

COUNTY GOVERNMENT OF KIRINYAGA



DEPARTMENT OF FINANCE & ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2023

SEPTEMBER 2023

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2023

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Table of Contents

TABLE OF CONTENTS	III
LIST OF TABLES	VII
LIST OF FIGURES	VII
ABBREVIATIONS/ACRONYMS	VIII
1 INTRODUCTION	9
1.1 BACKGROUND.....	9
1.2 LEGAL FRAMEWORK FOR THE PUBLICATION OF THE CBROP.....	9
1.3 FISCAL RESPONSIBILITY PRINCIPLES IN THE PFM LAW.....	10
1.4 OBJECTIVES OF THE CBROP.....	11
2 REVIEW OF FISCAL PERFORMANCE FOR 2022/23 FINANCIAL YEAR	12
2.1 REVENUE PERFORMANCE ANALYSIS.....	12
2.2 EXPENDITURE ANALYSIS.....	17
2.3 RECURRENT EXPENDITURE.....	19
2.4 DEVELOPMENT EXPENDITURE.....	21
3 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK	25
3.1 RECENT ECONOMIC DEVELOPMENT.....	25
3.2 COUNTY ECONOMIC DEVELOPMENT AND OUTLOOK.....	26
3.3 MEDIUM TERM ECONOMIC OUTLOOK.....	26
4 RESOURCE ALLOCATION FRAMEWORK	29
4.1 OVERVIEW.....	29
4.2 IMPLEMENTATION OF 2023/24FY BUDGET.....	29
4.3 FISCAL POLICY FOR 2024/25 FY AND MEDIUM TERM BUDGET.....	30
4.4 FISCAL PROJECTIONS.....	31
4.4.1 <i>Revenue Projections</i>	31
4.4.2 <i>Expenditure</i>	31
5 CONCLUSION AND WAY FORWARD	34
6 ANNEX	36
6.1 ANNEX 1: DEPARTMENT CEILINGS.....	36
6.2 ANNEX 2: BUDGET CALENDAR FOR 2024/25.....	38

FOREWORD

This County Budget Review Outlook Paper (CBROP) is prepared in line with section 118 of the Public Finance Management Act, 2012. This document provides the fiscal outturn of 2022/23 FY, economic projections and set sector ceilings for 2024/25FY.

In reviewing the fiscal performance, this document provides performance of county own revenue in the FY 2022/23. It has included the total revenue collected and made comparison to projected revenue for the same year.

On revenue performance, actual Own Source Revenue (OSR) recorded a 61% growth from FY 2021/22 to 586.6 Million which exceeded target of 550 Million. This was attributed to robust revenue mobilization and use of automation in revenue management.

The County Government's total approved budget 2022-23 FY amounted to Kshs. 7,032,508,973 Recurrent allocations of Kshs. 4,847,449,050 and Development allocation of Kshs 2,185,059,923.

During the period July 2022 to June 2023, recurrent expenditure amounted to Kshs 4,785,258,241 which represented an absorption rate of 99% of recurrent budget. Development expenditure for the period under review amounted to Kshs 1,609,925,296 which was 74% of development Budget.

Going forward, implementation of FY 2024/25 and Medium Term will be anchored on tight expenditure controls and enhanced revenue collection measures. This will be achieved through fiscal discipline to ensure proper management of public resources and delivery of expected output. Emphasis will be given to key strategic interventions aimed and sparking and sustaining economic growth in the county. Expenditure focus will also ensure that resources be allocated towards improving household income, access to high quality health care, improved accessibility through improved roads infrastructure, improved access to high quality early childhood education as well as quality vocational training, improved access to clean and safe water.

JACQUELINE NJOGU
CECM FOR FINANCE & ECONOMIC PLANNING

ACKNOWLEDGMENTS

This County Budget Review and Outlook Paper is a product of unwavering commitment and efforts. First and foremost, I would like to acknowledge H.E the Governor and Deputy Governor and the entire County Executive Committee for continued leadership, guidance and resources support in preparation of this document. Special acknowledgment goes to CEC Member Finance and Economic Planning, for her guidance, direction and support.

Sincere gratitude goes to all the Chief Officers and Directors of County Departments for their input in providing necessary information and submissions, and their participation which forms the core of this paper.

I would also wish to convey my gratitude to the Economic Planning and Budget staff led by Director Budget, Director Economic Planning and Economists in the department. The team worked tirelessly in ensuring accurate and timely completion of this paper.

Finally, other officers not mentioned here and have contributed towards preparation of this paper remains highly appreciated.

JOSEPH CARILUS OTIENO

**CHIEF OFFICER- ECONOMIC PLANNING, BUDGETING AND
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LIST OF TABLES

Table 2.1: Budgeted Revenue FY 2022/23 12

Table 2.2: Own Source Revenue Performance 2022/23FY 14

Table 2.3 Equitable Share Disbursements 15

Table 2.4 County Additional Allocations 2022/23 16

Table 2.5: Approved Budget Estimates 2022/23FY 18

Table 2.6: Recurrent Expenditure 2022/23FY 20

Table 2.7 Development Expenditure 22

Table 4.1 Medium Term Fiscal Projections 32

Table 6.1 Indicative Department Ceilings 36

Table 6.2 Budget Calendar 38

LIST OF FIGURES

Figure 2.1: Absorption Rates Recurrent 2022/23FY 21

Figure 2.2 Development Absorption Rates 2022/23FY 23

Abbreviations/Acronyms

ASDSP	Agriculture Sector Development Support Programme
CA	County Assembly
CARA	County Allocation of Revenue Act
CBROP	County Budget Review and Outlook Paper
CCIS	County Climate Institutional Support
CE	County Executive
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
FLLoCA	Financing Locally-Led Climate Action Program
ICT	Information Communication Technology
KUSP	Kenya Urban Support Project
MTEF	Medium Term Expenditure Framework
NARIGP	National Agricultural Value Chain Development Project
NAVCDP	National Agricultural Value Chain Development Project
OCoB	Office of Controller of Budget
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PPPs	Public Private Partnerships
SBP	Single Business Permit
THSUCP	Transforming Healthcare Systems for Universal Care Project
UDG	Urban Development Grant
UIG	Urban Investment Grant

1 INTRODUCTION

1.1 Background

Preparation of this CBROP is an indication of Kirinyaga County continued adherence to Section 118 of the Public Finance and Management Act (PFMA), 2012 and the regulations. The CBROP contains a review of budget implementation performance during the financial year 2022/23, updated macroeconomic forecast, and the experiences in the implementation of the budget.

1.2 Legal Framework for the publication of the CBROP

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

- 1) A County Treasury shall —
 - a) Prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
 - b) Submit the paper to the County Executive Committee by the 30th September of that year.
- 2) In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify—
 - a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - b) The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;
 - c) Information on—
 - (i) Any changes in the forecasts compared with the County Fiscal Strategy Paper; 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 County Fiscal Strategy Paper for that financial year; and

- d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
 - a) Arrange for the Paper to be laid before the County Assembly; and
 - b) As soon as practicable after having done so, publish and publicize the Paper.

1.3 Fiscal Responsibility Principles in the PFM Law

In line with the constitution, the Public Finance Management Act (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 107) states that:

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
 - a) The county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive

- member for finance in regulations and approved by the County Assembly;
- d) Over the medium term, the government’s borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - e) The county debt shall be maintained at a sustainable level as approved by 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.

1.4 Objectives of the CBROP

The objective of this County Budget Review and Outlook Paper is to provide—

- (i) A review of the County Fiscal performance in the financial year 2022/23 compared to the appropriation of that year and how this had an effect on the economic performance of the County.
- (ii) An updated economic and financial forecast with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy paper.
- (iii) Information on any changes in the forecasts compared with the County Fiscal Strategy Paper.
- (iv) Reasons for any deviation from the financial objectives in the CFSP together with the proposals to address the deviation and the time estimated for doing so.

Therefore, this CBROP will aim at informing the basis for preparation of the 2024/25 FY budget.

2 REVIEW OF FISCAL PERFORMANCE FOR 2022/23 FINANCIAL YEAR

2.1 Revenue Performance Analysis

The approved resource envelope for Approved 2022/23 FY Kirinyaga County Budget amounts to Kshs. 7,032,508,973.00 which was financed as per the below resource envelope.

Table 2.1: Budgeted Revenue FY 2022/23

Revenue Type	Approved Estimates 2022/23
Equitable Share	5,196,177,952
Transforming Healthcare Systems for Universal Care Project (THSUCP) Roll-Over from FY 2021/2022	22,272,716
Allocation Financed by Grant from DANIDA to finance Universal Healthcare in Devolved System	13,642,875
Local Revenues	550,000,000
IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP) Level 1 Grant (Roll-Over FY 2018/2019)	41,078,830
IDA-(World Bank Credit)(Kenya Urban Support Project (KUSP) UDG	2,339,915
World Bank (Finance Locally-Led Climate Program (FLLoCA) for County Climate Resilience Investment (CCRI) Grant	22,000,000
IDA- World Bank Credit (Kenya Urban Support Project (KUSP)-UIG 2021/22	51,104,534
IDA- (World Bank) Credit National Agricultural and Rural Inclusive Growth Project (NARIGP) FY2022/23	178,744,304
IDA- (World Bank) Credit National Agricultural Value Chain Development Project (NAVCDP) FY2022/23	70,000,000
Sweden- Agriculture Sector Development Support Programme (ASDSP II)	8,108,733
Rolled over Funds	877,039,114
TOTAL	7,032,508,973

Source: Kirinyaga County Treasury

Own Source Revenue Performance

The County had a projected revenue target of Kshs. 550 Million in the FY 2022/23 Budget. During the financial year, Actual Own Source Revenue (OSR) collected amounted to 586,660,639. This indicates a performance of 107% on annual own source revenue targets. The performance was informed by a recorded increase in revenue collection in respect of most revenue streams.

Table 2.2: Own Source Revenue Performance 2022/23FY

REVENUE SOURCE	ANNUAL TARGET	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
Single Business Permit	76,356,354	4,213,164	5,136,322	78,621,784	20,302,636	108,273,906
Market Gate Fee	40,524,261	7,382,370	9,350,928	10,969,171	10,646,378	38,348,847
Produce Cess	12,256,000	1,220,390	1,257,930	1,745,430	1,570,130	5,793,880
Weights & Measures	2,125,032	220,600	148,920	456,330	1,071,280	1,897,130
Bus Park	20,253,352	4,249,640	4,110,310	4,365,130	4,459,620	17,184,700
Street Parking	12,683,830	872,230	849,920	2,602,070	2,003,570	6,327,790
Land Administration	21,500,874	789,700	831,200	4,234,700	2,010,200	7,865,800
Property Rates	32,981,914	1,336,741	2,298,265	34,511,687	7,216,918	45,363,611
Building Plan Approvals	20,000,000	3,022,973	2,463,143	2,518,707	2,898,137	10,902,960
Advertisement	10,652,957	897,000	559,000	7,703,500	4,165,900	13,325,400
Sublet Fees	2,594,354	-	216,000	3,355,000	1,541,000	5,112,000
House rents/stalls	8,500,000	989,100	1,635,200	2,233,860	1,829,200	6,687,360
Conservancy Fee	10,182,181	583,220	567,860	9,203,250	2,641,980	12,996,310
Quarries Cess	5,000,000	555,700	487,100	659,300	1,034,000	2,736,100
Group Registration	1,288,466	181,100	223,300	242,400	245,400	892,200
Liquor License	40,056,617	94,000	1,485,880	48,603,400	7,529,400	57,712,680
Veterinary Services	5,169,506	1,235,365	1,315,120	2,007,450	1,778,812	6,336,747
Kamweti ATC	3,502,600	1,595,030	561,275	659,462	1,986,710	4,802,478
Public Health Services	26,673,703	1,831,300	1,764,470	31,681,050	7,921,400	43,198,220
cooperative audit	300,000	-	-	374,220	141,750	515,970
Commission by payroll	3,000,000	-	-	2,211,802	835,155	3,046,957
Kerugoya Referral Hospital	130,024,241	22,051,548	36,629,141	38,360,493	48,357,401	145,398,583
Kimbimbi Hospital	35,000,000	3,456,397	5,202,714	7,935,696	8,124,487	24,719,294
Kianyaga Hospital	15,811,275	1,486,034	1,481,118	2,316,456	3,811,532	9,095,140
Sagana Hospital	13,562,485	1,379,539	1,851,538	2,228,465	2,667,034	8,126,576
TOTAL FY 2022/2023)	550,000,000	59,643,141	80,426,654	299,800,813	146,790,030	586,660,639

Source: County Treasury

Equitable Share Performance

Approved Equitable Share for 2022/23 FY amounted to 5,196,177,952. By 30th June 2023, 100% of equitable share was disbursed. In addition, the National Treasury disbursed arrears relating to FY 2021/2022 of Kshs. 415 million.

Table 2.3 Equitable Share Disbursements

Date	Amount
20-Sep-22	441,675,126.00
28-Sep-22	415,694,236.00
16-Nov-22	441,675,126.00
16-Dec-22	415,694,236.00
26-Jan-23	441,675,126.00
23-Mar-23	415,694,236.00
20-Apr-23	441,675,126.00
26-Apr-23	441,675,126.00
25-May-23	415,694,236.00
09-Jun-23	467,656,016.00
20-Jun-23	441,675,126.00
26-Jun-23	415,694,236.00
Total	5,196,177,952.00

Source: County Treasury

Performance of Conditional Grants

County Additional Allocations as appropriated in The County Governments Additional Allocations (No. 2) Act, 2022 for Kirinyaga County amounted to Kshs. 405,474,125.00. These comprised of Conditional Allocation to County Governments from National Government Revenue and Additional Allocation from proceeds of loans or grants from development partners. Conditional allocation from National Government Revenue included Leasing of Medical Equipment grant which was managed at the ministry level.

Additional Allocation from proceeds of loans or grants from development partners included; National Agricultural and Rural Inclusive Growth Project (NARIGP), National Agricultural Value Chain Development Project (NAVCDP), DANIDA Grant, Finance Locally-Led Climate Program (FLLoCA) for County Climate Institutional Support (CCIS), Agriculture Sector Development Support Programme.

Total amount received as at 30th June 2023 amounted to 292,028,555.95. This represents 99% of expected receipts through the County Revenue Fund.

Table 2.4 County Additional Allocations 2022/23

Additional Allocation	Amount Appropriated County Governments Additional Allocations Act 2022	Actual Receipts
<i>Conditional Allocation to County Governments from National Government Revenue</i>	110,638,298	
Conditional Grant- Leasing of Medical Equipment	110,638,298	Managed by National Treasury on behalf of County Governments.
<i>Additional Allocation from proceeds of loans or grants from development partners</i>	294,835,827	292,028,556

IDA- (World Bank) Credit National Agricultural and Rural Inclusive Growth Project (NARIGP)	178,744,304	178,744,304
IDA- (World Bank) Credit National Agricultural Value Chain Development Project (NAVCDP)	70,000,000	67,192,729
DANIDA Grant- Primary healthcare in devolved context	13,642,875	13,642,875
World Bank (Finance Locally-Led Climate Program (FLLoCA) for County Climate Institutional Support (CCIS)	22,000,000	22,000,000
Sweden- Agriculture Sector Development Support Programme (ASDSP II)	8,108,733	8,108,733
IDA-(World Bank Credit)(Kenya Urban Support Project (KUSP)	2,339,915.00	2,339,914.85
TOTAL	405,474,125	292,028,556

Source: County Treasury

2.2 Expenditure Analysis

The County Government total approved 2022/23 FY budget amounts to Kshs. 7,032,508,973. This includes development allocation of Kshs. 2,185,059,923 and recurrent allocation of Kshs 4,847,449,050.

2022/23 FY Approved Budget Estimates

Table 2.5: Approved Budget Estimates 2022/23FY

VOTE	ENTITY	Approved Budget 2022/22FY Recurrent	Approved Budget 2022/23FY Development	TOTAL
3961	County Assembly	681,635,622	60,417,240	742,052,862
3962	County Executive	525,484,508	193,228,291	718,712,799
3963	Finance and Economic Planning	606,852,670	19,210,510	626,063,180
3964	Agriculture, Livestock and Fisheries	231,686,389	315,162,993	546,849,382
3965	Environment, Water, Irrigation, Natural Resources, Energy and Climate Change	130,489,239	148,229,999	278,719,238
3966	Education	308,233,405	4,300,000	312,533,405
3967	County Health Services	2,116,310,238	782,650,068	2,898,960,306
3968	Lands, Physical Planning and Urban Development	36,307,943	106,479,534	142,787,477
3969	Roads, Transport, Public Works, Housing and Infrastructure Development	74,733,368	466,281,288	541,014,656
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	47,839,441	38,500,000	86,339,441
3971	Gender and Youth	51,668,210	42,133,334	93,801,544
3972	Sports, Culture, Children and Social Services	36,208,017	8,466,666	44,674,683
	TOTAL	4,847,449,050	2,185,059,923	7,032,508,973

Source: County Treasury

2.3 Recurrent Expenditure

Recurrent expenditure for 2022/23 FY amounted to Kshs 4,785,258,241 which represents 99% of the total recurrent budget estimates. The major contributor to the expenditure was the County Health services sector. Total recurrent expenditure for this sector amounted to Kshs. 2,114,819,096.42. This indicated a 44.2% of the total recurrent expenditure in the county. This also represented a 99.9% expenditure against total approved recurrent expenditure for this sector.

Recurrent Expenditure per Department FY 2022/23

Table 2.6: Recurrent Expenditure 2022/23FY

VOTE	ENTITY	Approved Estimates 2022/23 FY	Expenditure 2022/23 FY	Absorption
3961	County Assembly	681,635,622	630,826,612	92.5%
3962	County Executive	525,484,508	525,483,603	100.0%
3963	Finance and Economic Planning	606,852,670	606,851,244	100.0%
3964	Agriculture, Livestock and Fisheries	231,686,389	231,680,817	100.0%
3965	Environment, Water, Irrigation, Natural Resources, Energy and Climate Change	130,489,239	120,609,698	92.4%
3966	Education	308,233,405	308,232,279	100.0%
3967	County Health Services	2,116,310,238	2,114,819,096	99.9%
3968	Lands, Physical Planning and Urban Development	36,307,943	36,307,722	100.0%
3969	Roads, Transport, Public Works, Housing and Infrastructure Development	74,733,368	74,733,254	100.0%
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	47,839,441	47,838,835	100.0%
3971	Gender and Youth	51,668,210	51,667,710	100.0%
3972	Sports, Culture, Children and Social Services	36,208,017	36,207,365	100.0%
	TOTAL	4,847,449,050	4,785,258,241	99%

Source: County Treasury

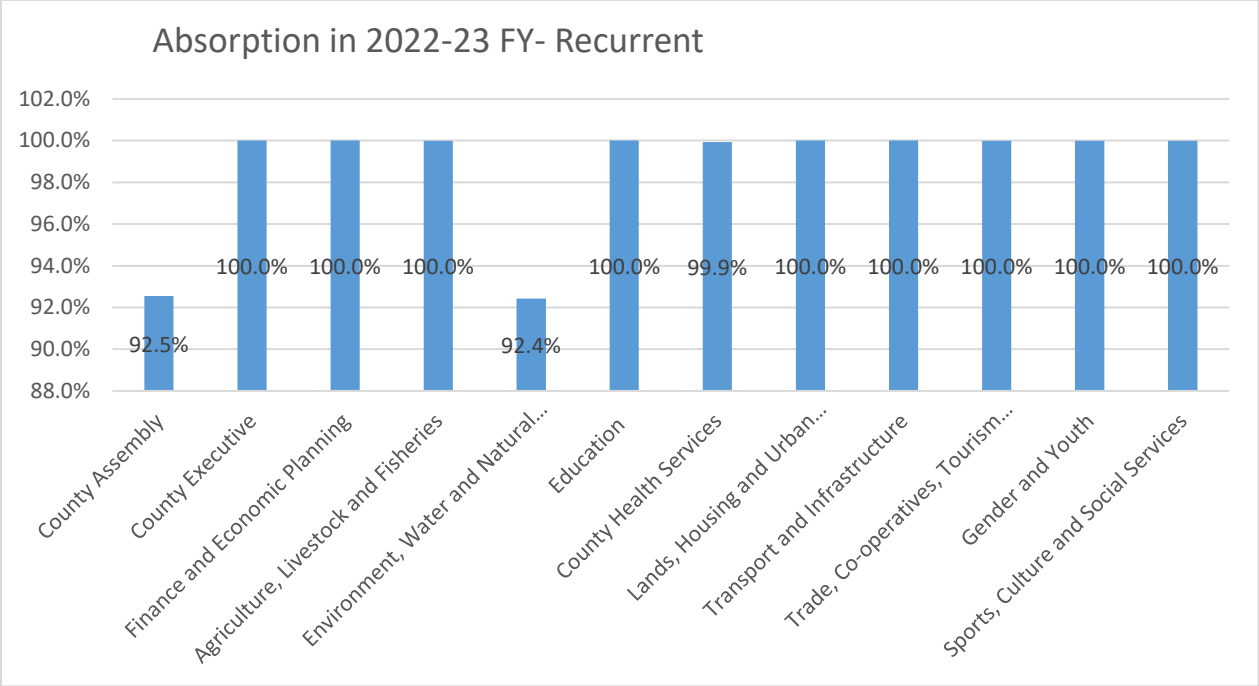


Figure 2.1: Absorption Rates Recurrent 2022/23FY

2.4 Development Expenditure

Development expenditure for the period under review amounted to Kshs. **1,623,487,753**. This was an increase in expenditure compared to a similar period in 2020/21FY which recorded development expenditure amounting to Kshs **1,444,983,610**.

Development Expenditure by Department

Table 2.7 Development Expenditure

VOTE	ENTITY	Approved Budget 2022/23FY Development	Annual Expenditure 2022/23 FY	Absorption Rate
3961	County Assembly	60,417,240	38,351,286	63.5%
3962	County Executive	193,228,291	177,483,014.55	91.9%
3963	Finance and Economic Planning	19,210,510	15,548,700.00	80.9%
3964	Agriculture, Livestock and Fisheries	315,162,993	312,324,627.90	99.1%
3965	Environment, Water, Irrigation, Natural Resources, Energy and Climate Change	148,229,999	53,651,654.12	36.2%
3966	Education	4,300,000	3,830,527.32	89.1%
3967	County Health Services	782,650,068	521,733,501.89	66.7%
3968	Lands, Physical Planning and Urban Development	106,479,534	33,183,365.00	31.2%
3969	Roads, Transport, Public Works, Housing and Infrastructure Development	466,281,288	380,026,601.51	81.5%
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	38,500,000	38,261,103.95	99.4%
3971	Gender and Youth	42,133,334	28,417,659.35	67.4%
3972	Sports, Culture, Children and Social Services	8,466,666	7,113,254.00	84.0%
	TOTAL	2,185,059,923	1,609,925,296	73.7%

Source: County Treasury

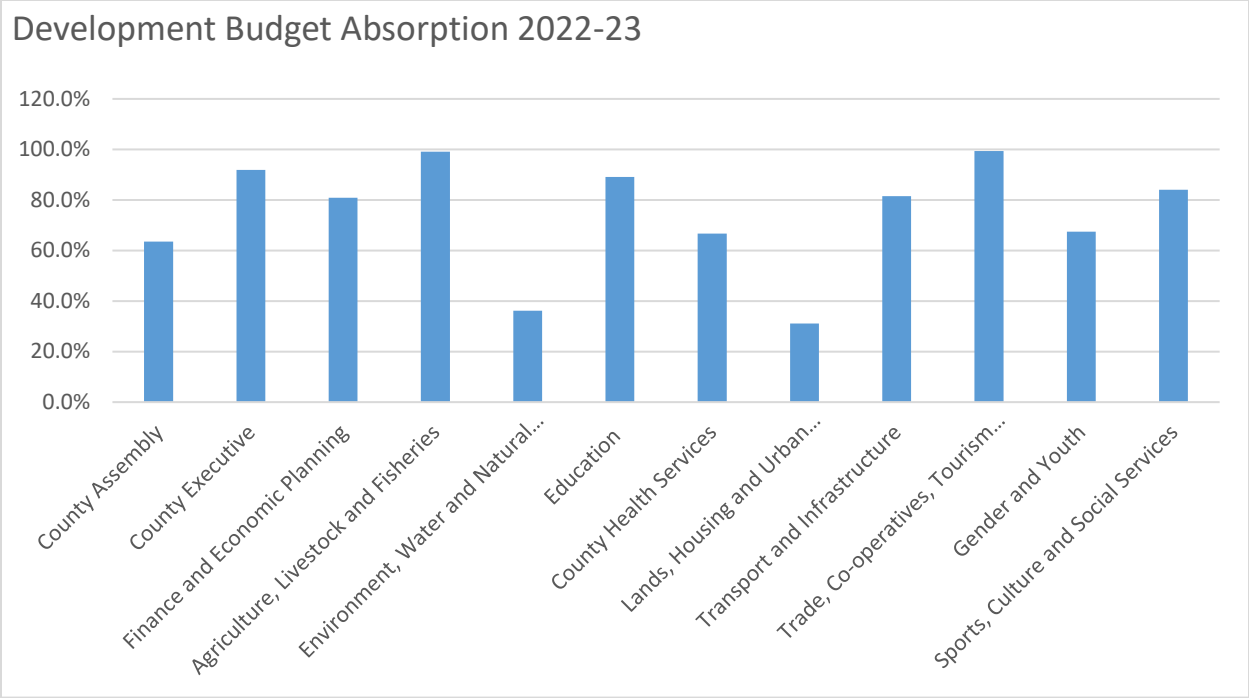


Figure 2.2 Development Absorption Rates 2022/23FY

2.5 Fiscal Responsibility Principles

In line with the Constitution, the PFM Act, 2012, the PFM Regulations, and in keeping in line with prudent and transparent management of public resources, the County Government has adhered to the fiscal responsibility principles as follows;

The County Government’s allocation to development expenditures over the medium term has been set above 30 percent as set in section 107(2)(b) of PFM Act.

Section 107 2(a) of PFMA requires that the county government's recurrent expenditure shall not exceed the county government's total revenue. In 2022/23 county expenditure amounted to 6.39 billion against available revenues of 6.95 billion.

Section 25 1 (a) of The Public Finance Management (County Government) Regulations, 2015 requires that expenditure on wages and benefits for public officers shall not exceed 35 percent of the total revenues. During the reporting period, expenditure on employee compensation was Kshs.2.9 billion, or 41.1 per cent of the revenue for FY 2022/23 of Kshs.7.06 billion. In order to comply with this provision, the Government will seek to increase its total revenues through mobilization, recruitment for critical services only.

Sections 107 2(d) and (e) states;

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

(e) the county debt shall be maintained at a sustainable level as approved by county assembly;

County Government has continued to maintain a balanced budget and has not used borrowing to finance the budget.

3 RECENT ECONOMIC DEVELOPMENT AND OUTLOOK

3.1 Recent Economic Development

The Kenyan economy in 2022 demonstrated resilience in the face of severe multiple shocks that included the adverse impact of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. As such, the economic growth slowed down to 4.8 percent in 2022 from 7.6 percent in 2021.

Agricultural Sector

The country subsequently, experienced a severe climate related shock in the form of a severe drought that was also experienced in the Horn of Africa and the East African regions. The drought not only aggravated the inflationary pressures but also subjected millions of people to severe food insecurity, loss of lives, livelihoods and led to loss of livestock. This resulted in the contraction of the agriculture sector by 0.4 percent 2021 and 1.6 percent in 2022.

Service and Industry Sectors

Performance of the industry sector slowed down to 3.5 percent in 2022 compared to a growth of 6.8 percent in 2021 on account of a slowdown in activities in the manufacturing, electricity and water supply and construction sub-sectors. In the year, services sector remained strong growing at 6.7 percent, with improved performance in information and communication, financial and insurance and professional, administrative and support services sub-sectors. There were also substantial growths in accommodation and food services, and transport and storage sub-sectors.

The activities in the services sector remained strong in the first quarter of 2023 growing by 6.0 percent largely characterized by significant growths in accommodation and food Service; information and communication technology; transportation and storage; financial and insurance; and wholesale and retail trade sub-sectors.

Inflation

Inflation remained above the Government target range of 5 ± 2.5 percent from June 2022 to June 2023. In order to anchor inflation expectations and bring down inflation within the target range, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023. The MPC retained the 10.50 percent in August 2023. Consequently, inflation declined significantly to 6.7 percent in August 2023, from a peak of 9.6 percent in October 2022. The decline largely reflects the easing of food prices and impact of monetary policy tightening.

Food inflation- remained the dominant driver of overall inflation in August 2023. However, it declined to 7.5 percent in August 2023 from a peak of 15.0 percent in August 2022 reflecting easing of food prices arising from increased supply due to ongoing harvests, seasonally factors, international developments and Government measures on zero rated imports. Nonetheless, sugar prices remained elevated driven by domestic and global factors.

Fuel inflation- remained elevated driven by high energy prices. It increased to 14.2 percent in August 2023 from 8.6 percent in August 2022. The increase reflects gradual withdraw of the fuel subsidize from September 2022 and the upward adjustment of electricity tariff from April 2023. In addition, the upward adjustment of VAT on petroleum product in July 2023 from 8.0 percent to 16.0 percent exacted upward pressures on prices. However, prices of cooking gas continued to decline and moderated inflation reflecting the impact of the zero-rating of VAT on liquefied petroleum gas (LPG).

3.2 County Economic Development and Outlook

3.3 Medium Term Economic Outlook

National Outlook

Kenya's economic performance is projected to remain strong and resilient over the medium term (Table 18 in calendar years and Annex Table 1 in fiscal years). The economy recorded a strong growth of 5.3 percent in the first quarter reflecting a strong recovery in agriculture sector and buoyant services sector including

financial and insurance, information and communication, wholesale and retail trade and transport and storage. The economy is expected to remain strong and expand by 5.5 percent in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2024/25).

County Outlook

The County's economic growth shares similarities with the National economic outlook. Recovery in national and global economies will ensure favorable local and international markets for locally produced goods especially the coffee, tea, rice and horticultural sectors holds key to the county's economic growth prospects.

The County economy is expected to be supported by the strong recovery in agriculture sector that drive the industrial sector. The adequate rainfall during the long rain season in the county and the anticipated short rains later in 2023 will continue to support activities in the agriculture.

Local manufacturing is set to be supported through actualization of Sagana Climate Smart Agro-Industrial City which will host an array of development, including an Export Processing Zone (EPZ), the County Aggregation Industrial Parks (CAIPS). This investment will increase agricultural output through value addition, open up job opportunities for youth and women.

The local economy, through agriculture, will further be strengthened from investments by the County Government under Wezesha Program in agriculture value chain development in the Prioritized Value Chains namely; dairy, poultry, avocado and Tomato, rice.

Further, agricultural productivity looks set to benefit from collaboration between County Government and National Government program to access affordable fertilizer and other inputs.

These efforts will also be supported by continued implementation of the National Governments Bottom-Up Economic Transformation Agenda (BETA) core pillars; Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

Risk to the Economic Outlook

Risks facing the country's economy will also affect the county's economic performance. These factors include;

Risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result to domestic inflationary pressures and food insecurity.

Uncertainties in the global economic outlook stemming from the current geopolitical tension could result in higher commodity prices and slowdown the global economic recovery which could impact on the domestic economy.

High international commodity prices pose a risk to inflation outcomes which could lead to further tightening of financial conditions.

Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

Expenditure pressures especially high recurrent expenditures pose fiscal risks. The county is going to maintain a sustainable recurrent expenditure by strictly adherence to austerity measures and free more resources to development expenditure over the medium term.

4 RESOURCE ALLOCATION FRAMEWORK

4.1 Overview

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2023/24 FY and MTEF.

4.2 Implementation of 2023/24FY Budget

The budget has allocated resources to key areas to unlock economic growth. The county has invested in industrialization through agro-industrial Park, infrastructural development, supporting growth in agriculture sector through value chain development, huge investments towards improvement of health services infrastructure, education, environment and climate change.

Total Budget for 2023-24 FY amounts to Kshs. 7,240,547,406. This includes recurrent allocation of Kshs. 4,791,443,225 (66%) and development allocation of Kshs. 2,449,104,180 (34%). This is Financed by Equitable Share; Own Source Revenue, Additional Allocations.

The County Governments Additional Allocation of Revenue Bill 2023 is still under consideration by parliament. Once assented to, necessary amendments, if any, shall be done in consequent supplementary budget during implementation of 2023/24 budget.

It is projected that revenue from Equitable Share will remain as targeted and as contained in County Allocation of Revenue Act 2023.

4.3 Fiscal Policy for 2024/25 FY and Medium-Term Budget

Fiscal policy for 2024/25 and the medium term will be supporting priority programs as envisioned in Third Generation County Integrated Development Plan (2023-2027). Major flagship projects that will continue to be implemented under this plan include among others; Sagana Climate Smart Agro-Industrial City which will host an array of development, including an Export Processing Zone (EPZ), the County Aggregation Industrial Parks (CAIPS), affordable housing units, and a sports complex; provision of state-of-the-art health services through equipping and operationalization of 2 Level 4 hospitals of Kimbimbi and Kianyaga. This will further be supported by infrastructural developments that includes; rehabilitation of rice canals, sports infrastructure upgrades. Completion and operationalization of more dispensaries across the county, to support primary healthcare solutions at the ward level. The County Government will also continue investment in education. Infrastructural support to county vocational training centers and ECDE centres.

Priority will also be to ensure resources are allocated towards improving household income. This will be to continue implementing Wezesha Kirinyaga program to support value chain productivity and profitability.

Emphasis will also be placed on aggressive revenue mobilization through administrative and policy reforms. There will be continuous efforts in modernizing and simplify revenue collection systems to enhance compliance.

The County Government will continue to sustain efforts in improving efficiency in expenditure. Among the interventions will be eliminating non-priority expenditures, implementing end-to-end procurement system, improving M&E systems to track implementation and guarantee value for money.

4.4 Fiscal Projections

4.4.1 Revenue Projections

The realization of revenue targets for the medium term will depend on efforts towards increased own source revenue collection, timely disbursements of projected revenue from transfers from national government.

For this to be achieved, it is assumed that;

- i. There will be increased economic activities in the country and therefore contributing to the growth in GDP over the medium-term period;
- ii. There will be improved revenue collection due to diversification of revenue sources and enhancement of revenue collection;
- iii. There will be favorable weather conditions for agribusiness to thrive, which is the back bone of Kirinyaga county' economy

4.4.2 Expenditure

In 2024/25FY budget and the Medium Term, the County will continue to maintain a balanced budget. Expenditure will be guided by priorities in CIDP 2023-27, County Annual Development Plans. These includes priority programs with aim of increasing household income, programs contributing to achievement of Bottom-Up Economic Transformation Agenda.

Table 4.1 Medium Term Fiscal Projections

	2023-24 Approved Budget	Projections	
		2024-25 FY	2025-26 FY
Total Revenue	7,240,547,406	6,020,217,528	6,020,217,528
Equitable Share	5,420,217,528	5,420,217,528	5,420,217,528
Own Source Revenue	550,000,000	600,000,000	600,000,000
<i>Additional Allocation from proceeds of loans or grants from development partners</i>			
DANIDA to finance Universal Healthcare in Devolved System	7,738,500		
Finance Locally-Led Climate Program (FLLoCA)-CCISG	11,000,000		
Financing Locally- Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant (CCRIG)	131,648,938		
National Agricultural and Rural Inclusive Growth Project (NARIGP)	144,370,399		
National Agricultural Value Chain Development Project (NAVCDP)	317,307,692		
Agriculture Sector Development Support Programme (ASDSP II)	900,970		
Rolled Over Funds	657,363,378		
Total Expenditure	7,240,547,406	6,020,217,528	6,020,217,528
Recurrent	4,791,443,225	4,214,152,270	4,214,152,270
Recurrent as percentage of Total budget	66.2%	70%	70%
Development	2,449,104,180	1,806,065,258	1,806,065,258
Development as percentage of Total budget	33.8%	30%	30%

Source: County Treasury

Revenue projections exclude conditional grants which are appropriated annually by parliament through the County Government Additional Allocations Acts. Once appropriated, the estimates will be included in the budget estimates and presented for approval by county assembly.

5 CONCLUSION AND WAY FORWARD

The Country economy recorded a strong growth of 5.3 percent in the first quarter reflecting a strong recovery in agriculture sector and buoyant services sector including financial and insurance, information and communication, wholesale and retail trade and transport and storage. The economy is expected to remain strong and expand by 5.5 percent in 2023 (5.6 percent in FY 2023/24) and 5.7 percent in 2024 (5.9 percent in FY 2024/25).

In the county, economy is expected to be supported by the strong recovery in agriculture sector that drive the industrial sector. The adequate rainfall during the long rain season in the county and the anticipated short rains later in 2023 will continue to support activities in the agriculture.

Local manufacturing is set to be supported through actualization of Sagana Climate Smart Agro-Industrial City which will host an array of development, including an Export Processing Zone (EPZ), the County Aggregation Industrial Parks (CAIPS). This investment will increase agricultural output through value addition, open up job opportunities for youth and women.

Fiscal performance for 2022/23 was positive with Own Source Revenue collected surpassing the target by 7%. Implementation of FY 2023/24 has started in a positive way and we are looking forward to the smooth implementation of planned programmes during the remainder of the financial year. Emphasis will be put on aggressive revenue mobilization through administrative and policy reforms. There will be continuous efforts in modernizing and simplify revenue collection systems to enhance compliance.

The County Government will continue to sustain efforts in improving efficiency in expenditure through elimination of non-priority expenditures.

In the FY 2024/25 budget, all county entities are expected to lay emphasis on the priority programmes under CIDP 2023-27, County Annual Development Plans. These includes county transformative programs with aim of increasing household income as well as programs contributing to achievement of Bottom-Up Economic Transformation Agenda (BETA).

Given the limited resources, county entities are therefore directed to critically review, evaluate and prioritize all budget allocations to strictly achieve the County Government's priorities. The entities are also directed to adhere to strict budget calendar as communicated in the budget circular.

The departmental ceilings annexed herewith will guide the departments in preparation of the 2024-25 FY budget and will be confirmed by the next County Fiscal Strategy Paper which shall be the final basis for development of the MTEF period 2024/25-2026/27.

6 ANNEX

6.1 ANNEX 1: Department Ceilings

Table 6.1 Indicative Department Ceilings

VOTE	ENTITY	Approved Estimates 2023-24				Projected Estimates 2024-25		
		REC	% of Total REC	DEV	% of Total DEV	TOTAL Budget	REC	DEV
3961	County Assembly	673,319,674	14.1%	85,229,460	3.5%	758,549,134	14.1%	3.5%
3962	County Executive	496,023,805	10.4%	-	0.0%	496,023,805	10.4%	0.0%
3963	Finance and Economic Planning	573,091,610	12.0%	126,000,000	5.1%	699,091,610	12.0%	5.1%
3964	Agriculture, Livestock and Fisheries	217,978,626	4.5%	524,997,954	21.4%	742,976,580	4.5%	21.4%
3965	Environment, Water, Irrigation, Natural Resources, Energy and Climate Change	119,489,239	2.5%	293,492,271	12.0%	412,981,510	2.5%	12.0%
3966	Education	356,633,405	7.4%	50,900,000	2.1%	407,533,405	7.4%	2.1%
3967	County Health Services	2,116,489,802	44.2%	605,258,331	24.7%	2,721,748,133	44.2%	24.7%
3968	Lands, Physical Planning and Urban Development	33,968,028	0.7%	56,433,333	2.3%	90,401,361	0.7%	2.3%

3969	Roads, Transport, Public Works, Housing and Infrastructure Development	74,733,368	1.6%	348,422,832	14.2%	423,156,200	1.6%	14.2%
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	47,839,441	1.0%	285,700,000	11.7%	333,539,441	1.0%	11.7%
3971	Gender and Youth	43,668,210	0.9%	51,150,000	2.1%	94,818,210	0.9%	2.1%
3972	Sports, Culture, Children and Social Services	38,208,017	0.8%	21,520,000	0.9%	59,728,017	0.8%	0.9%
	TOTAL	4,791,443,225		2,449,104,181		7,240,547,406	100.0%	100.0%

Source: County Treasury

6.2 ANNEX 2: Budget Calendar for 2024/25

Table 6.2 Budget Calendar

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	Develop and issue MTEF guidelines	County Treasury	30-Aug-23
2	Submit Annual Development Plan	County Treasury	1-Sep-23
3	Launch of Sector Working Groups	County Treasury	15-Sep-23
4	Performance Review and Strategic Planning		
	4.1 Review and Update of strategic Plans	County Govt. Entities	15-Sep-23
	4.2 Review of Programme outputs and outcomes	County Govt. Entities	15-Sep-23
	4.3 Expenditure Review	County Govt. Entities	15-Sep-23
	4.4 Progress report on MTP Implementation	County Govt. Entities	15-Sep-23
	4.5 Preparation of annual Plans	County Govt. Entities	15-Sep-23
5	Determination of Fiscal framework		
	5.1 Estimation of resource Envelope	County Working Group	15-Sep-23
	5.2 Determination of policy priorities	County Working Group	15-Sep-23
	5.3 Preliminary resource allocation to Sectors & County Assembly	County Working Group	15-Sep-23
	5.4 Submission of Draft County Budget Review and Outlook Paper (CBROP)	County Working Group	15-Sep-23
	5.5 Approval of CBROP by Executive Committee	County Working Group	20-Sep-23
	5.6 Submit Approved CBROP to County Assembly	County Working Group	30-Sep-23
6	Preparation of MTEF Budget Proposals		
	6.1 Draft Sector report	Dept. Working group	3-Nov-23
	6.2 Convene Public Sector Hearing	County Treasury	17-Nov-23
	6.3 Review of the Proposals	County Treasury	24-Nov-23
	6.4 Submission of Departmental report to County treasury	County Govt. Entities	28-Nov- 23
7	Draft County Fiscal Strategy Paper (CFSP)		
	7.1 Draft CFSP	County Working Group	15-Feb-24
	7.2 Submission of CFSP to County Executive committee for approval	County Treasury	15-Feb-24
	7.3 Submission of CFSP to County Assembly for Approval	County Treasury	28-Feb-24

8	Preparation and Approval of Final County Programme Budget		
	8.1 Develop and issue final guidelines on preparation of 2024/25 MTEF budget	County Treasury	28-Feb-24
	8.2 Submission of Budget Proposals to County Treasury	County Govt. Entities	13-Mar-24
	8.3 Review of the Draft Budget Proposals	County Treasury	23-Mar-24
	8.4 Consideration and approval of the Draft Budget Estimates	CEC	30-Mar-24
	8.5 Consolidation of the Draft Budget Estimates	County Treasury	6-April-24
	8.6 Submission of the Draft Budget Estimates to County Assembly	County Treasury	30-Apr-24
	8.7 Review of Draft Budget Estimates by County Assembly	County Assembly	15-May-24
	8.8 Report on Draft Budget Estimates from County Assembly	County Assembly	29-May-24
	8.9 Consolidation of the Final Budget Estimates	County Treasury	15-Jun-24
	8.10 Submission of Appropriation Bill to County Assembly	County Treasury	15-Jun-24
	8.11 Submission of Vote on Account to County Assembly	County Treasury	30-Jun-24
9	Budget Statement	County Treasury	15-Jun-24
9	Consideration and Passage of Appropriation Bill	County Assembly	30-Jun-24