

**REPUBLIC OF KENYA
COUNTY GOVERNMENT OF NYANDARUA
COUNTY TREASURY**



**COUNTY FISCAL STRATEGY PAPER (CFSP) FOR
2023/24 FY AND THE MEDIUM TERM**

***THE CHANGE AGENDA FOR SOCIAL- ECONOMIC DEVELOPMENT AND
WEALTH CREATION***

FEBRUARY, 2023

DRAFT CFSP 2023/24FY

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FOREWORD

The **County Fiscal Strategy Paper (CFSP) 2023** underpins the county fiscal and budget framework by laying out strategic priorities and fiscal policy – that is what the county plans to do regarding revenue, expenditure and debt management over the medium-term. Importantly, this document sets the sector and program resource ceilings that guide the budget estimates for each sector and program, which are used to set budget projections.

It highlights the policy focus for the County Government for implementation in the Financial Year 2023/24 and over the Medium Term.

The Kenya Vision 2030 aims at creating “a globally competitive and prosperous nation with a high quality of life by 2030”. It also aims at transforming Kenya into “a newly industrializing, middle-income country providing a high quality of life to all its citizens in a clean and secure environment”. The Vision is being implemented through successive five-year **County Integrated Development Plans**. Nyandarua County 3rd CIDP, 2023-2027 whose theme is: “**The Change agenda for social development and wealth creation**” will prioritize implementation of economic recovery strategies of the new administration to re-position the economy on a steady, inclusive and sustainable growth trajectory at the county level.

This is driven by the need to: transform our economy; create the much-needed wealth and employment; reduce poverty and inequality; and create conducive environment for investment.

The County is reliant on global and Kenyan economic performance while preparing its Fiscal Outlook and Strategy. To this purpose, the County expects that, among other determining variables, both global and national economic performance will promote the implementation of the planned programs and projects while formulating the CFSP.

The CFSP is framed against a global economic slowdown underpinned by the ongoing Russia-Ukraine conflict, elevated global inflation, the lingering effects of the COVID-19 pandemic, and persistent supply chain disruptions and the drought effects reversing gains in poverty reduction and inequality, but above all promoting social conflicts. These effects are compounded and amplified by declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework that have created urgency on food security and climate change effects. In addition, the drought impacts in the economy has created a strong focus on food security and climate change. These effects will become dominant in economic management and focussing on its quality and structure.

The need to address these constraints and bolster resilience forms the basis of H.E the Governor ‘**The Change Manifesto**’ whose agenda is geared towards economic turnaround and inclusive growth, and aims to achieve this through the Three-Pillar agenda: The Foundation/ Enablers for County Transformation, Economic Pillar and the Social Pillar. These pillars further cascade down to Ten-Focal areas envisaged to have the largest impact and linkages to the economy as well as on household welfare.

These include: Roads, Public Works, Transport, Energy and Housing; Information Communication and Technology (ICT); Lands and Physical Planning; Public Service, Administration and Citizen Participation; and the County Treasury, Development; Trade, Tourism and Wildlife, Medical Services,

Public Health & Sanitation; Education and Vocational Training; Youth, Sports, Gender Affairs and Social Services; Culture and Arts; and Water, Environment & Natural Resources.

The implementation of these interventions is expected to stimulate economic recovery and spur growth of the County.

As part of the economic turnaround plan, the County Government will scale up own source revenue collection efforts to Kshs.750 million in the FY 2023/24 and Kshs.2.1 billion over the medium term. In order to achieve this, the County Government will undertake a combination of both tax administrative and tax policy reforms including leveraging 'on technology and enhanced data analytics to enhance revenue. per unit; and, up scaling the technical capacity of the revenue department through skills, technology and additional staffing.

In addition, to further strengthen revenue mobilization efforts, the County Government will finalise the development of the County Tax Policy, the County licensing Act and the Medium-Term Revenue Strategy will enhance the administrative efficiency of the tax system, provide consistency and entrench predictability in tax legislations and management of tax expenditure.

Additionally, the County Government will continue to improve efficiency in public spending to ensure value for money by eliminating non-priority expenditures; scaling up the use of Public Private Partnerships financing for commercially viable projects; and streamlining the initiation, execution, delivery and sustainability of public investment projects.

In light of the above fiscal consolidation plan, the expenditure ceilings in this County Fiscal Strategy Paper have been revised to reflect emerging realities. Therefore Departments budgets for FY 2023/24 have been scrutinized carefully to ensure quality and alignment to the county government's transformative Agenda as outlined in this CFSP and the 3RD CIDP and other strategic interventions of interest.

In this regard, all Sectors are expected to prepare their budgets consistent with the sector ceilings and adopt the value chain approach under the 10 focal areas to facilitate the finalization of the FY 2023/24 and the medium-term budget proposals.

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COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC DEVELOPMENT

ACKNOWLEDGEMENT

The 2023/24 CFSP is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the new Administration, highlights the current state of the economy, provides macro-fiscal outlook over the medium term together with a summary of County Government spending plans as a basis for the FY 2023/24 budget.

As we finalize the budget for the FY 2023/24 and the medium term, I wish to emphasize that the economy is operating under tight fiscal constraints. This has warranted tough choices to ensure that scarce resources are directed towards priority areas of socio-economic transformation.

The New Administration's position is that sectors should undertake a careful scrutiny of individual budgets execution reports to curtail growth of recurrent budgets and ensure funding of the new Administration's Change manifesto on Economic Transformation Agenda is accorded priority.

The preparation of the 2023/24 CFSP was a collaborative effort among various stakeholders. We are grateful for their inputs. We thank the MDAs for timely provision of information. We are also grateful for the comments received from the participants of the February 2023 Public Sector Hearings and the general public which provided invaluable inputs to the 2023/24 CFSP. Finally, we are grateful to the core technical team from the Economic Planning and Development who met and worked tirelessly to prepare and finalize this document

The core team under the guidance of the county executive committee member Finance and Economic Development tirelessly put together this document and ensured it was produced in time and is of high-quality standard.

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CHAPTER ONE

ECONOMIC OUTLOOK

1.0 Overview

This section highlights the global, regional, national and local economic outlook, and their impact on the county's economic development.

1.1 Global and Regional Economic Development

The global economy refers to the interconnected system of economic activity that takes place across national borders. It encompasses the production, distribution, and consumption of goods and services, as well as financial flows, trade, and investment between countries. The global economy is shaped by a variety of factors, including geopolitical trends, technological innovation, and macroeconomic policies.

One of the defining features of the global economy is its interconnectedness. Developments in one part of the world can have significant implications for economic activity elsewhere. For example, a recession in one country can reduce demand for goods and services from other countries, which can lead to decreased trade and investment flows. Similarly, a shock to commodity prices or supply chain disruptions can impact production and consumption patterns around the world.

The global economy has experienced significant changes over the past few decades, including the growth of emerging market economies, the expansion of global trade, and the rise of digital technologies. These changes have brought both opportunities and challenges for countries and businesses around the world.

The global economic outlook has become more uncertain - shimmering the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the COVID-19 pandemic and persistent supply chain disruption. Global growth is probable to slow down to 2.9 percent in 2023 from the estimated 3.4 percent in 2022 mainly driven by sluggish growth in advanced economies.

The advanced economies is projected to decline from the estimated 2.7 percent in 2022 to 1.3 percent in 2023 reflecting slowdown in the growth in the USA dropping from 2.0% to 1.4%, Euro Area-3.5% to 0.7% and United Kingdom.

Growth in the emerging markets and developing economies is projected to rise modestly to 4.0 percent in 2023 from an estimated 3.9 percent in 2022 mainly driven by recovery of activities in China with the full reopening in 2023. China economy is projected to improve to 5.2 percent from 3.0 Percent in 2022. In the Sub-Saharan Africa region, growth is projected to remain moderate at 3.8 percent in 2023. This outlook reflects Nigeria's rising growth from 3.0% in 2022 to 3.2% in 2023 due to measures to address insecurity issues in the oil sector.

East Africa is the only region in Africa that avoided a recession in 2022 due to improved agricultural performance, ongoing public spending on massive infrastructure projects and growing regional economic integration. However, political instability in some nations and a lack of economic diversification in others hampered growth. The global economic recovery is expected to help East Africa's GDP expand to 5.4 percent in 2023, up from 4.7 percent in 2022.

1.2 National Macro-Economic Outlook

The continued expansion of the Kenyan economy in 2022, albeit at a slower pace than the 7.5 percent recorded in 2021. Real GDP is expected to have grown by 5.5 percent in 2022 supported by the services sector despite subdued performance in agriculture and weaker global growth. The economy is projected to rebound to 6.1 percent in 2023, reinforced by the Government's Bottom – Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth.

The overall inflation rate declined for the third consecutive month in January 2023. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices following the favorable rains and declining international prices of edible oils. However, this inflation rate was higher than the 5.4 percent recorded in January 2022.

Due to the strong dollar, the exchange rate to the Kenya shilling, like all world currencies, has weakened but strengthened against other major international currencies. The current account deficit was generally stable at 5.2 percent of GDP in the 12 months to November 2022 compared to 5.4 percent of GDP in November 2021 on account of improved receipts from service exports and resilient remittances.

1.3 Domestic Economic Development

According to the Kenya National Bureau of Statistics, the Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shock due to diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.2 percent in 2021, a much stronger level than the contraction of 0.3 in 2020. The growth momentum continued in the first three quarters of 2022 averaging 5.5 percent despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 percent in the first quarter and 5.2 percent in the second quarter compared to a growth of 2.7 percent and 11.0 percent in similar quarter in 2021. In the third quarter of 2022, the economy grew by 4.7 percent compared to a growth of 9.7 percent in the corresponding quarter in 2021.

The agriculture sector recorded a contraction of 0.6 percent in the third quarter of 2022 compared to a growth of 0.6 percent recorded in the corresponding quarter of 2021. The slowdown in performance of the sector was mainly attributed to unfavorable weather conditions that prevailed in first three quarters of 2022. The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID19 pandemic. The sector growth slowed down to 6.1 percent in the third quarter of 2022 compared to a growth of 11.4 percent in the third quarter of 2021.

The performance of the industry sector slowed down to a growth of 3.4 percent in the third quarter of 2022 compared to a growth of 8.3 percent in the same period in 2021. This was mainly on account of normalization of activities in the manufacturing sub-sector after the strong recovery in 2021. Manufacturing subsector expanded by 2.4 percent in the third quarter of 2022 compared to 10.2 percent growth recorded in the same period of 2021. The growth in the industry sector was supported by positive growths in Electricity and Water Supply subsector and construction sub-sector which grew by 4.7 percent and 4.3 percent, respectively.

Inflation Rates

In accordance to the Kenya National Bureau of Statistics, the year-on-year inflation rate eased for the third consecutive month in January 2023 but was still above the 7.5 percent upper bound target. Inflation rate eased to 9.0 percent in January 2023 from 9.1 percent in December 2022 and 9.5 percent in November 2022 due to a decline in food prices as a result of favorable rains and lower global commodity prices particularly for edible oils and wheat with the easing of international supply chain disruptions. However, this inflation rate was higher than the 5.4 percent recorded in January 2022. Overall annual average inflation increased to 7.9 percent in January 2023 compared to the 6.1 percent recorded in January 2022. Food inflation remained the main driver of overall year-on-year inflation in January 2023, contributing 5.2 percentage points, an increase, compared to a contribution of 3.2 percentage points in January 2022 it was mainly attributed to relatively higher prices key food items. Fuel inflation also increased to contribute 2.4 percentage points to year-on-year overall inflation in January 2023 from a contribution of 1.4 percentage points in January 2022. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices and scaling down of the fuel subsidy.

The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy. The contribution of core inflation to overall inflation increased to 1.3 percentage points in January

2023 compared to 0.7 percentage points contribution in January 2022. While inflation has been rising and remains high in most economies, Kenya's inflation rate at 9.1 percent in December 2022 is much lower than that of some countries in the Sub-Saharan African region that have double digits' inflation.

Kenya Shillings Exchange Rate

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to the strengthening US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to Kenya shilling like all world currencies has weakened to exchange at Ksh123.9 in January 2023 compared to Ksh113.4 in January 2022. Against the Euro, the Kenya shilling also weakened to Ksh133.4 from Ksh128.4 over the same period. In comparison to Sub-Saharan Africa currencies, the depreciation of the Kenya Shilling exchange rate has remained relatively low at 9.3 percent against the US Dollar in January 2023. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved export receipts.

Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 percent to 8.75 percent in November 2022 and retained at the same rate on 30th January 2023. The interbank rate increased to 6.0 percent in January 2023 compared to 4.4 percent in January 2022 while the 91-day Treasury Bills rate also increased to 9.5 percent compared to 7.3 percent over the same period due to tight liquidity conditions.

Commercial banks' lending rates remained relatively stable in November 2022 supported by the prevailing monetary policy stance during the period. The average lending rate was at 12.6 percent in November 2022 from 12.2 percent in November 2021 while the average deposit rate increased to 7.1 percent from 6.4 percent over the same period. Consequently, the average interest rate spread declined to 5.5 percent in November 2022 from 5.7 percent in November 2021.

The Stock Market

Activity in the capital markets slowed down in December 2022 compared to December 2021 due to the outflow of investors as advanced economies tightened their monetary policy amid recession fears. The NSE 20 Share Index declined to 1,676 points in December 2022 compared to 1,903 points in December

2021 while Market capitalization also declined to Kshs.1,986 billion from Kshs.2,593 billion over the same period.

Balance of Payments

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

According to the Central Bank of Kenya, the current account deficit was generally stable at USD 5,771.0 million (5.2 percent of GDP) in November 2022 compared to USD 5,811.6 million (5.4 percent of GDP) in November 2021. The current account balance was supported by an improvement in the net receipts on the services account and the net secondary income balance despite a deterioration in the net primary income balance and merchandise account. The balance in the merchandise account declined by USD 1,238.0 million to a deficit of USD 12,186.7 million in November 2022 mainly due to increased payments on imports in spite of an improvement in the export earnings. In the year to November 2022, exports grew by 12.4 percent primarily driven by improved receipts from tea and manufactured goods despite a decline in receipts from horticulture. The increase in receipts from tea exports reflects improved prices attributed to demand from traditional markets. On the other hand, imports of goods increased by 11.7 percent in the year to November 2022 mainly due to increases in imports of oil and other intermediate goods. Net receipts on the services account improved by USD 1,104.3 million to USD 1,678.7 million in November 2022 compared to a similar period in 2021. This was mainly on account of an increase in receipts from transportation and tourism as international travel continues to improve. Net Secondary income remained resilient and increased by USD 417.3 million during the review period owing to an increase in remittances. The balance on the primary account widened by USD 243.0 million to a deficit of USD 1,692.8 million in November 2022, from a deficit of USD 1,449.8 million in the same period last year, reflecting higher interest related payments on other investments.

Foreign Exchange Reserves

The banking system's foreign exchange holdings remained strong at USD 11,407.7 million in November 2022 from USD 13,503.0 million in November 2021. The official foreign exchange reserves held by the Central Bank stood at USD 7,548.8 million compared to USD 9,306.3 million over the same period. Commercial banks holdings decreased to USD 3,859.2 million in November 2022 from USD 4,196.8

million in November 2021. The official reserves held by the Central Bank in November 2022 represented 4.2 months of import cover as compared to the 5.6 months of import cover in November 2021. It, therefore, fulfilled the requirement to maintain it at a minimum of 4.0 months of imports cover to provide an adequate buffer against short-term shocks in the foreign exchange market.

1.4 County Outlook

It's important to recognize that economic stability and growth in any region are influenced by a complex mix of factors, including global economic conditions, national policies, local industry, and demographic trends. In the case of Kenya, the economy is closely tied to the performance of the global economy, which can have a significant impact on the availability of resources, investment flows, and trade.

The County's development plans, such as the third Medium Term Plan (MTP IV) of the Kenya Vision 2030, Sustainable Development Goals, and African Union Agenda 2063, are designed to address both the short-term and long-term needs of the region. These plans aim to promote sustainable economic growth, improve access to basic services such as healthcare and education, and create employment opportunities for the local population.

It's worth noting that while global economic shocks may not have an immediate impact on the County, it's still important for policymakers and stakeholders to monitor global economic trends and adjust their plans accordingly. Additionally, it's important to ensure that development plans are aligned with the needs and aspirations of the local population, and that there is adequate funding and resources available to implement these plans effectively.

The Kenya Kwanza government has the bottom-up policy as its framework to drive change in the society. The bottom-up policy is an economic development strategy proposed by the Kenyan government. The policy is aimed at fostering economic growth and development from the grassroots level by empowering micro, small, and medium enterprises (MSMEs) and promoting entrepreneurship. The central objective of the bottom-up policy is to reduce poverty and inequality by creating job opportunities, increasing access to affordable credit, and promoting the growth of MSMEs. The policy aims to achieve these objectives through various initiatives, including:

- Providing affordable credit to MSMEs: The Kenyan government plans to establish a credit guarantee scheme that will enable MSMEs to access affordable credit from financial institutions. The scheme is aimed at reducing the high cost of borrowing and promoting the growth of MSMEs.

- **Developing infrastructure:** The Kenyan government plans to develop infrastructure in rural areas to support MSMEs. This includes improving roads, water supply, and electricity access in rural areas.
- **Promoting local manufacturing:** The government plans to promote local manufacturing by providing tax incentives to local manufacturers and establishing industrial parks in various regions of the country.
- **Expanding markets:** The Kenyan government plans to expand markets for MSMEs by creating linkages between small businesses and large corporations, and by promoting exports.

The initiatives intimated above are part of the policy direction that the County Government of Nyandarua is to undertake in the implementation of the change agenda in the period FY 2023/24 to FY 2027/28.

The four sectors in the county are set to drive change by leveraging the outputs from the productive sector, human resource sector, and infrastructure through seamless operations at the County government. The County machinery program is expected to further the county's agenda in opening up roads and improving accessibility across the county. This is expected to open markets and access to services. Further, the bursary program is to be harnessed to promote school enrollment, transition rates and overall county literacy rates. In the health services, the county is to upgrade sub-county health centers to allow for a strengthened county referral system to efficiently offer health care services.

CHAPTER TWO

MEDIUM-TERM FISCAL FRAMEWORK

2.0 Overview

This section presents the framework under which the county government will base its revenue and expenditure plans.

For the 2023/24FY and the medium term, the County Government proposes a series of measures to increase its revenue and balance expenditure. These steps are necessary to ensure the sustainability of the County's most important public expenditure programmes in the uncertain economic environment.

The critical challenge has been finding ways of converting the county's main economic activities from primary production to value addition which would create more employment and lead to faster growth. The County Government is well aware that the burden of development cannot be carried by the public sector alone but the private sector must be encouraged to invest and thereby create employment and revenue for the county coffers. Removing obstacles to private investment will therefore continue to remain a priority for the County Government.

This Medium-term fiscal framework therefore aims to improve policy coherence, alignment and coordination across all spending units of the county government.

2.1 FY2022/23 First Half-Year Review of Fiscal Performance

The fiscal performance for the first half of the FY 2022/23 was affected by various factors. Among them was the general elections of August 2022 which saw the change in county administration with the election of new office bearers both at the County Executive and County Assembly levels.

The County Government had an approved budget of Kes. 7,001,987,080. Out of this, kes. 4,134,048,088 (59.04%) was meant for recurrent expenditure, Kes. 2,037,494,763 (29.10%) for development expenditure and Kes. 830,444,228 (11.86%) for the County Assembly.

In the resource envelope, the national equitable share of Kes. 5,670,444,228 was projected to be the largest source of county revenue accounting for 80.98% of the total resource envelope. Conditional grants of Kes. 671,542,852 inclusive of donor grants were projected to account for 10.02% of the envelope while county-own-source revenue of Kes 660,000,000 was to account for 9% of the envelope.

2.1.1 Revenue Performance

For the period July- December 2022, the County government received total revenue amounting to Kes. 2,488,489,764 This was 35.54 % of the projected annual revenue.

The biggest share of this revenue was received from the equitable share Kes. 2,324,882,138 (41%) and the least from conditional grants as no amount was received from this source.

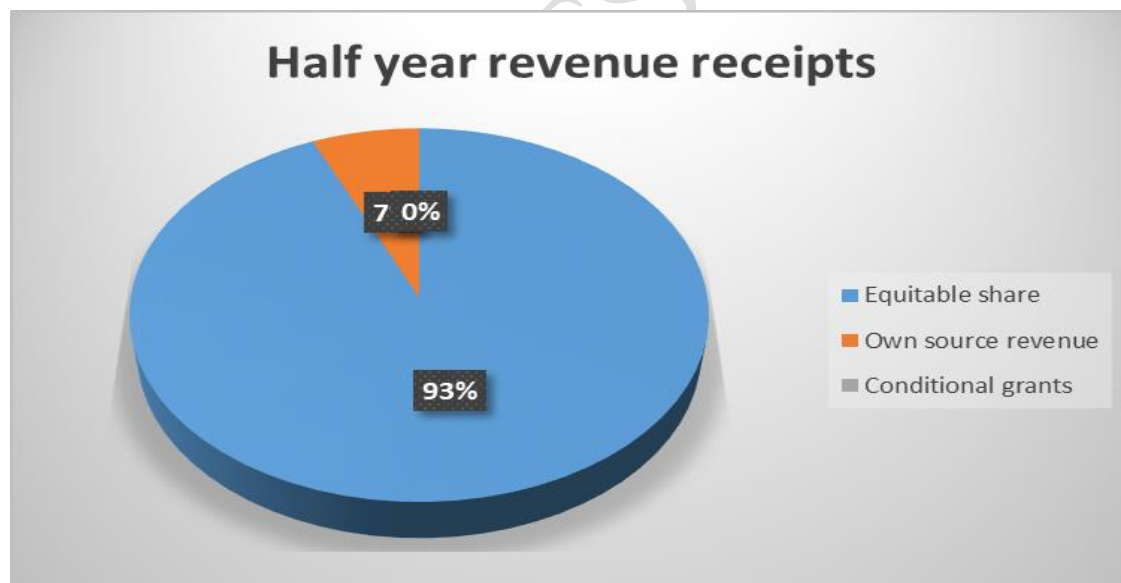
In addition, Kes 543,506,101.55 was received being balances of releases for the FY 2021/22.

The revenue receipts are as summarized in Table 2.1.

Table 2.1: County Revenue Receipts for the period from July to December 2022

Revenue source	Approved Annual Estimates FY 2022/23	Amount received (July-December 2022)	% received
Equitable share	5,670,444,228	2,324,882,138	41%
Own source revenue	660,000,000	163,607,626	24.79%
Conditional grants	671,542,852	0	0%
Total	7,001,987,080	2,488,489,764	35.54%
Other receipts (unreleased balances for 2021/22FY)		543,506,101.55	

Source: County Treasury



2.1.1.1. Analysis of Own Source Revenue Performance

The analysis of revenues generated from the County's own local sources is as indicated in Table 2.2

Table 2.2: Analysis of Revenue by Stream, Target and Actual Collection

Revenue source	Annual Target 2022/2023	July	August	September	October	November	December	Total	% Realized
Health services									
J.M. Hospital	120,000,000	9,826,210	6,134,841	10,755,443	6,703,253	22,021,897	6,468,925	61,910,569	52
Engineer hospital	30,000,000	1,263,315	1,457,106	1,303,368	4,237,545	1,478,164	1,349,947	11,089,445	37
N.H.I.F fee/insurance	30,000,000	2,457,160	2,098,320	1,156,431	2,431,643	8,944,668	3,033,810	20,122,032	67
Public health fees	9,000,000	240,500	235,300	861,100	332,600	277,400	206,500	2,153,400	24
Grave fees	30,000	3,400	1,000	2,900	1,100	1,000	2,500	11,900	40
Medical certificate fees	1,000,000	49,500	48,000	61,500	85,500	113,500	43,000	401,000	40
Water, Environment, Tourism and Natural Resources									
Conservancy	1,000,000	1,800	2,500	5,700	3000	2,100	300	15,400	2
Exhauster and exh. Milage	1,000,000	0	0	2,700	7,000	7000		16,700	2
Water fee	500,000	4,278	7,023	6,121	8,249	9,590	19,389	54,650	11
Hire of water tanker	350,000	0	0	0	0	0	0	0	-
Dumping fee	100,000	0	0	0	0	0	0	0	-
Park entrance fee	10,000	0	0	0	0	0	0	0	-
Logging fees	2,500,000	49,920	27,120	30,840	27,240	28,030	21,500	184,650	7
Sale of trees	-			70,000				70,000	
Hire of stadium	-					12,000		12,000	
Noise control	-						2,000	2,000	
Public Administration & ICT									
Impounded fees	5,000,000	4,100	4,350	79,150	83,640	45,130	91,600	307,970	6
Storage fees	50,000	0	0	12,690	1350	810	1,620	16,470	33
Motor cycle penalty	2,500,000	0	0	12,950	21,700	1,700	116,900	153,250	6
Betting	50,000	0	0	-				-	-
Land, Housing & Physical Planning									
Plot rates	25,000,000	246,355	207,431	258,326	192,272	218,147	212,471	1,335,002	5
Land rates	20,000,000	75,831	40,301	98,148	75,467	181,149	57,452	528,348	3
Market stall rent	2,500,000	131,200	108,000	228,600	134,300	163,600	153,000	918,700	37
Ground rent/kiosk rent	3,500,000	20,600	2,500	25,700	49,500	18,700	10,000	127,000	4
House/office rent	1,500,000	50,300	91,770	75,650	103,450	61,250	77,400	459,820	31

Sub-division of land	9,000,000	319,500	192,500	303,500	434,500	231,500	210,500	1,692,000	19
Building plan inspection fee	600,000	11,500	9,500	87,425	11,500	13,500	7,100	140,525	23
Site indication	50,000	0	500	500		500		1,500	3
Change of user	4,000,000	87,500	77,000	136,000	76,500	95,500	58,500	531,000	13
Land/plot reg. Fees	1,000,000	7,650	4,050	14,200	3,600	9,450	8,810	47,760	5
Dev.(PPA forms)	3,000,000	30,600	25,200	40,200	28,800	31,200	25,800	181,800	6
App. Of building plans	15,000,000	453,989	476,334	146,068	517,904	400,613	462,259	2,457,167	16
Transfer fees	4,000,000	85,500	112,000	117,000	74,500	108,000	98,050	595,050	15
Clearance certificate	4,500,000	111,000	138,000	162,000	160,000	123,000	119,400	813,400	18
Hire of hall/chairs	10,000	0	0	2,500	1,500	2,500		6,500	65
Survey fees	3,000,000	0	0	-				-	-
Lease extension	3,000,000	11,500	0	-	11,500	22,900	11,500	57,400	2
Search fee	2,000	0	0	-				-	-
Certificate of compliance	1,500,000	68,000	48,000	66,500	70,000	57,000	68,700	378,200	25
Advertisement	13,500,000	125,611	281,305	75,800	104,850	317,873	8,860	914,299	7
Wayleave	-	0	10,000	-				10,000	
Imprest surrender/salary rec.	-				252,342		237,131	489,473	
Road, Transport & Infrastructure									
Bus and matatu fees	14,393,000	767,600	662,300	793,900	767,850	925,950	965,030	4,882,630	34
Motor cycle fees (parking)	8,500,000	189,100	101,800	290,050	280,400	511,800	653,850	2,027,000	24
Town parking fee	1,500,000	62,250	40,400	45,720	44,050	53,960	43,600	289,980	19
Project management fee	30,000,000	660,013	0	544,506	212,094	36,142	747,983	2,200,738	7
Disposal of assets	-	0	0	-				-	
Fire certificate	1,500,000	7,750	1,500	16,000	4,000	750	750	30,750	2
Trade, Industrialisation & Cooperatives									
Single Business Permits	110,000,000	946,303	775,917	1,309,365	1,144,647	819,523.50	506,486	5,502,241	5
SBP penalties	3,000,000	63,422	39,843	168,844	156,207	54,486.50	77,793	560,594	19
Sale of application/renewal	2,000,000	55,150	29,050	79,172	58,655	57,750	19,600	299,377	15
Open air market fees	15,000,000	980,218	815,780	890,263	941,305	900,700	833,980	5,362,246	36
Change of business	300,000	4,500	-	1,000		500		6,000	2
Weights and measures	1,500,000	0	0	-	96,720		85,380	182,100	12
Cooperative audit fees	1,000,000	0	0	26,215		71,260		97,475	10

Reg.and renewal of groups	5,000	0	0	1,350		1,800	3,150	6,300	126
Liquor licence/inspection/app	60,000,000	9,047,294	191,520	316,655	200,680	229,300	1,310,630	11,296,079	19
Agriculture, Livestock and Fisheries									
Cattle dips	250,000	6,990	3,225	2,335	5,595	6,012	6,505	30,662	12
Produce cess royalties	58,000,000	3,609,450	2,452,960	2,705,860	2,958,750	3,210,215	2,631,820	17,569,055	30
Slaughter fees	2,000,000	44,360	39,650	40,250	38,750	34,750	43,890	241,650	12
Hire of machines(agriculture)	2,500,000	64,000	57,000	134,000	85,000	74,500	85,860	500,360	20
Meat inspection	7,000,000	358,750	402,640	353,440	352,585	335,570	383,980	2,186,965	31
Vet department (ai services)	5,000,000	195,816	160,494	188,254	158,304	220,991		923,859	18
Vaccination	4,000,000	0	0	5,000				5,000	0
C.O.T	300,000	9,920	10,000	44,340	15,640	21,870	23,700	125,470	42
Movement permit	300,000	18,910	14,460	8,690	20,550	12,880	14,650	90,140	30
ATC njabini	300,000	24,000	8,000	12,500	30,500	15,000	41,700	131,700	44
ATC oljoro orok	1,500,000	113,530	41,200	31,510	35,920	46,855	32,310	301,325	20
Fisheries	100,000	0	0	-		434,152		434,152	434
Motorcycle mortgage fees	-	0	0	29,000	68,700	16,700		114,400	
Subsidized fertilizer sale	12,000,000	0	0	-				-	-
Reg. Of transporters (agri)	250,000	2,000	0	-			1,000	3,000	1
Shamba rent	50,000	0		-				-	-
Grand Total	660,000,000	32,968,144	17,687,689	24,237,229	23,923,207	43,092,788	21,698,571	163,607,626	25

From the foregoing presentation in table 2.2, Kes. 74,893,062 was collected in the first quarter and Kes. 228,398,985 collected in the second quarter. Consequently, only 25% of the projected annual target for own source revenue was met in the first half of 2022/23 FY.

2.1.1.2. Analysis of Equitable Share Receipts

The County received Kes 2,324,882,138 as part of its equitable share. This was 41% of the projected annual revenue from this source as tabulated in Table 2.3

Table 2.3: Equitable Share Exchequer Releases

Annual Estimates FY2022/23	Amount Received July-December 2022	% received
5,670,444,228	2,324,882,138	41%

2.1.1.3. Analysis of Conditional Grants Receipts

In the first half of the 2022/23FY, no mount was received by the County Government as conditional grant.

Table 2.4: conditional grant Releases

Grant	Approved Annual Estimates FY 2022/23	Amount received (July-December 2022)	% Received
Supplement for Construction of County Headquarters	90,800,000	0	0
Conditional Grant Leasing of Medical Equipment	110,638,298	0	0
World Bank Kenya Climate Smart Agriculture Project (KSCAP)	289,609,680	0	0
EU Grant - IDEAS	11,000,000	0	0
Conditional Grant Leasing of Medical Equipment	10,271,800	0	0
World Bank Financing Locally Led Climate Action	125,000,000	0	0
Sweden - Agricultural Sector Development Support Programme	8,725,383	0	0
World Bank - Kenya Informal Settlement Improvement Project	25,497,691	0	0
Total	671,542,852	0	0

2.1.2. Expenditure Performance

In the first half year period, the county government's total expenditure was Kes. 1,974,308,547 representing 31.99% absorption rate. The absorption rate for recurrent budget was higher at 43.19%. This is because it includes the personnel emoluments which are payable monthly.

The absorption rate for development budget was 9.27% and was mostly incurred in the payment of pending bills. Due to the changes in administration occasioned by the general elections and the subsequent handing over, the planned development projects had not taken off in the first half of the year. This partly explains the low absorption rate for the development budget in that period.

Table 2.5: FY 2022/23 First Half-year Expenditure Performance

Expenditure category	Approved Estimates	Actual expenditure July-December 2022	Absorption rate %
Recurrent	4,134,048,088	1,785,418,561	43.19
Development	2,037,494,763	188,889,986	9.27
Total	6,171,542,851	1,974,308,547	31.99
County Assembly	830,444,228		

2.1.2.1 Departmental Expenditure Performance

The analysis of expenditure for the period July-December 2022 per department is as presented in table 2.6.

Table 2.6: First Half-Year Departmental Expenditure (2022/23FY)

Department	Approved Budget Estimates FY 2022/23	Total Expenditure July-December 2022	Absorption Rate (%)
Governor's Office	104,229,680	35,474,349	34.03
Office of The County Secretary	2,420,470,000	1,217,429,239	50.30
Office of The County Attorney	43,796,494	1,531,146	3.50
Public Administration and ICT	54,950,000	14,902,768	27.12
County Public Service Board	25,000,000	9,691,282	38.77
Finance & Economic Development	454,014,315	238,528,308	52.54
Health Services	726,159,873	243,948,889	33.59
Education, Gender, Youth, Culture, Gender and Social Services	207,353,940	13,347,917	6.44
Industrialization, Trade and Cooperative Development	195,308,675	17,636,318	9.03

Ol -Kalou Municipality	55,752,691	7,569,628	13.58
Youth, Sports and Arts	174,898,020	23,287,745	13.32
Water, Environment, Tourism & Natural Resources	379,649,882	15,881,079	4.18
Transport, Energy & Public Works	714,264,461	64,299,193	9.00
Lands, Housing, Physical Planning and Urban Development	110,734,731	10,199,585	9.21
Agriculture Livestock & Fisheries	504,960,090	60,581,101	12.00
Total	6,171,542,852	1,974,308,547	31.99

2.1.2.1.1 Analysis of First Half-Year departmental Recurrent Expenditure

The department of Finance and economic development had the highest absorption rate at 53.46%. This can be explained by the fact that all county funds are domiciled in this department, in this regard there was significant expenditure from the bursary fund in October 2022.

The Office of the County Secretary which has the second highest absorption at 50.3% houses the payroll section responsible for payment of personnel emoluments.

The expenditures for the rest of the departments were on office operations and maintenance as presented in table 2.7

Table 2.7: FY2022/23 First Half-Year Departmental Recurrent Expenditure Analysis

Department	Approved Recurrent Budget Estimates FY 2022/23	Total Recurrent Expenditure 1 st half-year	Absorption Rate (%)
Governor's Office	104,229,680	35,474,349	34.03
Office of The County Secretary	2,420,470,000	1,217,429,239	50.30
Office of The County Attorney	43,796,494	1,531,146	3.50
Public Administration and ICT	49,950,000	14,902,768	29.84
County Public Service Board	25,000,000	9,691,282	38.77
Finance & Economic Development	430,793,191	230,307,184	53.46
Health Services	470,377,598	170,137,932	36.17
Education, Gender, Youth, Culture, Gender and Social Services	77,036,000	13,347,917	17.33
Industrialization, Trade and Cooperative Development	45,066,969	10,265,546	22.78
Ol-Kalou Municipality	24,255,000	6,069,724	25.02
Youth, Sports and Arts	106,600,000	13,287,745	12.47
Water, Environment, Tourism & Natural Resources	51,700,000	15,881,079	30.72
Transport, Energy & Public Works	101,260,000	26,142,343	25.82

Department	Approved Recurrent Budget Estimates FY 2022/23	Total Recurrent Expenditure 1 st half-year	Absorption Rate (%)
Lands, Housing, Physical Planning and Urban Development	42,389,485	9,142,377	21.57
Agriculture Livestock & Fisheries	141,123,671	11,807,930	8.37
Total	4,134,048,088	1,785,418,561	43.19

2.1.2.1.2 Analysis of First Half-Year Departmental Development Expenditure

Table 2.8: FY 2022/23 First Half-Year Development Expenditure Analysis

Department	Approved Development Budget Estimates FY 2022/23	Total Development Expenditure 1 st half-year	Absorption Rate (%)
Governor's Office	-	-	0
Office of The County Secretary	-	-	0
Office of The County Attorney	-	-	0
Public Administration and ICT	5,000,000	-	0
County Public Service Board	0	-	0
Finance & Economic Development	23,221,124	8,221,124	35.40
Health Services	255,782,275	73,810,957	28.86
Education, Gender, Youth, Culture, Gender and Social Services	130,317,940	0	0
Industrialization, Trade and Cooperative Development	150,241,706	7,370,772	4.91
OI -Kalou Municipality	31,497,691	1,499,904	4.76
Youth, Sports and Arts	68,298,020	10,000,000	14.64
Water, Environment, Tourism & Natural Resources	327,949,882	0	0
Transport, Energy & Public Works	613,004,461	38,156,850	6.22
Lands, Housing, Physical Planning and Urban Development	68,345,246	1,057,208	1.55
Agriculture Livestock & Fisheries	363,836,419	48,773,171	13.41
Total	2,037,494,764	188,889,986	9.27

The overall absorption rate for development budget was 9.27%. The department of finance and economic development had the highest absorption at 35.4%. This was a result of settlement of contractors retentions for the year 2021/2022. The expenditure by the other departments was also majorly on settlement of pending bills.

2.2 Fiscal Framework for FY 2023/24 and the Medium Term

The third County Integrated Development Plan acknowledges that growth and job creation must be underpinned by a shift from consumption to investment. The projected fiscal framework supports initiatives to improve productivity and competitiveness particularly in core productive sectors and new areas with potential.

2.2.1. Revenue Projections

Table 2.9: FY 2023/24 and the Medium-Term Revenue Projections

Revenue	Actual Revenues 2021/2022	Revenue estimates FY 2022/23	Revenue Projections FY 2023/24	Revenue Projections FY 2024/25	Revenue Projections FY 2025/26
Equitable Share	5,670,444,228	5,670,444,228	5,899,493,023	6,135,472,744	6,380,891,654
County Own Source Revenue incl. Linda Mama	473,061,810	660,000,000	780,000,000	811,200,000	843,648,000
Grants	1,047,749,163	671,542,852	1,000,000,000	1,000,000,000	1,000,000,000 ¹
Other revenues (unspent bals b/f)	77,567,516	0	0	0	0
Total	7,268,822,717	7,001,987,080	7,529,493,023	7,946,672,744	8,224,539,654

¹ Grants cannot be predicted as they can be added or eliminated any time

CHAPTER THREE

INDICATIVE MEDIUM-TERM RESOURCE ALLOCATION

3.0 Overview

This Chapter outlines the Fiscal Framework for the FY 2023/24 as well as the medium term. It also provides an overview of the resource envelope, proposed ceilings as well as expenditures. The strategic priorities for FY 2023/2024 have been drawn from development priorities as set out in the CIDP 3 and the FY 2023/24 Annual Development Plan.

County allocation of resources in the medium term will be geared towards social development and wealth creation. The FY 2023/24 MTEF budget will concentrate on measures to guide the County's transformation, with guidance being provided by the Constitution and other legal tools; the Acts and Regulations. The County planning framework will endeavour to allocate resources to all the sectors equitably. In strengthening the linkage between planning, budgeting and implementation, the Medium-Term Budget framework for the period 2023/24 will sustain the allocation of resources to core programs and subprograms identified in the CIDP 3 (2023- 2027).

Through the Annual Development Plan (ADP) 2023/24 FY, all the County sectors have identified the priority areas with their estimated resource requirements. The sectoral priorities are in line with the Constitution of Kenya under devolved functions, Vision 2030, Fourth National Medium-Term Plan (MTP IV) 2023-2027, Nyandarua CIDP 3 (2023-2027), SDGs, Kenya Kwanza manifesto and the Bottom-up Economic Transformation Agenda (BETA).

In a bid to enhance efficiency in revenue collection over the medium term, the County endeavours to automate all its revenue streams. Emphasis will be placed on Social sector enablers which will revitalize the County Economy and productivity in alienating the burden of taxation.

In addition, through various investment forums and the Region Economic Bloc, the County intends to attract potential Local and Foreign Investors and other Development Partners to assist in the development of the County by creating an enabling environment through legislation of policies aimed at improving the ease of doing business in the County and creating an enabling environment.

3.1 Criteria for Resource Allocation

Over the Medium Term, the County Government will ensure that resource allocations strive to allocate more resources towards the realization of the Social development and wealth creation agenda as well as align the County to the Bottom-up Economic Transformation Agenda(BETA).

The resource envelope available for allocation among the spending entities in the County comprises of:

1. Share of National Revenue, which finances approximately 85 per cent of the budgeted expenditure.
2. Locally Collected revenue including business permits, property rates, entertainment taxes, levies, fees and charges; and
3. Donor funding (Conditional Grants).

Resource allocation is vital for the advancement of the Social development and wealth creation agenda of the County. The considerations include but are not limited to:

The “Bottom-up Economic Transformation Agenda” which prioritizes:

- i. Agricultural Transformations
- ii. Micro, Small and Medium Enterprise (MSME)
- iii. Housing and Settlement
- iv. Healthcare
- v. Digital superhighway and Creative Industry

In addition, resources allocation has also been based on;

- (i) Development priorities identified in CIDP 3 from the Governor’s change manifesto, the Kenya Kwanza manifesto, MTP IV, sectoral plans and stakeholder’s consultative forums;
- (ii) Mitigation of Climate change effects on all the key facets of socio-economic development for the county citizenry;
- (iii) Assumption into the office of a new administration;
- (iv) A shift of budgetary allocations from a social budget to a more balanced budget factoring both the social and infrastructure development budget;
- (v) Flagship Projects, The Governor’s Change agenda.
- (vi) Ongoing/phased projects: the emphasis is given to the completion of ongoing and unfinished projects and in particular infrastructure projects and other projects with a high impact on poverty reduction, equity, job and wealth creation;

- (vii) Job creation: Specific consideration to job creation for the youth based on sound initiatives identified in the Governor’s manifesto and during the county stakeholders’ consultation for the CIDP will be considered as well as disability and gender.

Table 1: FY 2023-24 Programme and Departmental Ceilings

Programme	Recurrent Expenditure	Development Expenditure	CFSP 23/24 Ceiling as Submitted to CA
GOVERNOR’S OFFICE			
P1 Service Delivery unit Coordination	85,000,000	10,500,000	100,000,000
P2 Liaison & Intergovernmental services	50,000,000		50,000,000
P3:GPS	5,000,000	-	5,000,000
Total	140,000,000	10,500,000	155,000,000
COUNTY SECRETARY			
P1: County Administration (including general insurance, KICOSCA)	58,700,000	-	58,700,000
P2: Cabinet Affairs	3,000,000	-	3,000,000
P3: Communication	8,000,000	-	8,000,000
P4: Records Management	3,000,000	-	3,000,000
Total Expenditure	72,700,000	-	72,700,000
COUNTY ATTORNEY			
Programme 1: County Legal Services	60,000,000	-	60,000,000
Total	60,000,000	-	60,000,000
COUNTY PUBLIC SERVICE BOARD			
1.General administration	20,000,000		20,000,000
2.Human resource	10,000,000		10,000,000
Total	30,000,000		30,000,000
PUBLIC SERVICE, ADMINISTRATION & DEVOLUTION			
P1 Enforcement	10,000,000		10,000,000
P2:Public Administration HQ, sub-County, ward administration and Devolution	21,450,000	10,000,000	31,450,000

P3: Human Resource Management	2,645,000,000		2,645,000,000
P4: Performance management	6,000,000		6,000,000
Total	2,682,450,000	10,000,000	2,692,450,000
FINANCE, ECONOMIC PLANNING & ICT			
P 1: Public Finance Management	35,000,000		35,000,000
Funds (Mortgage, Emergency, Bursary)	310,000,000		310,000,000
Pending Bills		150,000,000	150,000,000
P2 ICT E-government services	5,000,000	15,000,000	20,000,000
P3: County Budgeting	18,000,000	2,000,000	20,000,000
P4: Economic Modelling & Research	5,000,000		5,000,000
P5: Economic Development Planning	15,000,000		15,000,000
P12: Resource mobilization and debt management	8,500,000		8,500,000
P6: Monitoring & Evaluation	10,000,000		10,000,000
P7: County Statistics	15,000,000		15,000,000
P8 Revenue enhancement & monitoring	30,000,000		30,000,000
P9: Revenue collection & admin (including automation)	50,000,000		50,000,000
P10: Supply Chain Management	12,000,000		12,000,000
P11: Internal Audit and Risk Management	15,000,000		15,000,000
Total	528,500,000	167,000,000	695,500,000
EDUCATION, CHILDREN, GENDER, SOCIAL SERVICES & CULTURE			
P 1: Early Childhood Development Education	8,000,000	72,000,000	80,000,000
P 2: Youth Training	10,000,000	40,000,000	50,000,000
P 3: Cultural Heritage (Including library services at Kshs. 5,730,418)	2,069,582	5,730,418	7,800,000
P 3: Alcohol Drink Control & Civic Education	6,500,000	2,000,000	8,500,000
P 4: Social services	5,000,000	20,000,000	25,000,000
P 5: Gender			5,000,000
p6: Education access and standards	10,000,000		10,000,000

P7: Children affairs	3,500,000	1,500,000	5,000,000
Total Expenditure of Vote	45,069,582	141,230,418	191,300,000
TRADE, INDUSTRIALIZATION, TOURISM & COOPERATIVES			
P1: Cooperatives development	5,000,000	20,000,000	25,000,000
P2: Trade development	4,500,000	40,500,000	45,000,000
P3: Weights and measures	2,500,000	2,500,000	5,000,000
P4: Industrial and Enterprise Development	2,500,000	122,500,000	125,000,000
P5: Tourism Development and Marketing	3,000,000	17,000,000	20,000,000
P6: Investment promotion	5,000,000	40,000,000	45,000,000
TOTAL	22,500,000	242,500,000	265,000,000
YOUTH, SPORTS & ARTS			
P 1: Sports Development	15,000,000	35,000,000	50,000,000
P 2: Youth Affairs	5,000,000	20,000,000	25,000,000
P 3: Arts & Theatre	5,000,000	25,000,000	30,000,000
Total Expenditure of Vote	25,000,000	80,000,000	105,000,000
WATER, ENVIRONMENT, CLIMATE CHANGE, NATURAL RESOURCES			
P1: Water Resource Management	24,000,000	216,000,000	240,000,000
P2: Environmental Management	5,600,000	2,400,000	8,000,000
P3: Irrigation and Drainage	2,000,000	8,000,000	10,000,000
P4. Climate Resilience	5,000,000	45,000,000	50,000,000
P5: Natural Resources	7,000,000	3,000,000	10,000,000
TOTAL	43,600,000	274,400,000	318,000,000
LANDS, PHYSICAL PLANNING & URBAN DEVELOPMENT			
P 1: Land Use Administration and Management	8,000,000	72,000,000	80,000,000
P 2: Physical Planning Services	8,400,000	3,600,000	12,000,000
P 3: Survey and Mapping Services	7,500,000	7,500,000	15,000,000
P4: Urban development	6,000,000	24,000,000	30,000,000
P5:Ol Kalou Municipality	5,000,000	65,000,000	70,000,000

P6: GIS Lab	-	10,000,000	10,000,000
GRAND TOTAL	34,900,000	182,100,000	217,000,000
PUBLIC WORKS, ROADS, TRANSPORT, HOUSING & ENERGY			
P1: Transport	25,000,000	401,523,441	426,523,441
P2: Energy development (floodlights, transformers)	30,000,000	20,000,000	50,000,000
P3: Emergency response & preparedness	7,000,000	3,000,000.00	10,000,000
P4: Public works (bus parks, Boda boda sheds, drainage)	10,540,000	51,460,000	62,000,000
P 5: Housing	1,500,000	13,500,000	15,000,000
TOTAL	74,040,000	489,483,441	563,523,441
AGRICULTURE, LIVESTOCK & FISHERIES			
P 1: General Administration Support and Extension Services (Livestock and Crops)	10,000,000		10,000,000
P 2: Veterinary Services	12,500,000	12,500,000	25,000,000
P 3: Subsidized Artificial Insemination	15,000,000		15,000,000
P 4: Livestock Development	6,000,000	9,000,000	15,000,000
P 5: Crop Development	12,000,000	28,000,000	40,000,000
P 6: Fisheries Development	4,900,000	2,100,000	7,000,000
P 7: Institutions Support (ATCs)	9,600,000	2,400,000	12,000,000
P 8: Agricultural Mechanization Services	5,600,000	1,400,000	7,000,000
P 9: Seed potato production Unit (SPPU Lab)	6,000,000	4,000,000	10,000,000
P10: Agribusiness development	7,000,000	3,000,000	10,000,000
Total Expenditure of Vote	88,600,000	62,400,000	151,000,000
HEALTH SERVICES			
P 1: Health infrastructure and equipment		280,000,000	280,000,000
P 2: Preventive and promotive health care	48,750,000		48,750,000
P 3: Solid waste management & cemetery	6,000,000	14,000,000	20,000,000
P 4: Curative health care (Inclusive of Universal Health Coverage)	260,000,000		260,000,000
P5: Healthcare support and management	10,000,000		10,000,000

Total Expenditure	324,750,000	294,000,000	618,750,000
COUNTY ASSEMBLY			
P 1: Legislation	600,000,000	100,000,000	700,000,000
P 2: Oversight			
P 3: Institutional Capacity			
Total	600,000,000	100,000,000	700,000,000
GRAND TOTAL	4,772,109,582	2,053,613,859	6,835,223,441

Table 2: FY 2022-23 and the Medium Term Departmental Ceilings

Programme	Approved Budget 2022/23 FY County Funds or Conditional Grants	Approved Budget 2022/23 FY allocation excluding conditional grants and funds	Submitted ADP 23/24	CFSP 23/24 Ceiling as Submitted to CA	CFSP 24/25 Ceiling Projections	CFSP 25/26 Ceiling Projections
GOVERNOR'S OFFICE						
P1 Service Delivery unit Coordination	-	18,000,000	110,000,000	100,000,000	110,000,000	121,000,000
P2 Governor's office and investment promotion	-	50,000,320				
P3 Liaison & Intergovernmental services	-	20,000,000	55,000,000	50,000,000	55,000,000	60,500,000
P4 civic education	-	12,229,680				
P5:GPS			5,500,000	5,000,000	5,500,000	6,050,000
Total	-	100,230,000	170,500,000	155,000,000	170,500,000	187,550,000
COUNTY SECRETARY						
P1: County Administration (including general insurance, KICOSCA & Assumption)	64,000,000	13,000,000	64,570,000	58,700,000	64,570,000	71,027,000
P2: Cabinet Affairs	-	1,970,000	3,300,000	3,000,000	3,300,000	3,630,000

P3: Communication	-	4,500,000	8,800,000	8,000,000	8,800,000	9,680,000
P4: Records Management			3,300,000	3,000,000	3,300,000	3,630,000
Total Expenditure	64,000,000	19,470,000	79,970,000	72,700,000	79,970,000	87,967,000
COUNTY ATTORNEY						
Programme 1: County Legal Services	-	40,000,000	66,000,000	60,000,000	66,000,000	72,600,000
Total		40,000,000	66,000,000	60,000,000	66,000,000	72,600,000
COUNTY PUBLIC SERVICE BOARD						
1. General administration	-	17,589,000	22,000,000	20,000,000	22,000,000	24,200,000
2. Human resource		7,411,000	11,000,000	10,000,000	11,000,000	12,100,000
Total	-	25,000,000	33,000,000	30,000,000	33,000,000	36,300,000
PUBLIC SERVICE, ADMINISTRATION & DEVOLUTION						
SP 1. 1 Enforcement	-	9,750,000	11,000,000	10,000,000	11,000,000	12,100,000
Public Administration HQ, sub-County, ward administration and Devolution	-	28,000,000	34,595,000	31,450,000	34,595,000	38,054,500
Programme 2: Human Resource Management	2,146,000,000	1,500,000	2,909,500,000	2,645,000,000	2,909,500,000	3,200,450,000
Programme 3: Payroll Services	190,000,000	4,000,000	-	-	-	-
P4: Performance management			6,600,000	6,000,000	6,600,000	7,260,000
Total	2,336,000,000	43,250,000	2,961,695,000	2,692,450,000	2,961,695,000	3,257,864,500
FINANCE, ECONOMIC PLANNING & ICT						
P 1: Public Finance Management	306,200,000	21,539,315	38,500,000	35,000,000	38,500,000	42,350,000

Funds (Mortgage, Emergency, Bursary)			341,000,000	310,000,000	341,000,000	375,100,000
Pending Bills			165,000,000	150,000,000	165,000,000	181,500,000
P2 ICT E-government services	-	12,700,000	22,000,000	20,000,000	22,000,000	24,200,000
P3: County Budgeting	-	12,205,000	22,000,000	20,000,000	22,000,000	24,200,000
P4: Economic Modelling & Research	-	3,451,700	5,500,000	5,000,000	5,500,000	6,050,000
P5: Economic Development Planning		26,100,000	16,500,000	15,000,000	16,500,000	18,150,000
P12: Resource mobilization and debt management			9,350,000	8,500,000	9,350,000	10,285,000
P6: Monitoring & Evaluation		4,000,000	11,000,000	10,000,000	11,000,000	12,100,000
P7: County Statistics		8,743,300	16,500,000	15,000,000	16,500,000	18,150,000
P8 Revenue enhancement & monitoring		16,540,000	33,000,000	30,000,000	33,000,000	36,300,000
P9: Revenue collection & admin (including automation)		21,460,000	55,000,000	50,000,000	55,000,000	60,500,000
P10: Supply Chain Management		10,104,812	13,200,000	12,000,000	13,200,000	14,520,000
P11: Internal Audit and Risk Management		12,000,000	16,500,000	15,000,000	16,500,000	18,150,000
Total	306,200,000	148,844,127	765,050,000	695,500,000	765,050,000	841,555,000

EDUCATION, CHILDREN, GENDER, SOCIAL SERVICES & CULTURE

P 1: Early Childhood Development Education		71,445,473	88,000,000	80,000,000	88,000,000	96,800,000
P 2: Youth Training	25,776,000	32,212,467	55,000,000	50,000,000	55,000,000	60,500,000
P 3: Cultural Heritage		7,500,000	8,580,000	7,800,000	8,580,000	9,438,000

(Including library services at Kshs. 5,730,418)						
P 3: Alcohol Drink Control & Civic Education		6,000,000	9,350,000	8,500,000	9,350,000	10,285,000
P 4: Social services		54,900,000	27,500,000	25,000,000	27,500,000	30,250,000
P 5: Gender		4,500,000	5,500,000	5,000,000	5,500,000	6,050,000
p6: Education access and standards		-	11,000,000	10,000,000	11,000,000	12,100,000
P7: Children affairs		-	5,500,000	5,000,000	5,500,000	6,050,000
Total Expenditure of Vote	25,776,000	112,133,006	210,430,000	191,300,000	210,430,000	231,473,000

TRADE, INDUSTRIALIZATION, TOURISM & COOPERATIVES

P1: Cooperatives development		21,200,000	27,500,000	25,000,000	27,500,000	30,250,000
P2: Trade development		21,800,000	49,500,000	45,000,000	49,500,000	54,450,000
P3: Weights and measures		1,500,000	5,500,000	5,000,000	5,500,000	6,050,000
P4: Industrial and Enterprise Development		118,597,585	137,500,000	125,000,000	137,500,000	151,250,000
P5: Tourism Development and Marketing		21,700,000	22,000,000	20,000,000	22,000,000	24,200,000
P6: Investment promotion			49,500,000	45,000,000	49,500,000	54,450,000
TOTAL	-	184,797,585	291,500,000	265,000,000	291,500,000	320,650,000

YOUTH, SPORTS & ARTS

P 1: Sports Development		76,500,000	55,000,000	50,000,000	55,000,000	60,500,000
P 2: Youth Affairs		32,000,000	27,500,000	25,000,000	27,500,000	30,250,000
P 3: Arts & Theatre		18,220,000	33,000,000	30,000,000	33,000,000	36,300,000
Total Expenditure of Vote	-	126,720,000	115,500,000	105,000,000	115,500,000	127,050,000

WATER, ENVIRONMENT, CLIMATE CHANGE, NATURAL RESOURCES						
P1: Water Resource Management		194,049,882	264,000,000	240,000,000	264,000,000	290,400,000
P2: Environmental Management		10,000,000	8,800,000	8,000,000	8,800,000	9,680,000
P3: Irrigation and Drainage		8,000,000	11,000,000	10,000,000	11,000,000	12,100,000
P4: Climate Resilience		130,000,000	55,000,000	50,000,000	55,000,000	60,500,000
P5: Natural Resources		3,100,000	11,000,000	10,000,000	11,000,000	12,100,000
TOTAL		345,149,882	349,800,000	318,000,000	349,800,000	384,780,000
LANDS, PHYSICAL PLANNING & URBAN DEVELOPMENT						
P 1: Land Use Administration and Management		79,974,367	88,000,000	80,000,000	88,000,000	96,800,000
P 2: Physical Planning Services		11,600,000	13,200,000	12,000,000	13,200,000	14,520,000
P 3: Survey and Mapping Services		11,050,000	16,500,000	15,000,000	16,500,000	18,150,000
P4: Urban development		24,400,000	33,000,000	30,000,000	33,000,000	36,300,000
P5: Ol Kalou Municipality	25,497,691	30,255,000	77,000,000	70,000,000	77,000,000	84,700,000
P6: GIS Lab			11,000,000	10,000,000	11,000,000	12,100,000
GRAND TOTAL	25,497,691	157,279,367	238,700,000	217,000,000	238,700,000	262,570,000
PUBLIC WORKS, ROADS, TRANSPORT, HOUSING & ENERGY						
P1: Transport (including fuel levy)		418,760,000	469,175,785	426,523,441	469,175,785	516,093,364
P2: Energy development (floodlights, transformers)		50,690,000	55,000,000	50,000,000	55,000,000	60,500,000
P3: Emergency response & preparedness		8,862,200	11,000,000	10,000,000	11,000,000	12,100,000
P4: Public works (bus parks, Boda boda sheds, drainage)	90,800,000	94,977,539	68,200,000	62,000,000	68,200,000	75,020,000

P 5: Housing		5,987,047	16,500,000	15,000,000	16,500,000	18,150,000
TOTAL	90,800,000	579,276,786	619,875,785	563,523,441	619,875,785	681,863,364

AGRICULTURE, LIVESTOCK & FISHERIES

P 1: General Administration Support and Extension Services (Livestock and Crops)		10,362,303	11,000,000	10,000,000	11,000,000	12,100,000
P 2: Veterinary Services		24,695,000	27,500,000	25,000,000	27,500,000	30,250,000
P 3: Subsidized Artificial Insemination		11,345,000	16,500,000	15,000,000	16,500,000	18,150,000
P 4: Livestock Development	8,725,383	13,831,634	16,500,000	15,000,000	16,500,000	18,150,000
P 5: Crop Development	300,609,680	107,273,107	44,000,000	40,000,000	44,000,000	48,400,000
P 6: Fisheries Development		5,700,000	7,700,000	7,000,000	7,700,000	8,470,000
P 7: Institutions Support (ATCs)		9,450,000	13,200,000	12,000,000	13,200,000	14,520,000
P 8: Agricultural Mechanization Services		5,550,000	7,700,000	7,000,000	7,700,000	8,470,000
P 9: Seed potato production Unit (SPPU Lab)		4,000,000	11,000,000	10,000,000	11,000,000	12,100,000
P10: Agribusiness development			11,000,000	10,000,000	11,000,000	12,100,000
Total Expenditure of Vote	309,335,063	192,207,044	166,100,000	151,000,000	166,100,000	182,710,000

HEALTH SERVICES

P 1: Health infrastructure and equipment		248,820,000	308,000,000	280,000,000	308,000,000	338,800,000
P 2: Preventive and		9,250,000	53,625,000	48,750,000	53,625,000	58,987,500

promotive health care						
P 3: Solid waste management & cemetery		11,200,000	22,000,000	20,000,000	22,000,000	24,200,000
P 4: Curative health care (Inclusive of Universal Health Coverage)	122,873,598	318,959,500	286,000,000	260,000,000	286,000,000	314,600,000
P5: Healthcare support and management			11,000,000	10,000,000	11,000,000	12,100,000
Total Expenditure	122,873,598	588,229,500	680,625,000	618,750,000	680,625,000	748,687,500
COUNTY ASSEMBLY						
P 1: Legislation		99,345,730				
P 2: Oversight		121,422,560	770,000,000	700,000,000	770,000,000	847,000,000
P 3: Institutional Capacity		609,675,938				
Total	-	830,444,228	770,000,000	700,000,000	770,000,000	847,000,000
GRAND TOTAL	3,280,482,352	3,453,031,525	7,518,745,785	6,835,223,441	7,518,745,785	8,270,620,364

3.4 Adherence to Fiscal Responsibility Principles

In line with the Constitution, Section 107 of the PFM Act, 2012 and regulation 25 of the PFM (County Governments) Regulations, 2015 sets out the Fiscal Responsibility Principles which the County Governments have to adhere to;

The law stipulates that:

- i. The County public debt shall never exceed twenty (20) percent of the County Government's total revenue at any one time.
- ii. The County Government wages shall be contained at thirty-five (35) percent of the County Government's total revenue in the Medium Term;
- iii. The approved expenditures of a County assembly will be as per the senate's

recommendations. This shall not exceed 7% of the total revenues of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

- iv. The County Government actual expenditure on development shall be at least thirty (30) percent of the County Government's total expenditure.
- v. fiscal risks shall be managed prudently; and
- vi. A reasonable degree of predictability for the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future.

In the 2023/24 FY and the Medium Term, the County Treasury will ensure that the Budgets are prepared in a way that ensures strict adherence to this principle. Table 10 gives a summary of the indicators on Fiscal Responsibility.

Table 3: County Fiscal Responsibility Adherence

Indicator		Amount (Kes)	% share of total Budget
County Expenditure	Recurrent	4,772,109,582	70
	Development	2,053,613,859	30
	Total	6,825,723,441	100
Expenditure on wages & benefits		2,620,000,000	38
Expenditure by County Assembly	Recurrent and Development	700,000,000	10.2
Debt financing	Recurrent and Development	150,000,000	2

From the analysis presented in table 10, the extent of adherence to the Fiscal Responsibility Principles is as follows:

- i. The County public debt shall never exceed twenty per cent of the County Government's total revenue at any one time**

In the 2023/24 FY, the County does not plan to borrow externally. The County Government will ensure that all its obligation to the suppliers is met on a timely basis to avoid piling of Pending Bills. The County has allocated resources towards payment of historical pending bills as cleared by the County Pending Bills Committee.

- ii. County Government's expenditure on wages and benefits for its public officers shall not exceed thirty-five (35) per cent of the County Government's total revenue**

In 2023/24 FY, the County's expenditure on wages and benefits will account for 38% of the total expenditure. This includes the employees' pension and gratuity funds and medical schemes. The County is therefore not in line with the set limit of 35 % of the County revenues.

- iii. The approved expenditures of a County Assembly shall not exceed seven per cent of the total revenues of the County Government or twice the personnel emoluments of that County assembly, whichever is lower.**

The County Assembly's ceiling accounts for 10.2% of the total revenues. The allocation is above this fiscal responsibility principle but is informed by the need to facilitate the Assembly to meet its operations and complete its ongoing infrastructural projects.

- iv. The County Government actual expenditure on development shall be at least thirty per cent**

It is projected that the County Government will spend 30% of its Budget on development in 2023/24 FY. This will be mostly on expenditure towards the completion of on-going projects, flagship projects and other service delivery initiatives. This allocation will also be continued over the Medium Term.

- v. Fiscal risks shall be managed prudently**

Fiscal risks will be managed prudently through the implementation of e-procurement, prudent expenditure management on items and pricing that should reflect the market prices as much as possible.

Further, a provision of **Kes. 60 million** has been factored to cater to urgent and unforeseen expenditures. This will ensure that emergencies can be handled without disorienting the plans and budgets.

- vi. A reasonable degree of predictability for the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future**

To ensure a reasonable degree of predictability for the level of tax rates, charges and tax bases, legislation on property rates, entertainment tax and produce cess will be amended through the Finance Acts depending on the fiscal strategy in a given year. The legislation will also contain clear justification for the fees and charges to be charged and the modalities

for charging the same. The County Finance Acts will refer to the substantive legislation while proposing amendments to the charges, fees and taxes hence maintaining a degree of predictability.

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CHAPTER FOUR

ASSUMPTIONS AND RISKS UNDERLYING BUDGETARY AND FISCAL POLICY

4.0 Overview

This chapter provides an assessment of assumptions and risks underlying the budgetary and fiscal policies that the county economy is exposed to that may affect the achievement of targets and objectives detailed in this CFSP. The economy is prone to both internal and external shocks. The capacity to translate policy priorities into the budget, and then to ensure conformity of actual expenditures with the budget, depends in large part on the soundness of projections and revenue forecasts. The risks arise from the assumptions that underlie the definition of targets and instruments in areas such as monetary policy, fiscal policy, exchange rate and trade policy, debt policy, regulation and promotion of private-sector activities, and reform of public` enterprises. Emergency of these risks could make it difficult for the government to actualize and sustain the policies detailed in this document. Thus, this section also details measures that the government will implement to mitigate such risks.

4.1 Assumptions

Projections are based on critical assumptions about GDP, wage and productivity trends, interest rates and much more. Key social and economic assumptions underlie these projections, including the estimated impact of fiscal trends on national output, prices, and interest rates.

The basic assumption that has been applied in this plan is full management and control of Covid-19 and all related funding support has ceased. Therefore all economic activities are expected to gradually recover from the effects of the pandemic. This implies that the multiplier effects in the local economy will likely be felt in the course of the year. An increase in economic activity in the County will accelerate the achievement of the targeted revenues and have the County channel the funds meant for Covid-19 management to development programmes.

Macroeconomic policies are typically assumed to be "unchanged" over the projection period and based on current fiscal and monetary policies. Interest rates will remain relatively static both in terms of investments and borrowing, inflation is assumed to be moderate and Capital investment is proposed to increase substantially given the assumptions around interest rates. The forecasts represent the likely outcomes for growth.

The County is highly dependent on revenues from the National Government and Conditional Grants from various Development Partners. To this end, the County expects that all the revenues streams will be released to the County for all the anticipated programmes and projects to take off. To ensure planned and sustainable growth the County Government will continue to synergize its efforts in implementing the socio-economic priority programmes as articulated in the County's Integrated Development Plan III (2023-2027) and all other relevant policy documents. The County is desirous of ensuring that ongoing programmes and projects are undertaken and completed.

Adherence to all the fiscal principles as captured in the constitution of Kenya 2010, and the PFM Act, 2012 is of the essence in the County operations. All programmes and projects implemented are to also adhere to other legal instruments such as the Procurement and Disposal Act and Regulations among other existing policy guidelines.

Disruptive events, such as industrial action, political activities among others are not expected to hinder the implementation of the programmes and projects targeted for the FY 2023/24.

4.2 Risks

All projections are subject to uncertainty. This means that events such as natural disasters, wars, pandemics, advancement of technology among others cannot be projected given current information and methods. The risk to the projected outlook for 2023/2024 FY Budget and Medium Term emanate from both external and internal quotas. The County Government in pursuing its goal of improving the livelihoods of the residents through its change Agenda acknowledges that various risks may hinder the fulfilment of its fiscal objectives.

The local economy is highly dependent on the performance of the global economy since the National Economy cannot operate as a closed system. An increase in international prices of oil has a direct effect on the national economy and trickles down to the county economy. Random shocks in the global economy will lead to slowed economic activities both nationally and at the county level. The above factors may affect the realization of the 2023/24 plan.

The National government should develop policies to provide resilience as much as possible to counter the effects of international shocks and setbacks.

Agriculture is the back bone of Nyandarua County's economy. However, the changing climate is having far reaching impacts on agricultural production, which are likely to challenge the sector in

future. This is as a result of global warming. Prolonged droughts may lead to reduced farm produce which affects food security in the country and the county. Reduced agricultural activities will hurt the county's local revenue which is the major source. It will also result to unemployment as well as under employment since agriculture is the main source of employment in the county.

Prolonged heavy rains may lead to crop failure and huge losses to the producers due to impassable roads that link to marketplaces. In addition, heavy rains leads to delay in implementation of projects other projects transforming to low economic growth in the county.

The County needs to adopt the growth of drought-resistant crops and fast-growing crops to address the problem of prolonged drought. The timely implementation of development projects during favourable weather conditions should be prioritized. The County Government should invest heavily in drainage systems and water harvesting for irrigation.

Unemployment is a great risk factor not just in the county but nationally and is a top potential for economic crisis. The financial, budgetary and economic effects of unemployment are profound. High levels of unemployment mean that the government's social spending must be increased, putting further pressure on the county's budget. With an unemployment rate of 46.3% (KNBS), it means that the county is not using the labour resource efficiently. The price paid by the government is increased social support, health and community support costs and reduction in human capital and productivity.

The county government should create employment through adoption of policies that encourage labour intensive methods of production. Nyandarua County is an agricultural county hence investment in the agricultural sector and value addition industries will curb the unemployment. Development of market linkages for agricultural produce is also inevitable.

Untimely disbursement of funds from the National treasury which is the major source of county resources may impede the implementation of the plan. Low/slow disbursement of donor funds may occur due to the prescribed conditions and funding guidelines on implementation procedures.

There is a need for the National treasury to enhance timely releases of funds for the county government to pay the suppliers in good time. This will also help in curbing the problem of huge pending bills and unspent balances at the close of the financial year.

Following the 2022 elections, there are political and social tensions stemming from the outcome and change of government. The political intolerance and divisive politics are likely to lower the economic activities in the short term leading to economic depression.

It is a collective responsibility for leaders and citizens to show patriotism and avoid fuelling the tension. Any form of protests or go-slows will only serve to hurt the already ailing economy.

In light of the existing risks and the level of exposure, the County through the Departments has set into place for implementation of the Risk Policy and mitigation measures. It is expected that the County Emergency Fund will alleviate the emergent issues not captured in the budget.

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