (14.9%) and other service activities (11.1%). Manufacturing, wholesale and retail, financial and insurance activities coupled with sustained growth in construction, real estate and information and communication activities also improved significantly during this period.

**41.** However, this recovery in the first quarter of 2022 was constrained by subdued recovery of agriculture, forestry and fishing sector activities associated with rainfall shortages and delays. The contraction of this sector was also attributed to a decline in horticultural and tea exports. Nevertheless, there was an increase in the production of tea, cane and milk. Comparatively, this sector contributed -0.1 percentage points in the first quarter of 2022 compared to 0.1 in the same period in 2021.

**42.** The industrial sector grew by 4.4 per cent in the first quarter of 2022 compared to a growth of 3.9 per cent in a similar period in 2021. The growth was a result of a more vibrant manufacturing subsector whose impact subdued the slowdown in the electricity and water supply

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and construction sub-sectors. The improved performance of the manufacturing subsector can be attributed to a substantial growth in processing of coffee and production of cement.

**43.** On the other hand, the poor performance of the electricity and water supply subsectors resulted from reduced generation of geothermal, and hydroelectricity, due to insufficient rainfall in the first quarter of 2022. Although the production of thermal electricity recorded a significant increase within this same period, its overall impact was negatively affected by the high cost of inputs in the generation process.

**44.** The service sector recorded a stellar recovery in 2022 compared to its suppressed performance in 2021. The sector grew by 9.1 per cent owing to improvements in transportation and storage services, accommodation, and food services, professional, administrative and support services, financial and insurance services, and wholesale and retail trade.

**45.** The relaxation of the various Covid-19 containment measures such as the night curfew, lockdowns and travel restrictions provided an environment that spurred resumption of business activities. This led ot a general decline in unemployment and inactivity levels, with total employment surpassing the pre-pandemic rate both the formal and informal sectors.

**46.** The year- on- year inflation rate hit the 8.5 percent mark in August 2022 compared to 6.5 percent recorded in August 2021.The rise in inflation was mainly due to increase in prices of commodities under food and non-alcoholic beverages (15.3 per cent); transport (7.6 per cent) and housing, water, electricity, gas and other fuels (5.6 per cent) between August 2021 and August 2022. However, this effect was moderated through the governments attempts to offer subsidies on fuel and fertilizer prices, lowering of electricity tariffs and providing tax waivers on importation of white maize and LPG.

**47.** Rising food prices was the largest contributor to the year-on -year level of inflation recorded in August 2022. During this period, food inflation contributed to 5.9 percentage points, compared to 3.9 percentage points in August 2021. The increase in prices of key food commodities such as maize flour(loose), sugar, maize grain (loose), carrots, white rice, Irish potatoes, and onions resulted from unfavorable weather conditions and demand-supply imbalances.

**48.** The fuel subsidy put in place by the Government to cushion the economy against the effect of rising fuel prices managed to put fuel inflation rate under control. Fuel inflation remained generally stable contributing to 1.6 percentage points to year-on-year overall inflation in August 2022 from a contribution of 1.5 percentage points in August 2021. However, the prices of fuel increased considerably throughout this period.

**49.** Kenya's rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In August 2022, Kenya recorded a lower inflation rate than Ghana, Rwanda, Nigeria, Burundi, Zambia, and Uganda

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**50.** Despite the tight global financial conditions, the foreign exchange market has been stable. The stability in the Kenya Shilling has been supported by increased remittances, adequate foreign exchange reserves and improved exports. The Kenyan Shilling has continued to perform well against major world currencies with the exception of the Dollar. This could be attributed to the high demand of the Dollar in international markets.

**51.** In August 2022, the Kenyan Shilling depreciated against the dollar, exchanging at Ksh 119.4 compared to Ksh 109.2 in August 2021. However, the Shilling appreciated against the Euro and the Sterling Pound. The Euro exchanged at Ksh 121.0 in August 2022 compared to Ksh.128.6 in August 2021 while the Sterling Pound exchanged at Ksh 143.5 compared to Ksh 150.9 over the same period.

**52.** Between August 2021 and August 2022, the Kenyan Shilling depreciated against the dollar by approximately 9.3 percentage. Nevertheless, the rate at which the Shilling weakened against the Dollar is relatively lower compared to other Sub-Saharan currencies such as Namibian Dollar, Botswana pula, South African Rand, and Malawi Kwacha

**53.** Interest rates adjustment is one of the monetary policy tools that can be used to deal with inflation. Due to the elevated risks to the inflation outlook as a result of increased global commodity prices and supply chain disruptions the Central bank of Kenya, in an effort to deal with this risk, raised its rate from 7.0 percent to 7.5 percent while the interbank rate increased to 5.4 percent in August 2022 from 3.1 percent in August 2021.

**54.** The interest rates on treasury bills remained below the 10 percent mark but relatively higher compared to the rates in August 2021. The interest rates for the 91-days, the 182-days, and the 364-days treasury bills were 8.6 percent, 9.5 percent, and 9.9 percent respectively in August 2022.

**55.** Supported by the prevailing financial market liquidity conditions and monetary policy direction the commercial lending rate in the country remained relatively stable. On average, the commercial bank lending rate was 12.3 percent in July 2022 which was a slight increment from the 12.1 percent recorded in July 2021. Average deposit rate increased from 6.3 percent to 6.7 percent while the interest rate spread declined from 5.8 percent to 5.6 percent within the same period.

**56.** The economy recorded a growth of 7.6 percent in Broad money supply, M3 as of July 2022. This was an increase by 0.7 percentage points from the 6.9 percent growth achieved in July 2021. The growth rate was driven up by an increase in domestic credit particularly net lending to the private sector.

**57.** In July 2022, the Net Foreign Assets for the banking system contracted by 46.8 percent compared to a contraction by 10.7 percent in July 2021. This contraction was mainly associated with increased foreign payments by the Central Banks to settle the County's external debt obligations and increased borrowing from foreign sources and reduction in foreign deposits assets to support lending to customers. However, the Net Domestic Assets grew by 19.5 percent

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in July 2022 compared to 11.7 percent in a similar period in 2021.The growth in NDAs was supported by increased lending to government and the private sector.

**58.** Private sector credit grew by 14.2 percent in the 12 months to July 2022 reflecting improved demand as economic activities picked up. The growth was an increase by 8.1 percentage points compared to a similar period in 2021. Although the positive trend was recorded in all sectors, stronger credit growth was observed in the following sectors: transport and communication, business services, manufacturing, trade, building and construction and agriculture. The Credit Guarantee Scheme for MSMEs continues to contribute significantly towards enhancing availability of private sector credit from commercial lenders.

**59.** In July 2022, the economy experienced an improvement in the capital and financial account and increased receipts in net services and net secondary income. However, there was a decline in receipts from the merchandise and net primary income accounts. The overall impact of this was an improvement in the country's balance of payment position which recorded a surplus of USD 1,790.4 million (1.6 percent of GDP) compared to USD 119.4 million (0.1 percent of GDP) in July 2021.

**60.** The Country's current account recorded a deficit of USD 5,876.6 million (5.2 percent of GDP) in July 2022 compared to USD 5,494.7 million (4.9 percent of GDP) in July 2021. This position can be attributed to the deterioration of receipts in the merchandise and net primary income account and increments in receipts from net services and net secondary income.

**61.** Regarding exports and imports of goods. The 12 months to July 2022 witnessed a growth in exports by 11.3 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. Tea exports increased owing to improved tea prices reflecting increased demand from our traditional markets.

**62.** On the other hand, imports of goods increased by 20.3 percent in the year to July 2022 mainly due to increases in imports of oil and other intermediate goods. Despite the growth in exports, imports grew by a wider margin leading to an overall widening of the merchandise account deficit by USD 2,572.1 million.

**63.** There was an increase in receipts from the service sector owing to reopening of economies and resumption of most businesses. Net receipts on the services account improved by USD 1,627.8 million to USD 1,839.6 million in July 2022 compared to a similar period in 2021 mainly on account of receipts from transport and tourism activities.

**64.** Increased remittances led to an improvement of the Net Secondary Income account in July 2022, by USD 882.4 million to USD 6,388.8 million, from USD 5,506.4 million in July 2021. However, the deficit on the primary account widened widened by USD 320 million to a deficit of USD 1,701.8 million in July 2022, from a deficit of USD 1,381.8 million in 2021. This widening balance reflects higher outflows of direct investments.

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**65.** The country maintained a strong foreign exchange reserve position in the year to July 2022. The reserve position fulfils the requirement to maintain it at minimum of 4.0 months of imports cover to provide adequate buffer against short term shocks in the foreign exchange market. During this period, the foreign exchange holdings was at USD 12,222.5 million from USD 14,196.3 million in July 2021. Commercial banks holdings decreased to USD 3,954.6 million in July 2022 from USD 4,544.6 million in July 2021.

**66.** There was a slump in activities in the Kenyan capital market in August 2022 due to recessionary fears and tighter monetary policies by advanced economies leading to outflow of investors. During this period, The NSE 20 Share Index declined to 1,751 points, while the market capitalization declined to Ksh 2,142 billion from 2,020 points and Ksh 2,841 billion respectively in August 2021.

## B. County Recent Economic Developments

**67.** The financial year, 2021/22 kicked off and progressed well. This is despite the delays in disbursement of funds by the National Treasury that consequently affected the planned implementation timelines for various county projects and programmes. The County however managed to carry out most of its planned activities despite delays in release of funds.

**68.** The county has 5 ward offices and 3 sub-county offices which eases countywide administration. During the Financial year 2021/2022, the county refurbished 2 sub-county offices to improve working environment for the staff who work from there. The Civic Education and Public Participation (CEPP) unit trained members of the community on the constitution, devolution, and public participation. Additionally, Trainers of Trainers (ToT's), were trained on civic education. Sub County Administrators, Ward Administrators and Officers across the county were involved in this training.

**69.** For enhanced network connectivity and security of ICT equipment, the county invested in development programs and projects which included; Equipping of the ICT Hub at Whispers Park, Perimeter wall fencing at Nyeri Hill base Station (Wide Area Base Transmission), and Installation of Local Area Network at 4 Sub counties - (Kieni East, Mukurweini, Mathira West, Kieni West)

**70.** In the year, the county prepared and submitted the following documents pursuant to the requirements of the Public Finance Management Act,2012 and other enabling legislations: Finance Bill, 2021, Annual Development Plan for the FY 2022/23, County Budget Review and Outlook Paper, 2021, County Fiscal Strategy Paper, 2022, quarterly Budget Implementation and Financial Reports. There was also procurement and customization of two containers to increase office and storage space, and installation of CCTV cameras at cess collection points to reduce corruption and loss of revenue.

**71.** Agriculture remains the backbone to the county's economy and plays a critical role to the National Government's development agenda on food security. The county has continued to

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direct its efforts towards value addition of agricultural products to ensure sustainable food and nutritional security and thereby boosting the financial well-being of Nyeri residents and overall economic growth and development. In this regard, the county has total area of 99,664 hectares under agricultural production.

**72.** Agricultural production for both cash crops and food crops declined during the period under review as a result of poor rainfall over the last two years. Further, the average unit price of livestock products increased which is attributed to the high inflation rate and increased cost of living in general.

**73.** In the financial year 2021/22 the county government continued with improvement of its breeding stock by providing artificial insemination services where 18,131 animals were served. Further, to mitigate against livestock diseases, 74,499 animals were vaccinated during the period under review across the county. In addition, there was improvement of Fish production through procurement of 448 of 25kgs bags of fish feeds and distribution of 80,000 fingerlings to fish farmers.

**74.** The county was also able to achieve the following in the financial year under review: Mainstreaming food and nutrition security in the county through procurement of 4,500 of 2kg packets of high value beans seeds and 400 of 50kg certified Irish potato tubers for farmers, procurement of 100,000 tea seedlings for tea farmers and rehabilitation of five (5) tea-buying centers, coffee revitalization through procurement of 17,500 coffee seedlings, 360.71 tons of manure for coffee farmers and renovation of Ruiruiru coffee factory, improvement of livestock breeds in the county through procurement of 36,666 improved kienyeji chicks and 41 dairy goats which were distributed to farmers, dairy improvement through completion of pasteurizer housing and procurement and installation of yoghurt cup filling machine for Kairuthi Dairy Self-Help Group at Iriaini Ward, supported Mweiga Dairy Cooperative Society and Kiamwangi Dairy Self-Help Group with milk pre-chiller equipment, promotion of agricultural mechanization through supporting Irish potato groups with walking tractors and value addition equipment. In addition to these, the County also supported 20 Indigenous chicken farmer groups with solar powered egg incubators for production of chicks, supported one group with feed mill and start up ingredients for feed formulation to reduce cost of production of livestock, constructed 23 crushes at the operational dips to facilitate vaccination exercise and constructed a septic tank (effluent drainage system) at Mweiga slaughterhouse.

**75.** Through the Kenya Climate Smart Agriculture Project, the county, supported 16 farmers' groups to improve dairy value chain, Irish potato value chain, indigenous chicken, beans, and banana value chain, rehabilitated and upgraded 5 irrigation projects i.e., Lower Kakuret Irrigation Water Project, Thiha Micro Irrigation Water Project, Birichia Dam Irrigation Water Project, Nganyuthe Irrigation Water Project and Mureru /Acacia Irrigation Water Project.

**76.** The county has a total of 121.63Km, 2,492.85Km and 478.25Km of earth, gravel and bitumen roads respectively. In order to improve access to the rural areas and make agricultural products accessible to the market every time, the County Government has continually improved

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various access and feeder roads. In the FY 2021/22 the county graded 367.26Km and graveled 200.45Km of road surface. The main aim is to improve all the county roads into all-weather standards.

**77.** In effort to improve business environment and security in the trading and market centers, and as well as extending the trading hours, the county has installed 41.45Km of streetlights and 3 high mast flood lights. This is in addition to the continued maintenance of the existing high mast flood lights.

**78.** The total number of existing youth polytechnics in the county is 39 while the ECDEs are 436 in number. In the financial year 2021/22, the County Government renovated 8 ECDE classrooms and constructed 4 new ECDE classroom blocks across the county. In order to motivate and enhance staff productivity, the county translated engagement terms for the ECDE teachers from contract to permanent and pensionable. Further, 75 youth polytechnic instructors were engaged by the county in the period under review.

Enrollment in the youth polytechnics in the year 2021 and 2022 was 1,991 and 1,896 respectively, while the enrollment in the ECDEs for the same period was 22,357 and 20,868 respectively.

**79.** The county has majorly continued to support and promote the youth in sporting activities. In the Financial year 2021/2022, the county facilitated 180 participants in the KIKOSCA games, completed construction of perimeter wall at Ruring'u stadium, completed levelling of Kigogoini playground and procured and distributed sports uniform and Equipment to local teams.

**80.** During the year, the county had set aside for bursaries allocation funds amounting to Ksh. 138,498,585 to support the needy students. The whole amount was disbursed to 30,261 students across the county which enabled them to continue with their education.

**81.** In furtherance of technical skills promotion for the youth, the county has continued to invest in Youth Polytechnics. During the financial year 2021/2022, the County Government Constructed plumbing workshops at Karatina Polytechnic and Othaya VTC, constructed a classroom at Amboni VTC, constructed a toilet block at Kihuyo and Gathuthi youth polytechnics, renovated old buildings at Gichira and Mung'aria youth polytechnics, reinforced leather workshop floor and installed a shoe producing line at Rukira Youth Polytechnic, completed two workshops and constructed a toilet at Gachuku youth polytechnic.

**82.** Due to the rapid climatic changes and inadequate rainfall experienced in the recent past, the County Government has continued to sensitize and support farmers on irrigation farming practices with the aim of ensuring that there is continued food production across the county. The county has approximately 79,940 households with access to clean water. The total acreage under irrigation in the county is 8,276.30 with 17,170 households practicing irrigation farming. During the financial year 2021/2022, the county managed to put 20 more hectares under irrigation with 200 beneficiaries, constructed 2 intakes and constructed a waterline with a length of 18,500m. Other activities undertaken in the year were drilling of Gatarakwa borehole and equipping it,

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installation of pumps for 5 boreholes, improvement and extension of Teawasco water supply, extension and improvement of the wastewater system for Teawasco and Narowasco treatment, construction of Kamatongu water project, and supply of pipes and fittings for various projects.

**83.** There are 76 markets across the county. To create conducive trading environment and boost trading activities the county during the period under review was able to improve 13 markets through; Construction of market stalls, market sheds/roofing, Construction of ablution blocks and rehabilitation of the markets.

Through the Enterprise Development Fund programme, the county identified potential beneficiaries and made disbursement to the successful traders.

**84.** Pursuant to section 46 of the Kenya constitution, the County continues to enforce fair trade practice and consumer protection. During the year, the Weights and Measures Unit verified and certified 14,854 weights and measures equipment. For co-operative development, the county held an alliance day celebration trade fair, facilitated capacity building for co-operative societies, rehabilitated and renovated sub-county co-operative offices, reviewed and amended the Nyeri County Co-operatives Act of 2013 and also held Nyeri County Co-operatives Day forum.

**85.** For Tourism promotion, the County trained 50 artists in animation and creatives, trained 150 mountain tour guides, porters & cooks, developed cultural villages, facilitated capacity building of cultural groups, developed Wangari Mathai park at the Cultural center, constructed the Culture center gate house and the fence

**86.** The County responded to all the emerging disaster incidences as at when they were reported. The emergency cases solved include; responding to fire calls, rescuing activities, offering assistance in road accidents, and attending to drowning cases. The County during the year under review also carried out the following activities to promote and enhance efficient service delivery: completion of fire mechanical works at kiawara fire station, completion of construction works, putting up a mast for toll free line, operationalization of disaster unit at Nyeri fire station, construction of a section of Karatina children home fence, emergency mechanical works and landscaping, construction of benches and tree planting at Ihururu outdoor park.

**87.** With the county Government commitments to deliver quality service to its citizens, numerous steps have been taken to ensure maximum satisfaction from services offered, and this calls for a qualified and motivated personnel. To ensure realization of the aforementioned, during the financial year 2021/2022, the county undertook the following measures: recruitment for advertised posts as requested and approved by Excom, constituting the Departmental HR committee, meeting with the County staff Trade Unions, validation, verification and approval of payment of the defunct local authority staff claims, redesignation, harmonization and integration of eligible officers, formulation of staff establishment for the year 2021-2024, procurement of server for hosting of the Boards automated services i.e. E-Recruitment, addressing ECDE caregivers welfare that included generation of their payroll numbers.

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**88.** The county has been heavily burdened by the ballooning wage bill that is above 50 percent of its total budget despite having existing staffing gaps in some critical areas. The following are some of the strategies that the county adopted for the management of the wage bill in the Financial year 2021/2022: Translation of over 500 officers from contract to permanent in order to reduce the amount paid as gratuity to the contract staff at the expiry of the contract; implementation of Voluntary Early Retirement where 9 staff have retired, and undertaking internal recruitment and recruiting externally at entry levels on critical need basis.

**89.** During the year under review, the county through the department of County Public Service Management accomplished the following: repairing, renovating and improving the Provincial Block 'C' offices that house county officers, recruitment of 183 interns and management of the internship program, ensured payment of staff salaries on time, facilitated training of staff and induction of the newly recruited officers, maintenance of staff welfare by updating their medical schemes and gratuity computation for staff on contract terms, handling and resolving staff conflicts.

**90.** Article 42 of the Constitution of Kenya ,2010 guarantees every person a clean and healthy environment. To implement this, the county has been committed in ensuring that proper environmental conservation measures are put in place to manage both liquid and solid waste through the County solid waste management Bill,2020. In the Financial year 2021/2022, the county collected approximately 35,000 tonnes of garbage. This was actualized through construction of a gatehouse, sorting shed and ablution block at Karindundu dumpsite, installation of floodlight masts at both Karindundu and Gikeu dumpsites, pushing and compacting of waste in 4 dumpsites namely: Karindundu, Gikeu, Mweiga and Narumoru, and murraming of dumpsite roads and around refuse chambers. The County also established a pilot project on production of organic compost and fertilizer from organic waste and conducted sensitization through carrying out quarterly clean ups across the county in conjunction with private entities and massive waste collection in conjunction with Waste Electrical and Electronic Equipment (WEEE) Centre and Kenya PET Recycling Company (PETCO).

**91.** Health care being a key sector in the social and economic development, the county has strived to ensure continuity in quality medical services provision to the citizenry across all the county health facilities. The county has 93 (level 2) Dispensaries,3 (level 3) Health centres, 4 (level 4) Hospitals and 1 (level 5) Hospital. During the financial year, the county engaged 2,474 CHVs to extend health care to the public. To ensure that there is provision of quality services, the county procured; vaccine carrier/cooler boxes, Poc utrasound machine, crank hospital beds and bedside lockers, blood gas analyzer, laundry drier, infant bubble c-pap machine, oxygen flowmeter set/gauge and weighing scale, weighing machines, Bp & glucometer machines, hematology roller mixer and flexible & movable laboratory Ho, casualty beds, patient & linen trolleys and stethoscopes.

**92.** For enhancement of proper and effective service delivery, the county completed construction and renovation works in health centres and dispensaries across the county. There was also construction of a covered walkway at Mt. Kenya Hospital, renovations of Nyeri Town

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Health Centre, cabro paving of outpatient block and the mortuary in Karatina, renovation of a morgue at Mukurweini hospital, construction of a mortuary at Narumoru level IV Hospital (KDSP), construction of a Kitchen at Narumoru level IV Hospital, and construction of a laundry at Narumoru level IV hospital.

**93.** In addition, the county also undertook refurbishment of Karatina Hospital New born unit, construction of walkways, ash pit and placenta pit and refurbishment of maternity at Karemeno health centre, supply, delivery, installation testing of medical gas at Karatina level IV Hospital, testing and commissioning of sanitary fittings, plumbing, drainage, solar hot water heating system and fire protection services at Naromoru Level IV Hospital, installation of medical gas piping at Naromoru Level IV-Hospital and structured cabling.

**94.** During the financial year 2021/22 the county government completed the construction of Nyeri Town Main Transport Termini at the Asian Quarters which will ease congestion in Nyeri town and create employment opportunities when operationalized. During the year under review, the Lands Department also achieved the following: Completion of Mukurwe-ini Town, Naromoru Town and Hubuini settlement Local Physical and Land Use Development Plans (LPLUDPs), surveying and titling of 15 settlements, maintenance of 20 roads for wards within Nyeri Municipality, purchase of 12 refuse skips and 1 refuse truck for solid waste collection. Further, a total of fifteen (15) settlements are under survey and registration namely; Thunguma, Gakanga, Ngaini, Kiandere, Chieni. Gikoe, Githiru, Karundu, Kihome, Njigari, Warazo Jet, Uaso Nyiro, Ngaine, Witima and Ihururu settlements. The Lands department has also prepared the County Spatial Plan which is to be deliberated by the cabinet for adoption, after which it will be submitted to the County Assembly for approval.

**95.** Through the Municipal Board, the county has developed a Municipality Integrated Development Plan (IDeP), 2019-2023, developed a Solid Waste Management plan & policy, oversaw refurbishment of municipal offices, purchased additional ten (10) skips to enhance garbage collection, mapped, and identified all dump sites and garbage hotspots, created public awareness and sensitization on waste management. The Board also oversaw construction and maintenance of the municipal roads and drainage systems, developed a staffing establishment plan, conducting quarterly citizen fora for enhanced governance, facilitated capacity building for the municipal staff and board members on transformative leadership, cooperate leadership and occupational first aid, purchased uniforms for 20 field marshals, and collaborated with department of Transport on construction & maintenance of parking, rehabilitation of the drainage systems, lighting and re-carpeting roads within Nyeri town.

**96.** The county through the Office of the County Attorney was able to make the following accomplishments during the Financial Year 2021/2022; commenced development of the strategic plan, 2022-2026, made payments to external counsel for legal fees and resultantly marked as settled 33 (Thirty Three) files which were subsequently closed, increased human resource by recruiting four legal counsel, purchased four laptops and one desktop computer, and championed alternative dispute resolution in various matters thus subverting lengthy litigation.

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## C. Economic Outlook

***Global Economic Performance***

**97.** The global economic outlook remains highly uncertain with growth projected to moderate to 2.9 percent in 2023 from 3.2 percent in 2022 largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies. Advanced economies are projected to slow down by 1.0 percent in 2023 from 2.3 percent in 2022 mainly due to a slowdown in growth in the United States and the Euro area. Growth in the United States is projected to slow down due to the expected impact of a steeper tightening in monetary policy. Growth in the euro area is expected to be adversely affected by the spill overs from the war in Ukraine as well as the assumption of tighter financial conditions.

**98.** The emerging market and developing economies are projected to pick up to a growth of 3.9 percent in 2023 from a growth of 3.6 percent in 2022 albeit with varying performance across countries. The emerging and developing Asia is projected to pick up as a result of a more robust recovery in China despite a slowdown in India, while growth in the Latin America and the Caribbean and the Middle East and Central Asia are expected to slow down.

**99.** The Sub-Saharan African region is projected to pick up to a growth of 4.0 percent in 2023 from 3.8 percent in 2022 with the East and Southern African sub-region showing a sustained recovery from the recession. The DRC and Zambia are expected to benefit from rising metal prices in the short-and medium term and gain from the transition away from fossil fuels in the long term.

***Domestic Growth Prospects***

**100.** On the domestic growth prospects, performance indicators show that there has been continued strong performance in the second quarter of 2022, supported by strong activity in transport and storage, wholesale and retail trade, construction, information and communication, and accommodation and food services. In this regard, the economy is expected to remain robust at 5.5 percent in 2022, and the services sector will have continued strong performance regardless of the downside risks to global growth.

**101.** The rate of economic growth will remain resilient, growing by 5.8 percent in FY 2022/23 and averaging 6.2 percent over the medium term. This will be greatly supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. This outlook will be reinforced by the ongoing implementation of the strategic priorities of the Government under the "Big Four" Agenda and the Economic Recovery Strategy. Additionally, the Government is implementing the third phase of the Economic Stimulus Programs that target strategic interventions in agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. The growth in economic projections over the medium term are aligned to those of the Third Medium Term Plan (2018-2022) of the Vision 2030.

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## D. Monetary Policy outlook

**102.** Maintaining price stability over the medium term will be the main aim of monetary policy with overall inflation expected to remain within the target range. Overall inflation is expected to moderate to 6.0 percent in FY 2022/23 and remain within the target range of 5±2.5 percent as international commodity prices, particularly oil, wheat and edible oils, have begun to moderate. In addition, the waiver of import duties and levies on white maize and the reduction in VAT on LPG will further moderate domestic price. Further, Central Bank of Kenya will strive to continue monitoring developments in the money and foreign exchange market and take appropriate measures in the event of adverse shocks.

**103.** The foreign exchange market is expected to remain stable supported by, resilient export receipts, buoyant remittances, and a gradual pick up in receipts from services exports. The continued coordination of monetary and fiscal policies is expected to sustain macroeconomic stability and support economic activity.

## E. Fiscal Policy Outlook

**104.** Over the medium term, the fiscal policy direction will purpose to enhance mobilization of resources, rationalization of expenditure and strengthening management of public debt while minimizing cost and risks of the portfolio, while accessing external concessional funding to finance development projects. This is geared towards economic recovery to support sustained, rapid and inclusive economic growth, safeguard livelihoods and continue the fiscal consolidation programme to create fiscal space for the implementation of the government development Agenda.

## F. Risks to the Domestic Economic Outlook

**105.** There are downside risks to this macroeconomic outlook which emanates from domestic as well as external sources. On the domestic front, the emergence of new pandemics or new variants of the Covid-19 may occasion restrictive measures. Additionally, there are other risks relating to lower production in agriculture due to potential adverse weather conditions and increased public expenditure pressures, particularly wage and other recurrent expenditures, which in turn put a strain to the fiscal space

**106.** On the external front, the main risks include: uncertainty about the global outlook, the adverse effects of the Russia-Ukraine conflict, inflationary risks which causes increase in prices of food and oil, persistent COVID-19 pandemic related disruptions, and supply chain constraints as well as increased global financial markets volatility.

**107.** To secure the economic recovery and navigate existing macroeconomic challenges, the Government has faced difficult policy trade-offs. Some of the fiscal measures taken by the Government to control these adverse impacts include:

- Subsidizing pump prices through the Petroleum Development Levy Fund.

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- Reduced the electricity tariff by 15 percent to lower cost of power.
- Granting waiver of import duty on 540,000 metric tonnes of white non-genetically modified (non-GMO) imported into the country; and waived for a period of 3 months, the way Development Levy and the Import Declaration Fee on the importation of the gazetted white maize.
- Implemented Fertilizer Subsidy - to farmers during the April planting season (Ksh 3.0 billion) and a further Ksh 2.7 billion for the next planting season in October 2022;
- Reduced the VAT rate on LPG from 16% to 8% in the Finance Act, 2022;
- Increased the minimum wage for low earners by 12 percent with effect from 1st May 2022

# IV. RESOURCE ALLOCATION FRAMEWORK

## A. Implementation of FY 2022/23 Budget

**108.** Implementation of the FY 2022/23 Budget begun at a slow pace due to the General elections, however, local revenue collection indicates a good performance. This performance coupled with a strong outcome in revenue collection in the FY 2021/22 indicate that the projections for the FY 2022/23 are realistic and forms a strong base for supporting the expenditure estimates in the FY 2023/24 and the Medium-Term Budget. Building from this assurance, the local revenue projections for the FY 2022/23 has been projected at Ksh. 0.7 billion with exclusion of Ksh. 0.3 billion for the Health Services.

**109.** The Medium-Term Fiscal Framework (MTFF) for the FY 2022/23 accentuates on efficiency and effectiveness of public spending as well as improving revenue collection to stimulate and sustain economic activities, boost the economy and re-position the economy on a steady and sustainable growth path.

**110.** It is important to increase local revenue and more efforts will be geared towards growing the revenue base. In future, we expect better performance of revenue streams from both local sources and national exchequer transfers.

**111.** Expenditure burdens with respect to personal emoluments continue to increase and are way above the ceiling prescribed in the PFM (county government) regulations), 2015 thereby limiting the amount for development, operations and maintenance. In addition, implementation pace in the spending units and county departments continues to be of concern especially with regard to the development expenditures and absorption of funds. These risks will be monitored closely, and the County Treasury will take the appropriate measures through revised budgets.

**112.** The revised budget will also be necessitated by the need to realign the budget with the new Government structure and also appropriate, afresh, the funds that were carried forward from the FY 2021/22 most of which are conditional grants. This means that we will contain expenditures by adhering to the fiscal responsibilities defined in the Public Finance Management Act, 2012.

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**113.** Revision of the FY 2022/23 budget will also take into account the critical areas like salaries and wages, pending commitments and the county key strategic objectives geared towards fast-tracking economic growth for social economic transformation and prosperity. Over the medium term, the county will endeavor to reprioritize development expenditures in order to achieve her goals and aspirations. However, resources earmarked for development purposes will be utilized for development projects and will not be spent as recurrent.

**114.** Further, in adjusting the 2022/23 budget, streamlining of expenditure is paramount and will be guided by the approved revenue sources, projected local revenue collection, revised timeframes for implementation of programmes and emerging issues/concerns. However, county flagship programmes and projects, as outlined in the Annual Development Plan 2022/2023 and on-going projects would always be given first priority.

**115.** In the Finance Bill, 2022, the County Treasury proposes measures to help expand the revenue base and curb possible revenue leakages. This will be achieved through automation of all the revenue streams as well as enhancement of compliance and enforcement. The revenue management system and automation of the revenue streams will greatly enhance revenue collection thus more efforts need to be put towards improvement and excellence of this system.

**116.** According to the provisions of the PFM Act Section 107(2) (a), it is stated that, ―the county government's recurrent expenditure shall not exceed the county government's total revenue. In section 107(2) (b), it is added that, ―over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure. The county has and continues to struggle to adhere to this and more effort is needed to achieve the same. The County Treasury has issued a statement in regard to this matter which is critical.

## B. Medium-Term Expenditure Framework (MTEF)

**117.** The County Government will continue with its policy of expenditure prioritization with a view to supporting economic recovery and achieving its transformative development agenda. This agenda is anchored on provision of core services, creation of employment opportunities improving the general welfare of the people and ensuring equity while minimizing costs through the elimination of duplication and inefficiencies. Realization of these objectives will have implications on the budget ceilings. The following criteria will serve as a guide for allocating resources:

i. Projects and Programmes identified in the Annual Development Plan 2022/2023 and CIDP 2023-2027.
ii. Linkage of Programmes that support Economic Recovery;
iii. Linkage of activities that support completion of ongoing projects and programmes.
iv. Linkage of the programme with the priorities of CIDP 2023-2027;
v. Extent to which a programme addresses job creation and poverty reduction;
vi. Extent to which a programme addresses the core mandate of the County Departments and Units;
vii. Expected outputs and outcomes from a programme;

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viii. Cost effectiveness and sustainability of the programme; and
ix. Extent to which the Programme seeks to address viable ongoing projects and verified pending commitments;

**118.** The Medium-Term Budget Framework for the period 2022/2023-2024/2025 will mainly focus on regulating non-priority expenditure and redirecting the resources to priority areas as identified in the Annual Development Plan 2022/2023 and in the CFSP 2022. These priority areas were identified during public participation and stakeholder engagement which ensures improved ownership of development projects and programmes by the community.

**119.** In the FY 2022/23, the approved budget amounts to Kshs. 7,588,808,553 as compared to Kshs 8,733,268,481 in FY 2021/22. However, this scenario will change once the adjustments are made in the supplementary budget.

## C. MTEF Budget Ceilings

**120.** Reflecting the above medium-term expenditure framework, the table 6 below provides the ceilings for the FY 2021/2022 as approved during supplementary Budget No.2, and baseline ceilings for FY 2022/2023 as per the County Fiscal Strategy Paper (CFSP) 2022.

**Table 6: MTEF Ceilings by Department**

| No | Department/Spending Unit | FY 2021/2022 | | | FY 2022/2023 | | |
|---|---|---|---|---|---|---|---|
| | | Recurrent | Development | Total | Recurrent | Development | Total |
| 1. | Executive Office of the Governor and Deputy Governor | 157,083,962 | 0 | 157,083,962 | 112,083,962 | 20,000,000 | 132,083,962 |
| 2. | Office of the County Secretary | 323,191,828 | 24,500,000 | 347,691,828 | 263,694,168 | 33,750,000 | 297,444,168 |
| 3. | Finance & Economic Planning | 1,006,751,850 | 268,252,577 | 1,275,004,427 | 837,123,402 | 44,274,445 | 881,397,847 |
| 4. | Lands, Housing, Physical Planning and Urbanization | 60,179,640 | 347,077,991 | 407,257,631 | 49,379,640 | 212,139,147 | 261,518,787 |
| 5. | Health Services | 2,615,080,164 | 339,186,218 | 2,954,266,382 | 2,250,635,902 | 322,887,950 | 2,573,523,852 |
| 6. | Gender, Youth and Social Services | 67,164,024 | 67,850,000 | 135,014,024 | 58,164,024 | 54,500,000 | 112,664,024 |
| 7. | County Public Service & Solid Waste Management | 113,185,107 | 69,000,000 | 182,185,107 | 109,385,107 | 57,750,000 | 167,135,107 |
| 8. | Agriculture, Livestock and Fisheries | 244,766,843 | 493,466,340 | 738,233,183 | 244,442,843 | 426,382,343 | 670,825,186 |
| 9. | Trade, Culture, Tourism and Cooperative Development | 58,245,025 | 76,976,955 | 135,221,980 | 50,245,025 | 81,000,000 | 131,245,025 |
| 10. | Education & Sports | 441,445,927 | 89,450,000 | 530,895,927 | 263,394,783 | 58,500,000 | 321,894,783 |
| 11. | Water, Irrigation, Environment & Climate Change | 75,931,854 | 140,319,171 | 216,251,025 | 75,724,101 | 276,569,171 | 352,293,272 |
| 12. | County Public Service Board | 43,548,187 | 5,000,000 | 48,548,187 | 38,048,187 | 8,000,000 | 46,048,187 |
| 13. | County Assembly | 734,500,292 | 12,000,000 | 746,500,292 | 762,693,761 | 50,000,000 | 812,693,761 |
| 14. | Transport, Public Works, Infrastructure and Energy | 115,155,887 | 702,725,159 | 817,881,046 | 99,352,198 | 687,953,923 | 787,306,121 |
| 15. | Office of the County Attorney | 41,233,480 | 0 | 41,233,480 | 40,734,471 | 0 | 40,734,471 |
| | **TOTAL** | **6,097,464,070** | **2,635,804,411** | **8,733,268,481** | **5,255,101,574** | **2,333,706,979** | **7,588,808,553** |
| | | **69.82%** | **30.18%** | **100%** | **69.25** | **30.75** | **100%** |

***Source: County Treasury, 2022***

## D. 2022/23 Budget Framework

**121.** The FY 2022/23 budget framework builds up on the Government's efforts to stimulate and sustain economic activities as well as re-position the economy on a steady and sustainable

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growth path. This is in addition to expenditure rationalization and enhancement of revenue collection strategies that the Government has proposed in Finance Bill, 2022. This will be achieved through implementation of programmes in the ADP 2022-2023 and CIDP 2023-2027.

**122.** Additionally, the Government will continue to build on its fiscal consolidation plan to contain the growth of pending commitments and bills, expenditure as well as increase the revenue raised. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth. Expenditure measures will include cost budgeting and curtailing initiation of new projects, a review of projects to restructure and re-align with the Government overall development agenda to avoid spending on non-priority areas.

***Revenue projections***

**123.** The 2022/2023 approved budget of Kshs 7,588,808,553 will be financed through the equitable share from the national resources of Kshs. 6,228,728,555, Conditional grants of Kshs. 660,079,998 and internally generated revenue estimated at Ksh. 700,000,000. The local revenue target excludes Ksh. 300,000,000 targeted for the health services through the Health services fund.

**124.** The main sources of internally generated revenue will be parking fees, single business permits and land rates. It is important to note that county budget will be revised to allow for inclusion of balances brought forward from FY 2021/2022, which is mainly conditional grants, through a supplementary budget.

***Expenditure Forecasts***

**125.** In FY 2022/2023 approved budget, recurrent expenditures are at 69.25 percent of county's annual budget i.e. Kshs 5,255,101,574 as compared to Kshs. 6,097,464,070 i.e. 69.82 percent for the FY 2021/22 budget. Development expenditure are at 30.75 percent of county's annual budget i.e. Kshs 2,333,706,979 as compared to Kshs. 2,635,804,411 i.e. 30.18 percent for the FY 2021/22 budget due to constraint in the available resources.

**126.** To enhance local revenue, the Government will adopt the following strategies;

i. Entrench predictability on fees and charges by providing greater certainty of policy direction for investors;
ii. Increasing efficiency, effectiveness and accountability of public spending;
iii. Containing the growth of recurrent expenditure in favour of capital investment;
iv. Enhance self-reliance in financing economic development thus less dependence on the exchequer and development partners;
v. Align the tax policy objectives with other government objectives such as ease of doing business, trade policies among others;
vi. Encourage voluntary tax compliance; and
vii. Identify tax reforms to be undertaken such as widening the tax base and tax administration reforms.

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**127.** The allocations in the FY 2022/2023 budget will form the basis of expenditure ceilings on goods and services for departments/entities not disregarding the absorption capacity in FY 2022/2023. The PFM Act, 2012 requires that a minimum of thirty percent of the budget be allocated to development expenditure over the medium term, therefore, measures need to be put in place to ensure more resources are devoted to development and support critical infrastructure as we move forward.

## V. CONCLUSION

**128.** The strong local revenue performance in the FY 2021/22 offers a strong base for supporting the expenditure estimates in the FY 2022/23 and the Medium-Term Budget. The approved FY 2022/23 budget maintains careful expenditure control while protecting social spending. To strengthen the economic recovery, the budget for FY 2023/24 and the medium term will focus on revenue mobilization and reduction on non-core expenditures in order to ensure sustainable development. To address the declining revenue trends and ensure a fair taxation system, the Government is developing a medium-term revenue strategy which will provide a comprehensive framework for guiding tax reforms for boosting revenues and improving the tax system over the medium-term.

**129.** To restrict growth in expenditures, the County treasury will scrutinize all proposed Departments and Units budgets for FY 2023/24 and the medium term to ensure that they are not only directed towards improving productivity but are also aligned to the achievement of the objectives. In this regard, the Sector Working Groups will be expected to unbundle the medium-term development strategies and develop policies, programmes and projects for implementation over the medium-term period. The 2022 CBROP will form inputs into the CFSP 2023 that will summarize the various projects and initiatives that will be undertaken during the implementation of CIDP 2023-2027 and therefore set a pace for the next long term development goals.

**130.** The resource envelope and ceilings which will be provided in the County Fiscal Strategy Paper, 2023 (CFSP) for each department/ entity will be the only available resources for which to budget.

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