

COUNTY GOVERNMENT OF KIRINYAGA



DEPARTMENT OF FINANCE & ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP) 2024

SEPTEMBER 2024

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2024

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FOREWORD

This County Budget Review and Outlook Paper (CBROP) has been prepared in accordance with Section 118 of the Public Finance Management Act, 2012. It provides a comprehensive review of the county government's fiscal performance for the Financial Year 2023/24, economic projections, and sector ceilings for the Financial Year 2025/26.

During the FY 2023/24, Own Source Revenue (OSR) exceeded the projected target by Kshs. 101,352,542, resulting in a total collection of Kshs. 651,352,542. Key contributors to this achievement included Kerugoya Referral Hospital, which generated Kshs. 180,200,631, and Liquor License fees, contributing Kshs. 53,282,500. Other revenue streams, such as Public Health Services and Single Business Permits, also recorded commendable performance. Notably, the trend analysis shows a consistent upward trajectory in revenue collection since FY 2017/18, with the OSR for FY 2023/24 reflecting an 11% growth from the previous fiscal year.

The total approved budget for FY 2023/24 amounted to Kshs. 7,240,547,406, allocated between recurrent expenditure at Kshs. 4,791,443,225 and development expenditure at Kshs. 2,449,104,180.

Recurrent expenditure for the fiscal year amounted to Kshs. 4,694,543,888, representing 98% of the approved recurrent budget. Of this, County Health Services accounted for 45% of the total recurrent expenditure, underlining the county's commitment to healthcare service delivery.

Development expenditure for the same period stood at Kshs. 1,355,492,735, reflecting an absorption rate of 55.3%. This marks a 17% reduction from the previous fiscal year's development expenditure of Kshs. 1,623,493,781, primarily attributed to delays in the disbursement of equitable share funds during the year.

Disbursements from the equitable share were not made in line with the approved schedule. The fiscal year saw significant delays, with only 11 months of disbursements received within the financial period. These delays adversely

impacted the county's capacity to meet its financial obligations in a timely manner.

JACQUELINE NJOGU
CECM FOR FINANCE & ECONOMIC PLANNING

ACKNOWLEDGMENTS

This County Budget Review and Outlook Paper is the result of dedicated effort and commitment from various stakeholders. I would like to begin by expressing my deep appreciation to H.E the Governor, the Deputy Governor, and the entire County Executive Committee for their steadfast leadership, guidance, and resource support throughout the preparation of this document

Special recognition is extended to the County Executive Committee Member for Finance and Economic Planning for her invaluable direction, support, and oversight during the process.

I also wish to sincerely thank all the Chief Officers and Directors of County Departments for their vital contributions, in providing essential information and submissions, which form the foundation of this document.

My gratitude goes out to the Economic Planning and Budget staff, under the leadership of the Director of Budget, the Director of Economic Planning, and the economists in the department, who worked diligently to ensure the timely and accurate completion of this paper.

Lastly, I extend my appreciation to all other officers whose efforts, though not individually mentioned here, have been crucial in the preparation of this document. Your contributions are deeply valued.

JOSEPH CARILUS OTIENO

**CHIEF OFFICER- ECONOMIC PLANNING, BUDGETING AND
PROCUREMENT**

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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 2023/24, 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) The 2024 CBROP provides a review of the fiscal performance for the financial year 2023/24 including adherence to the objectives and principles outlined in the 2023 CFSP and the PFM Act, 2012. It also provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2024 CBROP will form the basis of the development of the 2024 CFSP that will detail programmes and projects for implementation over the medium term as outlined in the CIDP 2023-2027.
- (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 2025/26 FY budget.

2 REVIEW OF FISCAL PERFORMANCE FOR 2023/24 FINANCIAL YEAR

2.1 Revenue Performance Analysis

The approved resource envelope for Approved 2023/24 FY Kirinyaga County Budget amounts to Kshs. 7,240,547,406 which was financed as per the below resource envelope.

Table 2.1: Budgeted Revenue FY 2023/24

DESCRIPTION	APPROVED BUDGET FY 2023/2024
Equitable Share	5,420,217,528
Own Source Revenue	550,000,000
Allocation Financed by Grant from DANIDA to finance Universal Healthcare in Devolved System	7,738,500
World Bank (Finance Locally-Led Climate Program (FLLoCA) for County Climate Resilience Investment (CCRI) Grant	11,000,000
IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant (CCRIG)	131,648,938
IDA- (World Bank)Credit National Agricultural and Rural Inclusive Growth Project (NARIGP) FY2022/23	144,370,399
IDA- (World Bank)Credit National Agricultural Value Chain Development Project (NAVCDP) FY2022/23	317,307,692
Sweden- Agriculture Sector Development Support Programme (ASDSP II)	900,970
Rolled over Funds	657,363,378
TOTAL REVENUE	7,240,547,406

Source: Kirinyaga County Treasury

Own Source Revenue Performance

The total Own Source Revenue (OSR) mobilized for the fiscal year 2023/2024 amounts to Ksh 651,352,542, exceeding the annual target of Ksh 550,000,000 by Ksh 101,352,542. Several revenue sources significantly contributed to this overachievement. Notably, the Kerugoya Referral Hospital generated Ksh 180,200,631, far surpassing its target of Ksh 147,000,000. Similarly, the Liquor License revenue source brought in Ksh 53,282,500, exceeding its target of Ksh 30,000,000. Other notable contributors include Public Health Services, which raised Ksh 41,005,300 against a target of Ksh 30,700,000, and the Single Business Permit, which nearly met its target with Ksh 96,305,901 collected against Ksh 98,000,000. However, some sources fell short, such as Cooperative Audit and Coffee Licenses, which failed to meet their target of Ksh 600,000 and Ksh 1,500,000 respectively. Overall, the majority of revenue sources performed well, contributing to the surplus in total OSR mobilized for the year.

Table 2.2: Own Source Revenue Performance 2023/24FY

REVENUE SOURCE	ANNUAL TARGET	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
Single Business Permit	98,000,000.00	5,394,497.00	1,889,502.00	68,753,460.00	20,268,442.00	96,305,901.00
Market Gate Fee	40,000,000.00	8,523,200.00	7,228,530.00	7,782,590.00	7,425,440.00	30,959,760.00
Produce Cess	6,000,000.00	1,550,890.00	1,338,810.00	1,504,350.00	1,367,630.00	5,761,680.00
Weights & Measures	2,500,000.00	264,200.00	252,800.00	4,135,300.00	1,374,400.00	6,026,700.00
Stalls rent	2,500,000.00	190,200.00	115,300.00	2,795,660.00	717,450.00	3,818,610.00
Advertisement	13,000,000.00	1,377,000.00	509,360.00	12,517,000.00	11,998,500.00	26,401,860.00
Sublet Fees	3,000,000.00	553,000.00	144,000.00	1,772,000.00	491,000.00	2,960,000.00
cooperative audit	600,000.00	26,150.00	-	203,700.00	207,550.00	437,400.00
Bus Park	20,000,000.00	4,722,990.00	4,928,310.00	8,024,055.00	7,848,100.00	25,523,455.00
Street Parking	9,000,000.00	2,912,940.00	1,909,780.00	4,692,700.00	3,812,880.00	13,328,300.00
House rents	3,700,000.00	1,100,900.00	985,120.00	1,540,950.00	901,100.00	4,528,070.00
Land Administration	8,000,000.00	1,695,300.00	1,075,700.00	1,932,200.00	1,789,600.00	6,492,800.00
Property Rates	40,000,000.00	3,492,853.00	2,657,053.00	22,439,530.00	5,690,231.00	34,279,667.00
Building Plan Approvals	11,000,000.00	2,530,964.00	2,683,044.00	5,876,730.00	6,739,838.00	17,830,576.00
Fire Compliance	-	-	-	2,564,500.00	936,500.00	3,501,000.00
Conservancy Fee	11,000,000.00	886,520.00	510,360.00	8,368,370.00	2,967,960.00	12,733,210.00
Quarries cess	3,000,000.00	1,360,800.00	557,300.00	564,400.00	309,100.00	2,791,600.00
Group Registration	1,000,000.00	202,700.00	172,200.00	264,700.00	231,400.00	871,000.00
Liquor License	30,000,000.00	5,526,000.00	4,212,700.00	40,105,800.00	3,438,000.00	53,282,500.00
Veterinary Services	6,500,000.00	1,608,552.00	2,225,308.00	2,048,050.00	1,729,150.00	7,611,060.00
Kamweti ATC	5,000,000.00	393,045.00	2,784,961.00	1,099,635.00	2,151,166.00	6,428,807.00
coffee licences	1,500,000.00	248,960.00	62,400.00	1,900.00	-	313,260.00
Commission by payroll	3,000,000.00	739,709.00	780,349.00	776,058.00	823,560.00	3,119,676.00
Public Health Services	30,700,000.00	2,919,000.00	2,730,000.00	27,695,300.00	7,661,000.00	41,005,300.00
Kerugoya Referral Hospital	147,000,000.00	35,458,383.00	51,284,059.00	35,969,353.00	57,488,836.00	180,200,631.00
Kimbimbi Hospital	27,000,000.00	4,190,194.00	4,086,686.00	12,734,773.00	9,145,092.00	30,156,745.00
Kianyaga Hospital	10,000,000.00	2,296,077.00	2,384,079.00	2,200,359.00	6,712,986.00	13,593,501.00
Sagana Hospital	10,000,000.00	1,979,350.00	2,240,878.00	1,881,386.00	3,509,607.00	9,611,221.00
dispensaries	7,000,000.00	927,037.00	-	-	2,951,215.00	3,878,252.00
Other Sources	-	-	-	-	7,600,000.00	7,600,000.00
TOTAL FY 2023/2024)	550,000,000	93,071,411	99,592,275	280,109,147	178,287,733	651,352,542

Source: County Treasury

Equitable Share Performance

Disbursements from Equitable Share follows an approved disbursement schedule. Amounts to be disbursed are on monthly bases before 15th of every month. Table 2.3 shows disbursement of equitable share for 2023/24FY. It is identified from the disbursement dates that there is a significant delay in receiving disbursements. During the year, the county has received Kshs 4,986,600,128.00 which is disbursements for 11 months against a target of Kshs 5,420,217,528. This has contributed to delays in meeting Government's financial obligations.

Table 2.3 Equitable Share Disbursements 2023/24

Date Funds Reflected on CRF	Amount	Month Attributed as per Disbursement Schedule
27th July 2023	460,718,490.00	Jul-23
30th August 2023	433,617,402.00	Aug-23
27th September 2023	460,718,490.00	Sep-23
15th October 2023	433,617,402.00	Oct-23
27th December 2023	460,718,490.00	Nov-23
29th January 2024	433,617,403.00	Dec-23
19th February 2024	460,718,490.00	Jan-24
16th April 2024	460,718,490.00	Feb-24
23rd May 2024	433,617,403.00	Mar-24
20th June 2024	487,819,578.00	Apr-24
26th June 2024	460,718,490.00	May-24
TOTAL	4,986,600,128.00	

Source: County Treasury

Performance of Conditional Grants

In the fiscal year 2023/24, the County received several conditional allocations aimed at financing various projects and programs. The allocation from DANIDA to finance Universal Healthcare in the devolved system was fully funded, with the county receiving Ksh 7,738,500 against a targeted allocation of Ksh 7,738,499. Ksh 11,000,000 for IDA (World Bank) Credit (Financing Locally Led Climate Action (FLLoCA) Program, County Climate Institutional Support (CCIS) Grant was fully disbursed. However, the IDA (World Bank) Credit for the same program on County Climate Resilience Grant (CCRG) saw a shortfall, with only Ksh 83,432,040 received out of the targeted allocated Ksh 131,648,937.75.

Similarly, the IDA Credit for the National Agricultural and Rural Inclusive Growth Project (NARIGP) received a significantly lower amount of Ksh 4,261,825.85 against an allocation of Ksh 144,370,399. For the National Agricultural Value Chain Development Project (NAVCDP), Ksh 199,785,019.30 was disbursed out of Ksh 317,307,692. The Agriculture Sector Development Support Programme (ASDSP II) funded by GOS was fully disbursed, receiving Ksh 900,970 as allocated. Additionally, the county received Ksh 64,000,000 for the Aggregated Industrial Parks Programme.

Table 2.4 County Additional Allocations 2023/24

Conditional Allocation	Budget	Actual Receipts
Allocation Financed by Grant from DANIDA to finance Universal Healthcare in Devolved System	7,738,499.00	7,738,500.00
World Bank (Finance Locally-Led Climate Program (FLLoCA) for County Climate Institutional Support (CCIS)Grant	11,000,000.00	11,000,000.00
IDA (World Bank) Credit (Financing Locally-Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant (CCRIG)	131,648,937.75	83,432,040.00
IDA- (World Bank)Credit National Agricultural and Rural Inclusive Growth Project (NARIGP) FY2022/23	144,370,399.00	4,261,825.85
IDA- (World Bank)Credit National Agricultural Value Chain Development Project (NAVCDP) FY2022/23	317,307,692.00	199,785,019.30
GOS- Agriculture Sector Development Support Programme (ASDSP II)	900,970.00	900,970.00
Conditional Grant for Aggregated Industrial Parks Programme	-	64,000,000.00
TOTAL	612,966,497.75	371,118,355.15

Source: County Treasury

2.2 Expenditure Analysis

The County Government total approved 2023/24FY budget amounts to Kshs. 7,240,547,406. This includes development allocation of Kshs. 2,449,104,180 and recurrent allocation of Kshs 4,791,443,225.

2023/24 FY Approved Budget Estimates

Table 2.5: Approved Budget Estimates 2023/24FY

VOTE	ENTITY	Approved Budget 2023/24FY Recurrent	Approved Budget 2023/24FY Development	TOTAL
3961	County Assembly	673,319,674	85,229,460	758,549,134
3962	County Executive	496,023,805	-	496,023,805
3963	Finance and Economic Planning	573,091,610	126,000,000	699,091,610
3964	Agriculture, Livestock and Fisheries	217,978,626	524,997,954	742,976,580
3965	Environment, Water and Natural Resources	119,489,239	293,492,271	412,981,510
3966	Education	356,633,405	50,900,000	407,533,405
3967	County Health Services	2,116,489,802	605,258,331	2,721,748,133
3968	Lands, Housing and Urban Development	33,968,028	56,433,333	90,401,361
3969	Transport and Infrastructure	74,733,368	348,422,832	423,156,200
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	47,839,441	285,700,000	333,539,441
3971	Gender and Youth	43,668,210	51,150,000	94,818,210
3972	Sports, Culture and Social Services	38,208,017	21,520,000	59,728,017
	TOTAL	4,791,443,225	2,449,104,180	7,240,547,406

Source: County Treasury

2.3 Recurrent Expenditure

Total recurrent expenditure for 2023/24FY amounted to Kshs. 4,694,543,888 which represents 98% of the total recurrent budget estimates. Overall, the County Health Services have the highest share of the annual recurrent expenditure at 45.0% of total recurrent expenditure. The overall budget absorption rate for all entities is 98.0%, indicating efficient utilization of the budget.

Overall, the total annual recurrent expenditure increased by 231,333,264 from 2022/23 FY to 2023/24 FY. Notable increases were observed in County Health Services, Education, and Agriculture, Livestock and Fisheries, while notable decreases were seen in Environment, Water and Natural Resources, and Gender and Youth. The overall trend indicates an increase in expenditure in most sectors.

Recurrent Expenditure per Department FY 2023/24

Table 2.6: Recurrent Expenditure 2023/24FY

VOTE	ENTITY	<i>Budget 2023/24 FY Recurrent</i>	<i>Annual Expenditure 2023/24 FY</i>	% Share of Annual Recurrent Expenditure
3961	County Assembly	673,319,674	643,894,159	13.7%
3962	County Executive	496,023,805	476,192,703	10.1%
3963	Finance and Economic Planning	573,091,610	563,276,687	12.0%
3964	Agriculture, Livestock and Fisheries	217,978,626	214,716,649	4.6%
3965	Environment, Water and Natural Resources	119,489,239	113,976,029	2.4%
3966	Education	356,633,405	350,816,724	7.5%
3967	County Health Services	2,116,489,802	2,110,738,866	45.0%
3968	Lands, Housing and Urban Development	33,968,028	28,955,650	0.6%
3969	Transport and Infrastructure	74,733,368	73,812,201	1.6%
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	47,839,441	44,368,890	0.9%
3971	Gender and Youth	43,668,210	37,830,240	0.8%
3972	Sports, Culture and Social Services	38,208,017	35,965,089	0.8%
	TOTAL	4,791,443,225	4,694,543,888	100.0%

Source: County Treasury

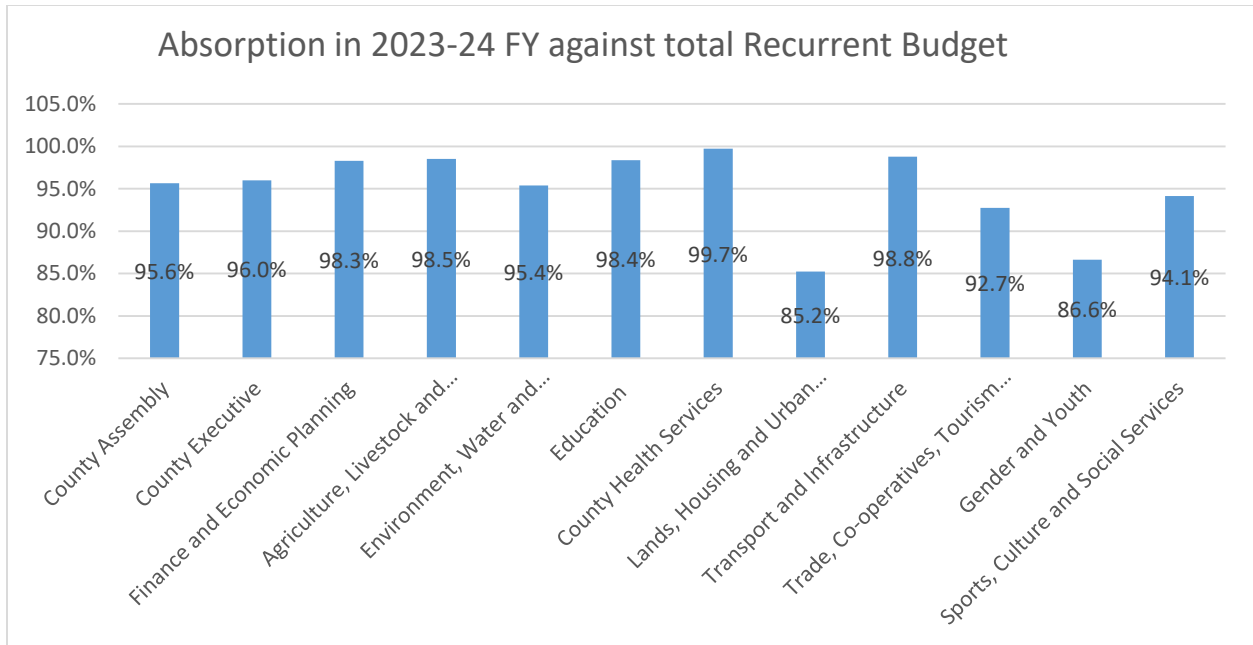


Figure 2.1: Absorption Rates Recurrent 2023/24FY

2.4 Development Expenditure

Development expenditure for the period under review amounted to Kshs. 1,355,492,735. This represents 55.3% absorption rate. This is a 17% decrease in development expenditure compared to a similar period in 2022/23FY which recorded development expenditure amounting to Kshs. 1,623,493,781.

Development Expenditure by Department

Table 2.7 Development Expenditure

VOTE	ENTITY	Approved Budget 2023/24FY Development	Annual Expenditure 2023/24 FY
3961	County Assembly	85,229,460	49,537,432
3962	County Executive	-	-
3963	Finance and Economic Planning	126,000,000	125,905,037
3964	Agriculture, Livestock and Fisheries	524,997,954	241,893,507
3965	Environment, Water and Natural Resources	293,492,271	125,432,036
3966	Education	50,900,000	28,957,800
3967	County Health Services	605,258,331	278,857,454
3968	Lands, Housing and Urban Development	56,433,333	11,455,307
3969	Transport and Infrastructure	348,422,832	208,702,108
3970	Trade, Co-operatives, Tourism Industrialization and Enterprise Development	285,700,000	272,241,803
3971	Gender and Youth	51,150,000	12,510,250
3972	Sports, Culture and Social Services	21,520,000	-
	TOTAL	2,449,104,180	1,355,492,735

Source: County Treasury

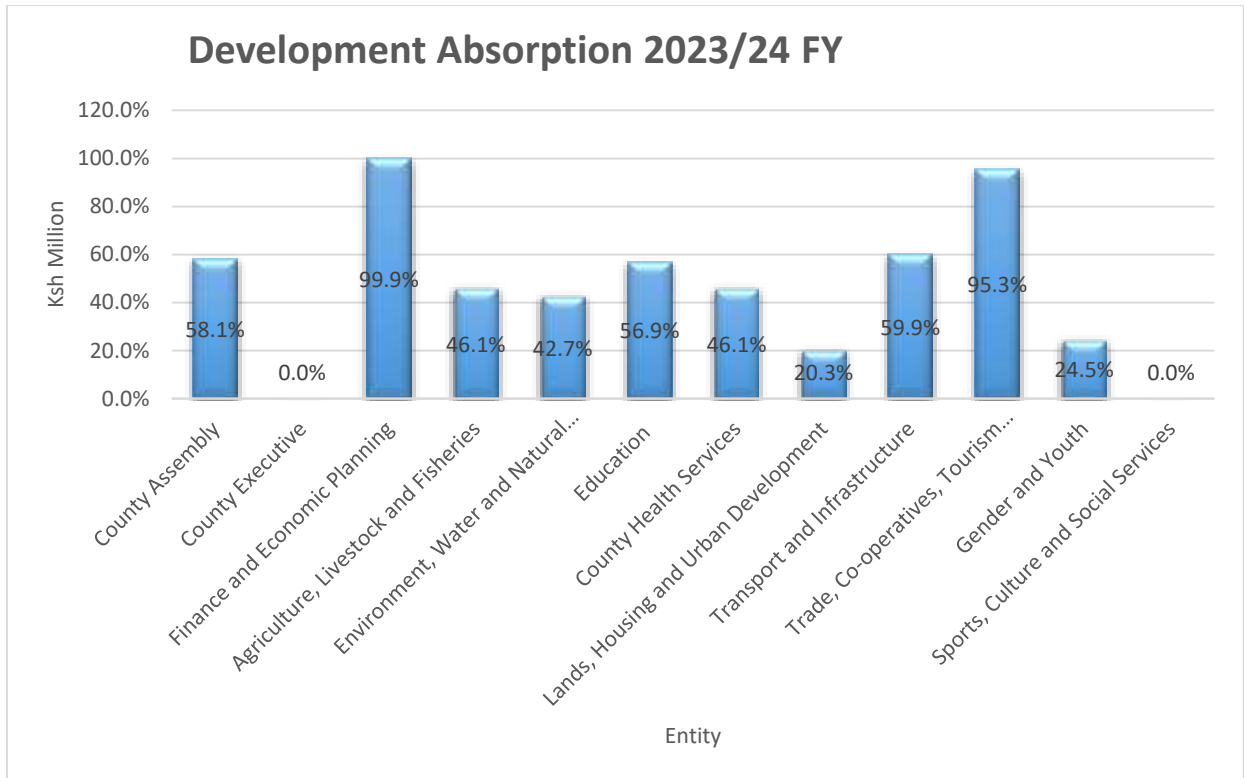


Figure 2.2 Development Absorption Rates 2023/24FY

Departments with high absorption rates are Finance and Economic Planning 99%, Trade, Cooperatives at 95.3%, Education at 56.9%.

Pending Bills Settlement

In 2023/24FY approved expenditure towards settlement of pending bills amounted to Ksh 173,781,289 which is Ksh. 78,781,289 in recurrent and Ksh 95,000,000 in development.

Total payments made during 2023/24 FY amounted to Ksh 173,686,889; Ksh. 94,905,600 in development pending bills and 78,781,289 in recurrent pending bills.

Expenditure by category

Personnel Emoluments

Kshs. 2,937,951,992 was allocated to personnel emoluments, constituting 40.6% of the total approved budget of Kshs. 7,240,547,406. Kshs. 2,917,613,288 was spent, accounting for 48.2% of the total annual expenditure of Kshs. 6,050,036,622.97.

Operations and Maintenance (O&M)

Kshs. 1,853,491,233 was allocated to O&M, which represents 25.6% of the total approved budget. The actual expenditure on O&M was Kshs. 1,776,930,599.62, making up 29.4% of the total annual expenditure.

Together, personnel emoluments and O&M accounted for 66.2% of the total approved budget and 77.6% of the total expenditure. This highlights that a significant portion of the county's financial resources were directed towards recurrent expenses, particularly personnel-related costs and operational activities, with a smaller proportion spent on development projects

Table 2.8 Budget and expenditure by category

Description	FY Approved Budget 2023/24	Annual Expenditure
<i>Personnel emoluments</i>	2,937,951,992.00	2,917,613,288.00
<i>Operations and Maintenance</i>	1,853,491,233.00	1,776,930,599.62
Recurrent	4,791,443,225.00	4,694,543,887.62
Development	2,449,104,181.00	1,355,492,735.35
Total	7,240,547,406.00	6,050,036,622.97

Source: County Treasury

2.5 Adherence to 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 2023/24 county recurrent expenditure was within available resources.

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.2.91 billion, or 40.2 per cent of the revenue for FY 2023/24 of Kshs. 7,240,547,406. 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

Kenyan economy is not immune to the global developments and the combination of elevated inflation and high interest rates has resulted in lower growth over the past year. This notwithstanding, economic growth has remained strong and resilient. This is supported by strong agricultural and manufacturing activities underpinned by favourable weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence. The economy is expected to grow by to 5.5 percent in 2025 as compared to 5.6 percent in 2023.

Agricultural Sector

As of 2024, Kenya's agricultural sector demonstrated significant recovery after two challenging years marked by severe droughts. In 2023, the sector grew by 6.5%, bouncing back from the 1.5% contraction experienced in 2022. This resurgence was driven by favorable weather conditions, which led to improved crop yields and livestock health. Agriculture remains a cornerstone of Kenya's economy, contributing to the country's broader economic resilience, despite the inflationary pressures and external shocks like the Russia-Ukraine war(Kenya National Bureau of Statistics)(World Bank).

The outlook for 2024 continues to be optimistic, with the sector expected to maintain steady growth, largely supported by sustained private sector investment and government initiatives aimed at enhancing agricultural productivity.

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

Overall year-on-year (annual) inflation rate as measured by the Consumer Price Index (CPI) was 4.4 per cent, in August 2024; a slight increase from an inflation rate of 4.3 per cent recorded in July 2024. This means that the general price level was 4.4 per cent higher in August 2024 than it was in August 2023. The price increase was mainly driven by the rise in prices of commodities under Food and Non-Alcoholic Beverages (5.3%); Housing, Water, Electricity, Gas and other fuels (4.2%) and Transport (3.9%) between August 2023 and August 2024. These three divisions account for over 57 per cent of the weights of the 13 broad categories. The Alcoholic Beverages, Tobacco and Narcotics year on year index rose by 8.2 per cent. However, this inflation is within the Government target range of 5 ± 2.5 per cent.

3.2 County Economic Development and Outlook

3.3 Medium Term Economic Outlook

National Outlook

Kenya's economic outlook over the next medium term is cautiously optimistic, supported by structural reforms and strategic investments in key sectors. According to the National Treasury and Economic Planning, the government aims to maintain robust growth, driven primarily by agriculture, infrastructure, and services. The BETA policy is expected to stimulate productivity and job creation, especially in manufacturing, healthcare, and affordable housing. However, challenges such as external debt servicing, rising inflation, and climate-related shocks pose risks to growth. The World Bank projects Kenya's GDP growth to

stabilize around 5-6%, contingent upon macroeconomic stability, sound fiscal policy, and continued reforms in public finance management. Improved governance and digitization efforts are also expected to enhance efficiency and transparency in revenue collection, boosting Kenya's resilience against global uncertainties.

County Outlook

Kirinyaga County's economic outlook for the next medium term is promising, driven by focus on agriculture, infrastructure development, and value addition. The county plans to enhance productivity through mechanization, irrigation expansion, and access to markets. Investments in agro-processing and value chain improvements are expected to bolster local industries, creating jobs and increasing incomes. The county government also prioritizes infrastructure development, including roads, water supply, and electricity access, which are critical to unlocking economic potential. While the county faces challenges such as climate change and budgetary constraints, efforts to attract private sector investments and leverage national government support are expected to enhance economic resilience. Kirinyaga's medium-term growth prospects remain closely tied to agricultural diversification, youth empowerment programs, and the improvement of social services.

Risk to the Economic Outlook

Kirinyaga County's economic outlook for the medium term faces several risks that could undermine growth and development prospects. Key among these risks is climate change, which threatens agricultural productivity due to unpredictable weather patterns, prolonged droughts, and flooding. Agriculture being the backbone of the county's economy, any disruptions in production of key agricultural products like coffee, dairy, horticulture, rice, tea, and bananas could lead to reduced incomes for farmers and food insecurity.

Budgetary constraints and delayed transfers from the national government may also limit the county's ability to finance critical development projects.

Moreover, rising inflation and high cost of living could dampen consumer spending, while youth unemployment remains a significant socio-economic challenge.

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 2025/26 FY and MTEF.

4.2 Implementation of 2024/25FY Budget

The 2024/25FY Budget has strategically allocated resources to key sectors aimed at unlocking economic growth over the next medium term. A significant portion of the county's investment is directed towards industrialization, with a focus on establishing an agro-industrial park to promote value addition and enhance agricultural productivity. Infrastructure development, particularly in roads, water, and energy, has also been prioritized to improve connectivity and support economic activities. The agriculture sector is receiving substantial support through value chain development initiatives, which aim to increase farmers' incomes and ensure food security. Additionally, the county is making large investments in improving health services infrastructure, ensuring better access to healthcare for residents. Education, environment, and climate change mitigation efforts are also key areas of focus, reflecting a comprehensive approach to sustainable growth and resilience. These investments are expected to drive long-term economic transformation and improve the livelihoods of Kirinyaga's population.

The implementation of the 2024/25 budget in Kirinyaga County has been hampered by delays in the disbursement of funds from the National Treasury. This is mainly due to the slow enactment of the County Allocation of Revenue Act 2024, a result of the government's proposed revision of the Division of Revenue Act, following the rejection of the Finance Bill 2024. Consequently, this has delayed the enactment of both the County Allocation of Revenue Act 2024 and the County Additional Allocations Act 2024. These delays have disrupted the delivery of essential services in Kirinyaga County.

Total Budget for 2024-25 FY amounts to Kshs. 8,079,166,940. This includes recurrent allocation of Kshs 5,050,287,399 (63%) and development allocation of Kshs. 3,028,879,541 (37%). This is Financed by Equitable Share; Own Source Revenue, Additional Allocations.

Division of Revenue (Amendment) Bill 2024, proposes to reduce the equitable share county governments from KSh 400.2 billion to KSh. 380.00 billion. If this proposal is adopted, it will result in a reduction of KSh 20.12 billion. This represents a percentage decrease of approximately 5.03%. As a result of this reduction, Kirinyaga County's equitable share of revenue is projected to decrease from the initially targeted KSh 5,633,619,143 to KSh 5,356,811,881, reflecting a reduction of KSh 276,807,262. This amounts to a percentage decrease of about 4.91%. This reduction will impact counties' financial plans, requiring adjustment in 2024/25 budget and prioritize key services and projects to mitigate the effects of the reduced revenue. The County Treasury will account for these changes and revise the estimates accordingly through the Supplementary Budget 1 of 2024. This adjustment will ensure that the county's financial plan aligns with the updated revenue projections, allowing for a reallocation of resources to critical areas.

4.3 Fiscal Policy for 2025/26 FY and Medium Term Budget

The fiscal policy for 2025/26 and the medium term will support priority programs as outlined in the County Integrated Development Plan (2023-2027). Key flagship projects will continue to be implemented, including the Sagana Climate Smart Agro-Industrial City, which will host an Export Processing Zone (EPZ), County Aggregation Industrial Parks (CAIPS), affordable housing units, and a sports complex. The county will also focus on providing state-of-the-art health services through the equipping and operationalization of Kimbimbi and Kianyaga Level 4 hospitals. This will be further supported by infrastructural developments such as the rehabilitation of rice canals, upgrades to sports infrastructure, and the completion and operationalization of additional dispensaries to strengthen primary healthcare at the ward level.

The County Government will maintain its investment in education, particularly through infrastructural support to county vocational training centers and Early Childhood Development Education (ECDE) centers.

A priority will also be to improve household income by continuing the implementation of the Wezesha Kirinyaga program, aimed at enhancing value chain productivity and profitability.

In addressing climate change, the County Government will prioritize climate mitigation and adaptation strategies, mainly supported by financing from the Financing Locally Led Climate Action Program (FLloCA). These efforts will focus on building resilience and ensuring sustainable development.

Aggressive revenue mobilization will remain a focus, with ongoing administrative and policy reforms aimed at modernizing and simplifying revenue collection systems to enhance compliance.

Additionally, the County Government will continue its efforts to improve efficiency in expenditure by eliminating non-priority costs, implementing an end-to-end procurement system, and enhancing monitoring and evaluation (M&E) systems to track project implementation and ensure value for money

4.4 Fiscal Projections

4.4.1 Revenue Projections

In 2024/25 Approved Budget, total revenue is KSh 8,079,166,940. This includes KSh 5,633,619,143 from the equitable share, KSh 194,894,333 from the Roads Maintenance Fuel Levy Fund (RMLF), and KSh 433,617,400 as delayed exchequer for June 2024. Additional revenue sources include ordinary revenue of KSh 410,451,000, A-i-A from County Health Services (Facility Improvement Fund) amounting to KSh 200,000,000, KSh 14,549,000 from alcohol licensing, KSh 25,000,000 from Kamweti Agricultural Training Center, and KSh 519,319,345 in rolled-over funds. Other allocations include grants from development partners such as DANIDA for Universal Healthcare (KSh 6,532,500), IFAD for the Aquaculture Business Development Project (KSh 13,779,259), the Kenya Devolution Support Programme Grant (KSh 37,500,000),

the Kenya Urban Support Project (KSh 35,000,000), the National Agricultural Value Chain Development Project (NAVCDP) (KSh 151,515,152), funds from the National Government for the Community Health Promoters (CHPs) Project (KSh 36,660,000), and KSh 366,729,808 for the Kenya Water, Sanitation, and Hygiene (K-WASH) Program.

However, due to the anticipated changes in CARA 2024, equitable share revenue is projected to decline to KSh 5,356,811,881, reflecting a reduction of KSh 276,807,262. This will reduce overall resource envelop to KSh 7,802,359,678.

2025/26 FY: Total revenue is projected at KSh 6,117,217,528, with KSh 5,420,217,528 from the equitable share, KSh 440,000,000 in ordinary revenue, KSh 215,000,000 from the County Health Services Facility Improvement Fund, KSh 16,000,000 from alcohol licensing, and KSh 26,000,000 from Kamweti Agricultural Training Center. **However**, it is worth noting that Revenue projections for 2025/26 excludes county additional allocations which are determined and appropriated annually by parliament through the County Government Additional Allocations Acts. Once appropriated, the estimates will form part of revenue and will be included in the budget estimates that will be presented for approval by county assembly.

4.4.2 Expenditure Projections

In 2025/26FY 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.

2024/25 FY: Total expenditure is KSh 8,079,166,940, with recurrent expenditure at KSh 5,050,287,399 (62.5% of the total budget) and development expenditure at KSh 3,028,879,541 (37.5% of the total budget).

2025/26 FY: Total expenditure is projected at KSh 6,117,217,528, with recurrent expenditure at KSh 4,282,052,270 (70% of the budget) and development expenditure at KSh 1,835,165,258 (30% of the budget).

Kirinyaga County's fiscal framework for the 2024/25 to 2026/27 fiscal years is built on assumptions of steady national economic growth, controlled inflation, improved local revenue mobilization, stable fiscal transfers from the national government, and continued development grants. Global economic stability, favorable weather conditions, and a stable political environment are also key macroeconomic factors that underpin the county's medium-term fiscal projections. These assumptions guide both revenue expectations and expenditure allocations, with the aim of ensuring sustainable economic growth and development for the county.

Global Economic Conditions- Global economic conditions, such as commodity prices, trade policies, and the performance of international markets, are assumed to remain stable, with no major external shocks. This assumption is important because disruptions in global markets can affect Kenya's overall economy.

National Economic Growth- The framework assumes stable economic growth at the national level, which directly influences revenue allocations to counties through the equitable share of revenue raised nationally. A growing economy leads to increased revenue collections, which benefit counties. The county's revenue projections depend on anticipated GDP growth rates and overall economic performance.

Inflation Rates- the framework assumes that inflation will remain manageable within the national target range of 5% +/- 2.5%, as set by the Central Bank of Kenya (CBK). Contained inflation helps stabilize prices, allowing the county to better plan for recurrent and development expenditure without significant cost overruns.

Revenue Mobilization- The framework assumes improvements in revenue collection from ordinary revenue sources such as business permits, property taxes, and other fees. The growth in ordinary revenue projected from KSh 410 million in 2024/25 to KSh 470 million in 2026/27 suggests optimism regarding enhanced own source revenue mobilization efforts and efficiency in tax administration.

Stable Interest Rates and Fiscal Policy- the framework assumes a stable monetary policy environment with manageable interest rates, which would influence the cost of borrowing for the national government. A favorable fiscal policy would also ensure that counties receive timely disbursements from the national government, reducing fiscal constraints.

Continued Fiscal Transfers and Additional Allocations- The framework expects continued fiscal transfers from the national government, particularly through the equitable share and other conditional grants. It also assumes that Additional Allocations, appropriated annually by Parliament, will be consistent and appropriated in time to support key development projects. This includes funding for health, agriculture, climate change, infrastructure amongst others.

Political and Policy Stability- The framework assumes a stable political environment and policy consistency, both at the national and county levels. This is essential for maintaining investor confidence, ensuring smooth governance, and the continued implementation of development programs.

Climate and Weather Conditions- Noting that Kirinyaga is an agriculturally-dependent county, the framework assumes favorable weather conditions to support crop and livestock productivity. Unfavorable weather patterns such as drought or floods could significantly impact agricultural output, revenue collection, and overall economic performance.

Table 4.1 Medium Term Fiscal Projections

	Projections		
	2024-25 Approved Budget	2025-26 FY	2026-27 FY
Revenue (Total)	8,079,166,940	6,117,217,528	6,166,417,528
Equitable Share	5,633,619,143	5,420,217,528	5,420,217,528
Allocation of Roads Maintenance Fuel Levy Fund(RMLF)	194,894,333		
Delayed Exchequer June 2024	433,617,400		
Ordinary revenue	410,451,000	440,000,000	470,000,000
A-i-A in respect to County Health Services (Facility Improvement Fund)	200,000,000	215,000,000	232,200,000
(A-i-A) Revenue from Alcoholic Drinks licensing	14,549,000	16,000,000	17,000,000
(A-i-A)Revenue raised from Kamweti Agricultural Training Center	25,000,000	26,000,000	27,000,000
Rolled over Funds	519,319,345		
Additional Allocation from proceeds of loans or grants from development partners			
Allocation Financed by Grant from DANIDA to finance Universal Healthcare in Devolved System	6,532,500		
International Fund for Agricultural Development (IFAD) Aquaculture Business Development Project (ABDP)	13,779,259		
IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP II) Level 1 Grant	37,500,000		
IDA-(World Bank Credit)(Kenya Urban Support Project (KUSP) UDG	35,000,000		
IDA- (World Bank)Credit National Agricultural Value Chain Development Project (NAVCDP) FY2022/23	151,515,152		
Allocation from the National Government for Community Health Promoters (CHPs) Project	36,660,000		
IDA(World Bank) Credit Allocation for Kenya Water, Sanitation and Hygiene (K-WASH) Program	366,729,808		
Expenditure (Total)	8,079,166,940	6,117,217,528	6,166,417,528
Recurrent	5,050,287,399	4,282,052,270	4,316,492,270
Recurrent as percentage of Total budget	62.5%	70%	70%
Development	3,028,879,541	1,835,165,258	1,849,925,258
Development as percentage of Total budget	37.5%	30%	30%

Source: County Treasury

5 CONCLUSION AND WAY FORWARD

The World Bank projects Kenya's GDP growth to stabilize around 5-6%, contingent on maintaining macroeconomic stability, implementing sound fiscal policies, and advancing public finance management reforms. Enhanced governance and digitization efforts are anticipated to improve efficiency and transparency in revenue collection, thereby bolstering Kenya's resilience to global uncertainties.

At the county level, the economy is expected to benefit from improved recovery in the agriculture sector, which will, in turn, drive growth in the industrial sector. Adequate rainfall during the long rainy season and the anticipated short rains later in 2024 are expected to sustain agricultural activities.

Local manufacturing will be supported through the development of the Sagana Climate Smart Agro-Industrial City, which will feature an Export Processing Zone (EPZ) and County Aggregation Industrial Parks (CAIPs). This investment is expected to enhance agricultural output through value addition and create job opportunities for youth and women.

The fiscal performance for 2023/24 was positive, with Own Source Revenue surpassing targets by 18%. Although the implementation of the FY 2024/25 budget has started slowly, we anticipate acceleration in the implementation of planned programs during the second quarter and the remainder of the financial year. Aggressive revenue mobilization through administrative and policy reforms will be emphasized, alongside ongoing modernization and simplification of revenue collection systems to improve compliance.

The County Government will continue to focus on enhancing expenditure efficiency by eliminating non-priority expenditures. For the FY 2025/26 budget, all county entities are expected to prioritize programs outlined in the CIDP 2023-27 and County Annual Development Plans. This includes transformative programs aimed at increasing household income and contributing to the Bottom-Up Economic Transformation Agenda (BETA).

Given the limited resources, county entities are directed to critically review, evaluate, and prioritize budget allocations to align strictly with the County

Government's priorities. Additionally, adherence to the budget calendar, as communicated in the budget circular, is mandatory.

The departmental ceilings attached will guide departments in preparing the FY 2025/26 budget and will be confirmed by the next County Fiscal Strategy Paper, which will serve as the final basis for developing the MTEF for period 2025/26-2027/28.

6 ANNEX

6.1 ANNEX 1: Department Ceilings

Table 6.1 Indicative Department Ceilings

	Approved Estimates 2024_25					Projected Estimates 2025_26	
	REC	% of Total REC	DEV	% of Total DEV	TOTAL Budget	REC	DEV
County Assembly	705,609,542	14.0%	146,842,040	4.8%	852,451,582	14.0%	4.8%
County Executive	522,064,569	10.3%	6,000,000	0.2%	528,064,569	10.3%	0.2%
Finance and Economic Planning	660,640,863	13.1%	145,764,035	4.8%	806,404,898	13.1%	4.8%
Agriculture, Livestock and Fisheries	212,609,148	4.2%	219,453,971	7.2%	432,063,119	4.2%	7.2%
Environment, Water, Irrigation, Natural Resources, Energy and Climate Change	135,882,799	2.7%	644,625,766	21.3%	780,508,565	2.7%	21.3%
Education	391,844,905	7.8%	65,831,052	2.2%	457,675,957	7.8%	2.2%
County Health Services	2,180,798,509	43.2%	570,565,236	18.8%	2,751,363,745	43.2%	18.8%
Lands, Physical Planning and Urban Development	34,468,028	0.7%	108,530,548	3.6%	142,998,576	0.7%	3.6%
Roads, Transport, Public Works, Housing and Infrastructure Development	77,153,368	1.5%	591,960,863	19.5%	669,114,231	1.5%	19.5%
Trade, Co-operatives, Tourism Industrialization and Enterprise Development	48,339,441	1.0%	407,353,872	13.4%	455,693,313	1.0%	13.4%
Gender and Youth	43,668,210	0.9%	77,571,020	2.6%	121,239,230	0.9%	2.6%

Sports, Culture, Children and Social Services	37,208,017	0.7%	44,381,138	1.5%	81,589,155	0.7%	1.5%
TOTAL	5,050,287,399		3,028,879,541		8,079,166,940	100.0%	100.0%

Source: County Treasury

6.2 ANNEX 2: Budget Calendar for 2025/26

Table 6.2 Budget Calendar

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	Develop and issue MTEF guidelines	County Treasury	30-Aug-24
2	Submit Annual Development Plan	County Treasury	1-Sep-24
3	Launch of Sector Working Groups	County Treasury	15-Sep-24
4	Performance Review and Strategic Planning		
	4.1 Review and Update of strategic Plans	County Govt. Entities	15-Sep-24
	4.2 Review of Programme outputs and outcomes	County Govt. Entities	15-Sep-24
	4.3 Expenditure Review	County Govt. Entities	15-Sep-24
	4.4 Progress report on MTP Implementation	County Govt. Entities	15-Sep-24
	4.5 Preparation of annual Plans	County Govt. Entities	15-Sep-24
5	Determination of Fiscal framework		
	5.1 Estimation of resource Envelope	County Working Group	15-Sep-24
	5.2 Determination of policy priorities	County Working Group	15-Sep-24
	5.3 Preliminary resource allocation to Sectors & County Assembly	County Working Group	15-Sep-24
	5.4 Submission of Draft County Budget Review and Outlook Paper (CBROP)	County Working Group	15-Sep-24
	5.5 Approval of CBROP by Executive Committee	County Working Group	20-Sep-24
	5.6 Submit Approved CBROP to County Assembly	County Working Group	30-Sep-24
6	Preparation of MTEF Budget Proposals		
	6.1 Draft Sector report	Dept. Working group	3-Nov-24
	6.2 Convene Public Sector Hearing	County Treasury	17-Nov-24
	6.3 Review of the Proposals	County Treasury	24-Nov-24
	6.4 Submission of Departmental report to County treasury	County Govt. Entities	28-Nov- 24
7	Draft County Fiscal Strategy Paper (CFSP)		
	7.1 Draft CFSP	County Working Group	15-Feb-25
	7.2 Submission of CFSP to County Executive committee for approval	County Treasury	15-Feb-25
	7.3 Submission of CFSP to County Assembly for Approval	County Treasury	28-Feb-25
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-25
	8.2 Submission of Budget Proposals to County Treasury	County Govt. Entities	13-Mar-25
	8.3 Review of the Draft Budget Proposals	County Treasury	23-Mar-25
	8.4 Consideration and approval of the Draft Budget Estimates	CEC	30-Mar-25
	8.5 Consolidation of the Draft Budget Estimates	County Treasury	6-April-25
	8.6 Submission of the Draft Budget Estimates to County Assembly	County Treasury	30-Apr-25

	8.7 Review of Draft Budget Estimates by County Assembly	County Assembly	15-May-25
	8.8 Report on Draft Budget Estimates from County Assembly	County Assembly	29-May-25
	8.9 Consolidation of the Final Budget Estimates	County Treasury	15-Jun-25
	8.10 Submission of Appropriation Bill to County Assembly	County Treasury	15-Jun-25
	8.11 Submission of Vote on Account to County Assembly	County Treasury	30-Jun-25
9	Budget Statement	County Treasury	15-Jun-25
9	Consideration and Passage of Appropriation Bill	County Assembly	30-Jun-25