

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



**COUNTY FISCAL STRATEGY PAPER FOR
2024/25 FY AND THE MEDIUM TERM**

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

FEBRUARY, 2024

DRAFT

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FOREWORD

The 2024 County Fiscal Strategy Paper (CFSP), the second to be prepared under the current County Administration, reaffirms the priority projects and programmes under the change Manifesto and CIDP III to be implemented in the Medium-Term Expenditure Framework (MTEF).

Since coming into office, the current administration has implemented projects and programmes to mitigate the negative global and persistent shocks that have pushed the economy to its lowest level. These shocks include global supply chain disruptions due to ongoing conflicts in Eastern Europe and the Israeli-Palestinian war; high-interest rates limiting access to credit and exacerbating debt servicing costs; significant losses and damages due to frequent extreme weather events; and elevated commodity prices such as petroleum products on account of increased geopolitical fragmentation and global oil supply cuts.

Against this background, the County Government of Nyandarua continues to implement programmes directed at reducing the cost of living and improving livelihoods, while at the same time fostering a sustainable inclusive economic transformation through the Change Manifesto. This is meant to ease economic hardships and try to ignite economic recovery.

Despite the globally challenging environment, there is hope of the County doing well having noted significant success nationally following the various interventions rolled out during the past year by both levels of the Government. The national economy in the first half of 2023 remained strong at 5.45 percent GDP growth rate a demonstration of resilience. This growth is well above estimated global and Sub-Saharan African region average of 2.9 percent and 3.3 percent respectively. The economy subsequently is projected to expand by 5.5 percent in the second half of 2023 and 2024 from 4.8 percent in 2022. This growth outlook will be supported by broad-based private sector growth, continued robust performance of the services sectors, the rebound in agriculture, and the ongoing implementation of policy measures to boost economic activity.

As part of the economic turnaround plan, the County Government will scale up its own source revenue collection efforts to Kes. 810 million in the FY 2024/25. To achieve this, the County Government will undertake a combination of both tax administrative and policy reforms including leveraging on technology and enhanced data analytics to enhance revenue. In addition, the current

administration is working tirelessly to ensure upscaling of the technical capacity of the revenue directorate through training, upskilling, enhancing technology and additional staffing.

The purpose of this paper is to set Departmental budgetary ceilings and put into perspective how the County anticipates expending its resources in the 2024/25 FY and the Medium Term. In preparation of this document, all the stakeholders have been involved and engaged and we are grateful for their valuable input.

HON. MARY. W. KAMANDE
COUNTY EXECUTIVE COMMITTEE MEMBER
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DRAFT

ACKNOWLEDGEMENT

The 2024 CFSP is prepared in compliance with the provisions of the Public Finance Management Act, 2012. It outlines the strategic priorities of the current Administration, highlights the current state of the economy, provides macro and fiscal outlook over the medium term together with a summary of County Government spending plans as a basis for the FY 2024/25 budget.

As we work to finalize the County budget for the FY 2024/25 and the medium term, I wish to emphasize that we are operating under tight resource constraints, which has warranted tough choices to ensure that scarce resources are directed towards priority areas for the County's socio-economic transformation.

While developing the budget proposals for the medium-term, the County Treasury in allocating resources has accorded priority to completion of ongoing projects, flagship projects and new projects and programmes as per the CIDP III which will help accelerate social-economic growth in the County.

The preparation of the 2024 CFSP was a collaborative effort among various County departments/entities and we are grateful for their timely input. We are also grateful to the County residents whose participation in the process of budget preparation provided invaluable input to this 2024 CFSP.

Special thanks go to the County Executive Committee Member for Finance, Economic Planning and ICT for steering the entire process of preparation of this policy document. I also wish to thank officers from all County departments for their immense contribution and input in the development of this County Fiscal Strategy Paper (CFSP). Finally, I am grateful to the core team from the Economic Planning directorate who worked tirelessly to prepare and put this document together.

JORAM KIARIE
CHIEF OFFICER
ECONOMIC PLANNING AND DEVELOPMENT

ABBREVIATIONS AND ACRONYMS

ATCs	Agricultural Training Centers
ADP	Annual Development Plan
BETA	Bottom-up Transformation Agenda
CADP	County Annual Development Plan
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CIMES	County Integrated Monitoring and Evaluation System
ECDE	Early Childhood Development Education
FY	Financial Year
GESIP	Green Economy Strategy and Implementation Plan
KARI	Kenya Agricultural Research Institute
KEPH	Kenya Essential Package of Health ()
KPHC	Kenya National Population and Housing Census report ()
KPI	Key Performance Indicator
MSMEs	Micro Small and Medium Enterprises ()
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
OSR	Own-source Revenue
PFM	Public Finance Management
PFMA	Public Finance Management Act
SDGs	Sustainable Development Goals

GLOSSARY

Baseline: Baseline is an analysis describing the initial state of an indicator before the start of a project/programme, against which progress can be assessed or comparisons made.

Bottom-up Economic Transformation Agenda: It is an economic model that aims at economic turnaround and uplifting the lives and livelihoods of those at the bottom of the pyramid.

Green Economy: The green economy is defined as an economy that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. The policy framework for the green economy and green growth in Kenya is designed to support a globally competitive low carbon development path through promoting economic resilience and resource efficiency, sustainable management of natural resources, development of sustainable infrastructure and providing support for social inclusion. The Green Economy Strategy and Implementation Plan (GESIP) 2016 aims at guiding the National and County Governments as well as other actors to adopt development pathways with higher and more efficient growth, cleaner environment and higher productivity.

Indicator: An indicator is a sign of progress /change that result from your project. It measures a change in a situation or condition and confirms progress towards achievement of a specific result. It is used to measure a project impact, outcomes, outputs and inputs that are monitored during project implementation to assess progress.

Outcome Indicator: This is a specific, observable, and measurable characteristic or change that will represent achievement of the outcome. Outcome indicators include quantitative and qualitative measures. Examples: Enrolment rates, transition rates, mortality rates etc.

Outcome: Measures the intermediate results generated relative to the objective of the intervention. It describes the actual change in conditions/situation as a result of an intervention output(s) such as changed practices as a result of a programme or project.

Output: Immediate result from conducting an activity i.e. goods and services produced.
Performance indicator: A measurement that evaluates the success of an organization or of a particular activity (such as projects, programmes, products and other initiatives) in which it engages.

Programme: It is a grouping of similar projects and/or services performed by a National/County Department to achieve a specific objective. The Programmes must be mapped to strategic objectives.

Project: A project is a set of coordinated activities implemented to meet specific objectives within defined time, cost and performance parameters. Projects aimed at achieving a common goal form a programme.

Sectors: Is a composition of departments, agencies and organizations that are grouped together according to the services and products they provide. They produce or offer similar or related products and services, and share common operating characteristics.

Target: A target refers to planned level of an indicator achievement

EXECUTIVE SUMMARY

The County Fiscal Strategy Paper (CFSP) outlines the County's budgetary priorities and fiscal framework for the FY 2024/25, anchored in the County Integrated Development Plan (CIDP III) to further Nyandarua County's economic and social progress. The paper has four chapters.

Chapter one provides a comprehensive overview of the economic landscape, comparing the global, regional, national, and County perspectives, with a focus on the County's economic development. The chapter examines economic indicators such as GDP growth, inflation rates, exchange rates, interest rates, and stock market performance, offering insights into the challenges and opportunities facing the Kenyan economy.

Chapter two reviews revenue and expenditure performance over the medium-term in FY 2023/24, equipped with strategies to boost own source revenue and investment, detailing revenue sources and their performance, analyzing expenditure absorption across the sub-sectors, and projecting revenues over the medium term.

Chapter three details the proposed ceilings for each sub-sector in FY 2024/25. Criteria used for resource allocation is explained, including alignment with development priorities and fiscal responsibility principles. It emphasizes social development, wealth creation, revenue automation, investment attraction, and adherence to fiscal responsibility principles.

Chapter four outlines the macroeconomic assumptions underlying the budget framework and requisite mitigation strategies. It also identifies potential internal and external risks that could impact the County's economy and fiscal position.

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 world economy is grappling with multifaceted challenges, stemming from disruptions in global supply chains. This has been exacerbated by the geopolitical tensions between Israel - Palestine and Russia-Ukraine conflicts. In addition, the uptick in global oil prices, driven by production cuts from major exporters such as Saudi Arabia and Russia, poses additional risks to the global economic outlook. Heightened global interest rates, driven by inflationary pressures, are constricting access to credit and amplifying debt servicing costs. Moreover, the frequency of extreme weather events is inflicting significant losses and damages, placing additional strain on fiscal resources. As a result, the forecast for global growth indicates a deceleration to 3.1 percent in 2024 and 3.2 percent in 2025, slightly up from 3.0 percent in 2023, yet falling below the historical average of 3.8 percent (2000–2019).

Advanced economies are expected to experience slower growth rates of 1.5 percent in 2023 and 1.4 percent in 2024, down from 2.6 percent in 2022, primarily driven by reduced growth in the Euro Area. This deceleration in advanced economies' growth is attributed to the aggressive tightening of monetary policy, which has led to a significant deterioration in global financial conditions. Growth in emerging markets and developing economies is forecasted to moderately decrease from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, although with noticeable variations across regions. In sub-Saharan Africa, growth is anticipated to decline to 3.3 percent in 2023 from 4.0 percent in 2022 due to worsening climate change-related shocks, inflationary pressures, exchange rate fluctuations, and domestic supply challenges, particularly in the electricity sector (BPS, 2024).

However, growth in the region is projected to rebound to 4.0 percent in 2024, driven by improved performances in the majority of sub-Saharan African countries, especially those less reliant on natural resources.

1.2 National Macro-Economic Outlook

The economy is forecasted to maintain its strength and resilience throughout 2023, 2024, and the medium term, driven by sustained strong growth in the services sectors, a recovery in agriculture, and the continuous implementation of government measures to stimulate economic activity in key sectors. Consequently, the economy is anticipated to remain robust, with an expansion of 5.6 percent in 2023 up from 4.8 percent in 2022.

The economy is expected to remain strong in 2024 (5.5 percent in FY 2023/24 and 5.4 percent in FY 2024/25) supported by the resilient services sector, the improved performance in agriculture, implementation of measures to boost economic activities in priority sectors by the government, and the improved global growth outlook which is expected to benefit exports.

The projected economic growth is expected to be driven by various factors across sectors. **In agriculture**, a strong recovery is anticipated due to favourable rainfall in most areas and lower global commodity prices, supported further by government initiatives like subsidy programs and increased access to affordable working capital for farmers. **The industry sector**, particularly manufacturing and construction, will see increased activity, with manufacturing benefiting from improved raw material availability and lower commodity prices, while construction continues to thrive through investments in affordable housing, infrastructure projects, and public works. **The services sector** is expected to be buoyed by resilient activities in accommodation, financial services, information and communication, wholesale and retail trade, and transportation. Efforts to promote tourism, improve infrastructure, and expand telecommunications networks will further support growth in these areas.

The anticipated economic growth is also expected to be driven by increased aggregate demand, with support from household private consumption, robust private sector investments, and government investments. External accounts are expected to improve due to strong export growth and resilient remittances.

Private consumption is expected to be the main driver of consumption, increasing to 79.3 percent of GDP in 2024, aided by easing inflationary pressures and higher household disposable income. Government consumption is projected to decline in line with fiscal consolidation efforts.

Aggregate investment is projected to remain stable at 19.3 percent of GDP in 2023 and 19.2 percent in 2024, mainly driven by private sector initiatives. Public-private partnership (PPP) projects, improvements in the foreign exchange market, stable macroeconomic conditions, and

ongoing fiscal consolidation are expected to support private investments. Government interventions, such as the Hustlers' Fund, will strengthen MSMEs, correcting market failures and promoting private sector-led growth.

Medium-term growth will be sustained by continued government investments in the Affordable Housing program, PPP infrastructure projects, and public infrastructure maintenance. The current account deficit is expected to improve, reaching 4.4 percent of GDP in 2023 and 4.0 percent in 2024, attributed to a decline in imports, exchange rate adjustments, and rationalization of capital spending, along with strong remittance inflows.

Kenya's exports are anticipated to strengthen, supported by tourism receipts, increased earnings from tea and manufactured exports, a strengthened dollar against the Shilling, and the implementation of the Africa Continental Free Trade Area (AfCFTA). Implementation of value chains for crops and livestock, including exports of tea, coffee, vegetables, and fresh horticultural produce, is expected to further boost export receipts.

1.3 Domestic Economic Development

The GDP data for the third quarter of 2023 demonstrates a sustained strong performance in the Kenyan economy, with real GDP growth reaching 5.9 percent compared to 4.3 percent in the same quarter of 2022. This growth is attributed to a notable rebound in agriculture and a resilient services sector, which have been supported by robust activity in accommodation and food services, financial and insurance services, information and communication, real estate, wholesale and trade. Leading economic indicators indicate that this strong performance is expected to continue into the fourth quarter of 2023. Consequently, it is estimated that real GDP growth for 2023 will be 5.6 percent, up from 4.8 percent in 2022. Looking ahead to 2024, the economy is anticipated to remain robust, supported by a resilient services sector, improved agricultural performance, implementation of government measures to stimulate economic activity in priority sectors, and an optimistic global growth outlook that is projected to positively impact exports.

Inflation Rates

The Consumer Price Index (CPI) revealed a year-on-year inflation rate of 6.9% in January 2024, indicating a 6.9% increase in the general price level compared to January 2023. This uptick was primarily influenced by notable price hikes in the Transport sector (10.6%), Housing, Water, Electricity, Gas, and other fuels (9.7%), as well as Food and Non-Alcoholic Beverages (7.9%)

between January 2023 and January 2024. Inflation risks remain heightened in the short term, reflecting the impact of second-round effects from the rise in fuel inflation and pass-through effects of exchange rate depreciation.

Kenya Shillings Exchange Rate

Kenya, like several other countries, is facing foreign exchange challenges due to the rise in US interest rates. By February 2024, the Kenya Shilling had depreciated by 26.03 percent against the US Dollar, 32.72 percent against the Sterling Pound, and 28.7 percent against the Euro compared to the same period in 2023. The average exchange rate for the Kenya Shilling stood at Ksh 157.39 in February 2024, up from Ksh 124.88 in February 2023. Against the Euro, the Kenya Shilling had weakened to Ksh 172.22, from Ksh 133.82 in February 2023, and against the Sterling Pound, it had also declined to Ksh 198.95 from Ksh 149.90 over the same period. Despite these challenges, the Kenyan Shilling received support from increased remittances, sufficient foreign exchange reserves, and strong export receipts.

To stabilize the foreign exchange market, the government has implemented measures, including the Government-to-Government petroleum supply arrangement. This initiative is primarily intended to address USD liquidity challenges and exchange rate volatility caused by global dollar shortages and market reactions. These factors had been driving volatility and creating a false depreciation, leading to scarcity value and market distortions.

Interest Rates

In reflection of the tight monetary policy stance and liquidity conditions in the money market, interest rates have risen in the year leading up to February 2024. Specifically, the interbank rate surged to 13.31 percent in February 2024 from 6.5 percent in February 2023, while the 91-day Treasury Bills rate escalated to 16.375 percent from 9.62 percent over the same period. As a result, commercial banks are anticipated to raise lending rates, thereby increasing the costs of loans.

The Stock Market

Activity in the capital markets slowed down in November 2023 as advanced economies tightened their monetary policy amid inflationary pressures. The NSE 20 Share Index declined 1,496 points in November 2023 compared to 1,638 points in November 2022 while Market capitalization declined to Ks 1,436 billion from Ksh 1,971 billion over the same period. **(Figure 2).**

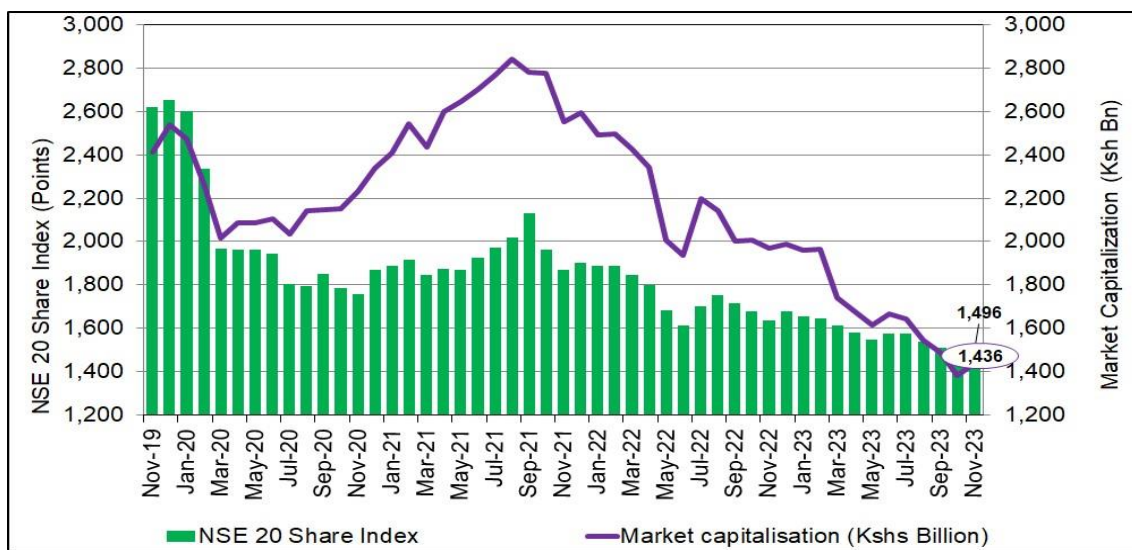


Figure 2: Performance of the Nairobi Securities Exchange Nov 2019 – Nov 2023

Balance of Payment

The current account deficit is projected to be 3.9 percent of GDP in 2023, down from 5.0 percent in 2022, and is expected to reach 4.0 percent of GDP in 2024. This reflects the anticipated recovery in imports, resilient remittances, and an expected rebound in agricultural exports.

Goods exports declined by 2.2 percent in 2023 compared to a 9.3 percent increase in 2022. The decline in exports in 2023 was observed across several categories, except for food, chemicals, and manufactured goods exports, which increased by 0.8 percent, 2.8 percent, and 11.3 percent respectively. The increase in manufactured exports reflects strong regional demand.

Imports declined by 10.6 percent in 2023 compared to a 7.3 percent growth in 2022, reflecting lower imports across all categories except food and crude materials.

Tourist arrivals improved by 30.7 percent in 2023 compared to 2022 and were 19.3 percent higher in December 2023 compared to December 2022. Remittances increased by 4.0 percent to USD 4,190 million in 2023 from USD 4,028 million in 2022.

Foreign Exchange Reserves

At the beginning of February 2024, the Central Bank of Kenya (CBK) foreign exchange reserves stood at USD 7,134 million, providing adequate cover and a buffer against any short-term shocks in the foreign exchange market. This amount represented 3.8 months of import cover, meeting the CBK's statutory requirement to maintain at least 4 months of import cover. However, in February 2023, foreign exchange reserves stood at USD 6,939 million, which represented 3.88 months of import cover.

1.4 County Outlook

Nyandarua County has experienced significant economic growth and strategic shifts in its fiscal landscape over recent years, indicating promising potential for development and expansion.

Economic Indicators

(i.) Gross County Product (GCP):

The Gross County Product (GCP) measures the total market value of all goods and services produced within Nyandarua County over a specific period, usually a year and the contribution to the National GDP. It serves as a comprehensive indicator of the county's economic output and growth.

Nyandarua County's GCP has surged from Kshs 118,231 in 2018 to Kshs 198,389 in 2022, reflecting significant economic growth and potential for development.

(ii.) GCP at Constant Prices:

GCP at Constant Prices refers to the GCP adjusted for inflation, allowing for a more accurate assessment of real economic growth. By accounting for changes in price levels over time, this measure provides insights into the actual increase or decrease in economic output.

Nyandarua's GCP at Constant 2016 Prices has remained stable at Kshs 118,528 from 2018 to 2022. This measure accounts for inflation, providing insights into real economic growth over time.

(iii.) Real GCP:

Real GCP represents the inflation-adjusted GCP, reflecting changes in the quantity of goods and services produced within Nyandarua County over time. It helps policymakers and analysts understand the true economic performance of the county with reference to the country, excluding the impact of price fluctuations.

Despite robust total economy growth, Nyandarua County's real GCP growth has lagged, averaging less than 3.0% from 2018 to 2022. This indicates the need for targeted interventions to stimulate economic expansion.

(iv.) GCP Per Capita:

GCP Per Capita is calculated by dividing the total GCP of Nyandarua County by its population. It provides an average measure of economic output per person within the county, indicating the level of economic activity and prosperity on a per-person basis.

Nyandarua County boasts a GCP per capita slightly above the national average, standing at Kshs 290,577. This suggests decent economic activity and the potential for improving living standards among residents.

Revenue Mobilization Strategies:

To reduce dependence on the national government, Nyandarua County is implementing several revenue mobilization strategies. These include:

- (i.) Enhancing tax collection through improved service delivery, enforcement and compliance measures.
- (ii.) Diversifying revenue streams by exploring opportunities in tourism, agriculture value addition, and small-scale industries whilst integrating and automating the existing revenue streams.
- (iii.) Public-private partnerships to leverage private sector investments in infrastructure and service delivery.

- (iv.) Streamlining licensing and permitting processes to facilitate business growth and stimulate economic activity.

Expenditure Projections and Fiscal Prudence:

- (i.) Nyandarua County will adhere to fiscal principles regarding expenditure projections to ensure fiscal prudence and sustainability.
- (ii.) Managing the wage bill by implementing efficient staffing structures and performance-based remuneration systems.
- (iii.) Rationalizing recurrent expenditure by prioritizing essential services and optimizing resource allocation.
- (iv.) Prioritizing development expenditure on projects that yield long-term benefits and contribute to sustainable economic growth and social development.

Nyandarua County's fiscal outlook presents a blend of opportunities and challenges. By leveraging its strengths, diversifying economic activities, and implementing strategic policies, the county will unlock its full potential and foster inclusive growth and prosperity for its residents. Continuous monitoring and adaptation to evolving economic dynamics will be essential in achieving sustainable development objectives.

CHAPTER TWO

MEDIUM-TERM FISCAL FRAMEWORK

2.0 Overview

This chapter is a comprehensive review of revenue and expenditure performance for the half year of the 2023/24 FY. In response to the need for increased revenue, the County Government has implemented strategies such as digitizing revenue collection systems and promoting investment in the productive sector. These initiatives are aligned to transition the county from primary production to value-added businesses to stimulate economic growth and job creation. The government is prioritizing public-private partnerships to eliminate barriers between sectors and attract investments, thereby enhancing employment opportunities and revenue streams. Furthermore, the framework emphasizes policy coherence and coordination across all spending units, supported by robust monitoring and evaluation mechanisms to ensure accountability and transparency in fiscal management. Through capacity building and institutional strengthening efforts, the county government seeks to enhance governance structures and optimize resource utilization for the benefit of Nyandarua residents.

2.1 Half-Year Review of Fiscal Performance for the FY 2023/24

The County Assembly approved the 2023/24 FY budget and appropriated Kes. 8,212,458,670. Of the approved budget, Kes. 5,401,571,405 (65.8%) was meant for recurrent expenditure while Kes. 2,810,887,265 (34.2%) was for development expenditure.

The budget was to be funded by Kes. 5,905,976,056 (72%) from the equitable share, Kes. 985,000,000 (12%) from the County own source revenue and Kes. 1,321,482,614 (16%) from conditional grants from the National Government and other development partners.

FY 2023/24 fy Revenue Estimates

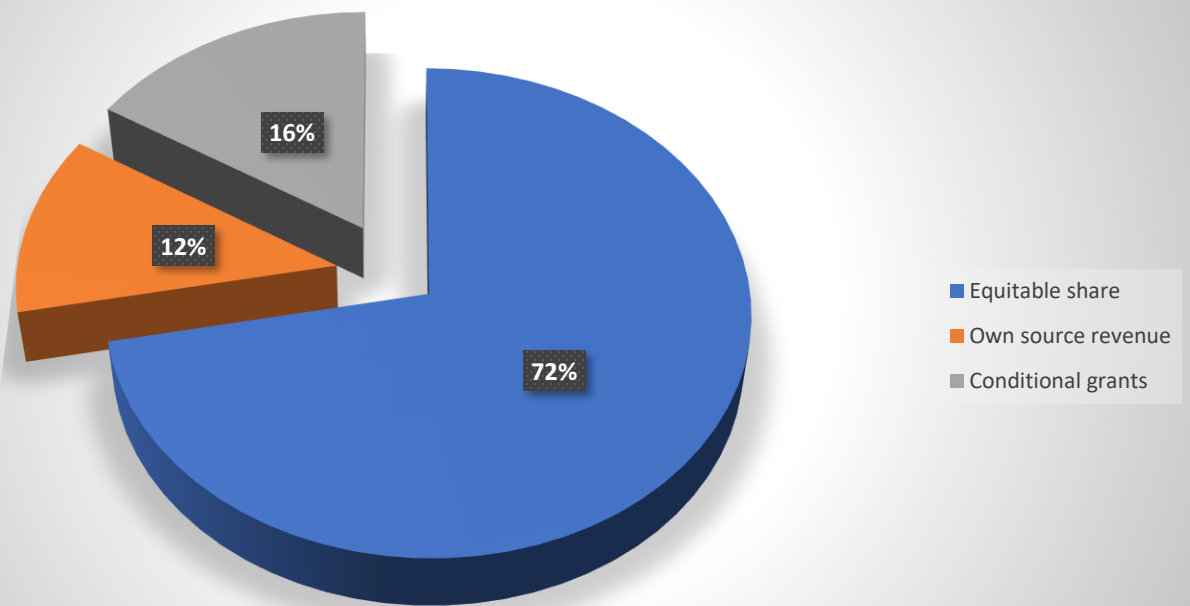


Figure 3: FY 2023/24 Revenue Estimates

2.1.1 Revenue Performance

During the period under review (July to December 2023), the county received Kes. 2,951,567,609 as total revenues. The revenues comprised of Kes. 2,450,980,063 as equitable share, Kes. 222,932,971 as the county's own source revenue and Kes. 277,654,575 as conditional grants.

Table 1: County Revenue Receipts for the period from July to December 2023

Revenue source	FY 2023/24 fy Revenue Estimates	Revenue received (July-December 2023)	Revenue received by source as a proportion of the estimate	Revenue received by source as a proportion of total receipts
Equitable share	5,905,976,056	2,450,980,063	41.50	83.04
Own source revenue	985,000,000	222,932,971	22.63	7.55
Conditional grants	1,321,482,614	277,654,575	21.01	9.41
Other receipts	0	0	-	-
Total	8,212,458,670	2,951,567,609	35.94	100.00

Source: County Treasury

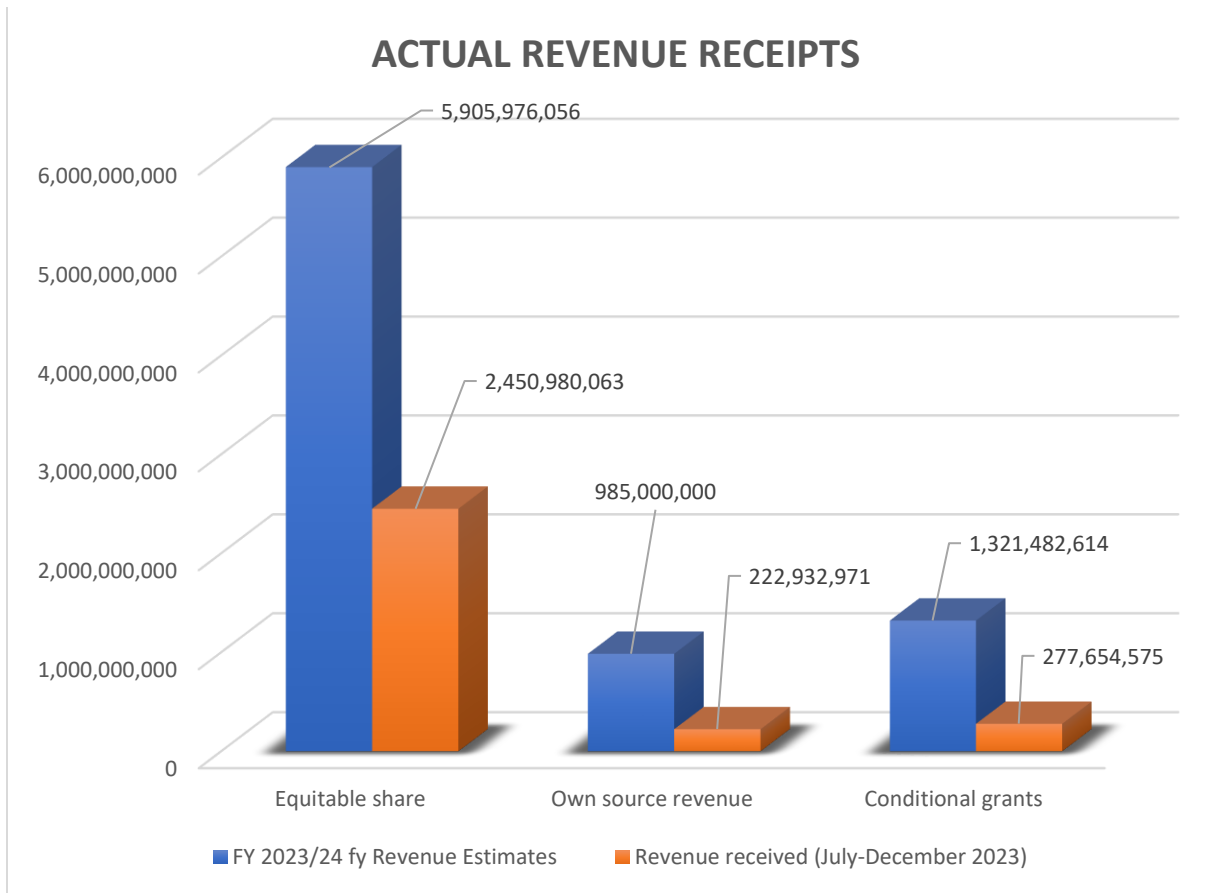


Figure 4: Actual Revenue Receipts

2.1.1.1 Analysis of Own Source Revenue Performance

The County targets collecting Kes. 985,000,000 in the 2023/ 24 FY from the identified revenue streams. In the half year, the county collected Kes. 222,932,971 representing 22% of the projected target.

J.M. Kariuki Memorial Hospital, Engineer Hospital and produce cess royalties had the highest revenue collection during the period. Sports activities, park entrance fees, disposal of assets, hire of hall & chairs, survey fees, search fee, way leave, tourism activities, registration & renewal of groups, hire of agricultural machines, fisheries and Shamba rent didn't record any collection in the period. In the period under review, there were revenue streams with no projected targets that recorded some collections which include arboretum charges and library charges. The analysis of revenues generated and targeted from the County's local sources is indicated in Table 2.

Revenue Performance

Table 2: Analysis of Revenue by Stream, Target, and Actual Collection

Revenue source	Target fy 2023/24	July	August	September	October	November	December	Total receipts	% receipts
Health services									
J.M. hospital	227,000,000	9,524,029	22,097,168	10,566,750	17,847,063	6,614,089	20,747,242	87,396,341	39
Engineer hospital	60,000,000	1,278,000	1,750,519	5,921,020	5,141,725	1,551,316	1,123,042	16,765,622	28
N.H.I.F fee/insurance	50,000,000	4,682,976	11,586,983	191,560	389,170	8,380	610,040	17,469,109	35
Public health fees and charges	11,400,000	618,359	307,600	348,054	300,250	166,600	107,200	1,848,063	16
Grave fees	45,000	4,200	1,300	1,700	4,300	2,400	3,700	17,600	39
Water, environment, climate change and natural resources									
Conservancy	2,600,000	300	8,800		3,700			12,800	0
Exhauster and exh. Milage/dumping fees	1,210,000	9,000						9,000	1
Hire of water tanker and water fees	935,000	15,296	5,265	4,623	501			25,685	3
Park entrance fee	11,000							-	-
Logging fees	2,750,000	37,460	29,080	16,360	221,200	56,560	51,200	411,860	15
Sale of trees	100,000						105,000	105,000	105
Noise control	30,000	6,080	4,000		12,000	2,000	2,000	26,080	87
Water provider licence/borehole drilling	30,000	30,000						30,000	100
Youth empowerment, sports and arts									
Open space/ stadium hire	500,000	2,500		10,000	35,270			47,770	10
Sport activities	10,000,000							-	-
Public service administration and devolution									
Impounded fees	5,500,000	55,710	40,520	249,830	203,330	112,650	164,800	826,840	15
Storage fees	55,000				11,270	5,000		16,270	30
Other non-compliance penalties	2,750,000	2,500	41,450	26,800	35,930	13,500	13,200	133,380	5
Lands, physical planning and urban development;									
Plot rates	30,000,000	2,647,441	1,425,301	202,681	313,253	181,987	218,162	4,988,825	17

Revenue source	Target fy 2023/24	July	August	September	October	November	December	Total receipts	% receipts
Land rates	24,000,000	944,852	100,566	111,792	161,177	80,759	92,751	1,491,897	6
Ground/kiosk rent	4,200,000	447,150	231,285	38,200	7,500	6,500	12,800	743,435	18
Sub-division of land	20,800,000	479,468	343,880	99,000	122,500	36,000	12,500	1,093,348	5
Site indication	60,000		500	2,000	6,500	5,500		14,500	24
Change of user	4,800,000	142,700	61,050	29,500	64,450		43,000	340,700	7
Land/plot reg. Fees	1,200,000	225,250	11,360	9,650	11,160	15,300	12,042	284,762	24
Dev.(ppa forms)	3,600,000	237,600	22,800	26,400	30,600	27,000	17,400	361,800	10
Building plans charges/ fees	28,720,000	598,567	258,187	2,088,937	740,787	406,745	269,268	4,362,491	15
Transfer fees	4,800,000	721,494	50,570	45,500	73,000	82,500	47,300	1,020,364	21
Clearance certificate	5,400,000	426,000	69,000	123,000	135,000	153,000	78,000	984,000	18
Hire of hall/chairs	12,000							-	-
Survey fees	3,600,000							-	-
Lease extension	3,600,000	5,000			500	73,000		78,500	2
Search fee	2,400							-	-
Certificate of compliance	1,800,000	64,960	50,000	21,000	25,610	11,240		172,810	10
Advertisement	16,200,000	2,588,803	33,470	14,360	72,250	27,500	42,500	2,778,883	17
Wayleave	15,000							-	-
Bus and matatu fees	17,271,600	913,530	963,300	960,470	960,750	996,600	933,850	5,728,500	33
House/office rent	1,800,000	174,852	63,650	90,970	92,400	171,900	59,950	653,722	36
Motor cycle fees (parking)	10,200,000	575,750	492,200	593,350	911,200	655,300	631,300	3,859,100	38
Town parking fee	1,800,000	33,880	53,650	47,100	41,750	36,000	37,500	249,880	14
Project management fee	56,000,000	832,344	81,060	396,792	1,273,057	111,082	482,415	3,176,750	6
Disposal of assets	20,000,000							-	-
Fire certificate	7,800,000	273,750	196,500	49,750	67,250	18,250	5,750	611,250	8
Tourism, cooperatives development trade & industrialization and development								-	
Single business permits	124,500,000	2,363,005	1,634,973	1,421,776	1,259,040	430,229	344,637	7,453,660	6
SBP penalties	2,250,000	286,141	126,481	118,568	322,305	54,643	92,709	1,000,846	44

Revenue source	Target fy 2023/24	July	August	September	October	November	December	Total receipts	% receipts
Sale of application/renewal	1,500,000	98,590	57,750	68,250	66,350	24,150	15,370	330,460	22
Open air market fees	11,400,000	756,451	989,455	877,800	907,987	793,721	816,380	5,141,794	45
Market stall rent	3,000,000	128,200		188,600	156,600	95,200	131,900	700,500	23
Change of business/business transfer	225,000	2,600	500	550	1,000	550	1,120	6,320	3
Weights and measures	1,125,000					203,040		203,040	18
Tourism activities	10,000,000							-	-
Cooperative audit fees	800,000		38,260	28,525	126,970			193,755	24
Arboretum charges					101,550	12,650	114,050	228,250	
Education, children, gender affairs, culture and social services									
Reg. and renewal of groups	7,500							-	-
Liquor licence/inspection/app	46,100,000	4,630,904	3,510,450	651,500	959,025	207,600	166,485	10,125,964	22
Library charges	-		19,260	3,760	5,550	5,940	6,160	40,670	
Agriculture, livestock and fisheries									
Cattle dips	300,000	240,175	4,160	11,655	855	1,755	11,205	269,805	90
Produce cess royalties	79,600,000	5,431,995	5,294,233	5,374,808	5,439,638	5,150,375	4,406,565	31,097,613	39
Slaughter fees	2,400,000	49,450	114,990	42,420	62,110	47,510	66,855	383,335	16
Hire of machines(agriculture)	3,000,000							-	-
Meat inspection	8,400,000	329,920	338,575	324,220	334,010	304,545	352,750	1,984,020	24
Vet department (AI services)	6,000,000	64,968	117,713		226,030	131,786	131,898	672,395	11
Vaccination	5,262,100	6,000	700					6,700	0
C.o.t and movement permit	720,000	47,870	31,810	28,750	60,280	50,713	40,520	259,943	36
ATC Njabini	360,000			10,000				10,000	3
ATC oljoro orok	4,800,000	61,400					189,959	251,359	5

Revenue source	Target fy 2023/24	July	August	September	October	November	December	Total receipts	% receipts
Fisheries	120,000							-	-
Motorcycle mortgage fees	200,000		1,200					1,200	1
Subsidized fertilizer sale	30,000,000	504,600	168,000	2,232,000	615,000	422,500	12,500	3,954,600	13
Reg. Of transporters (Agri)	200,000	3,600						3,600	2
Shamba rent	100,000							-	-
A.M.S charges	33,400			153,000				153,000	458
Others								-	
Imprest surrender/salary recovery	-			113,819	56,520	152,868		323,207	
Grand total	985,000,000	43,605,669	52,829,523	33,937,149	40,017,223	19,718,433	32,824,974	222,932,971	23

2.1.1.2. Analysis of Equitable Share Receipts

The County received Kes 2,450,980,063 against the projected Kes 2,952,988,028 half year equitable share.

The revenue received represents 41.5 % of the total equitable share and is as tabulated in Table 3.

Table 3: Equitable Share Exchequer Releases

Annual Estimates	Half year estimates	Amount Received	%
FY2023/24	FY2023/24	July-December 2023	Received
5,905,976,056	2,952,988,028	2,450,980,063	41.50

2.1.1.3. Analysis of Conditional Grants Receipts

The County had projected to receive Kes. 1,321,482,614 as conditional grants from National Government and other development partners. During the period under review, Kes. 121,000,000 as a Supplement for Construction of County Headquarters and Kes. 124,723,404 for Leasing of Medical Equipment were deducted at source.

Other conditional grants brought forward from the FY 2022-23 and available in the special purpose accounts include. Kes. 499,617 from Sweden- Agricultural Sector Development Support Programme (ASDSP) Level II, kes. 8,893,500 from DANIDA - Primary Health Care in Devolved Context and kes. 22,538,054 for Kenya Devolution Support Programme Level 1.

The Kes. **277,654,575** available in the first half of the financial year represents 21.01% of the projected conditional grants.

Table 4: Conditional Grant Releases

Grant	Approved Annual Estimates FY 2023/24	Amount received. (July-December 2023)	% Received
Supplement for Construction of County Headquarters	121,000,000	121,000,000	100.00
Leasing of Medical Equipment	124,723,404	124,723,404	100.00
Aggregated Industrial Parks Programme	250,000,000		-
Fertilizer Subsidy Programme	121,624,039		-
Livestock Value Chains Support Project	135,204,000		-
IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	250,000,000		-

Grant	Approved Annual Estimates FY 2023/24	Amount received. (July-December 2023)	% Received
World Bank Grant for Climate Smart Agriculture Project (KCSAP)	90,000,000		-
Sweden- Agricultural Sector Development Support Programme (ASDSP) Level II	499,617	499,617	100.00
DANIDA - Primary Health Care in Devolved Context	8,893,500	8,893,500	100.00
World Bank -Kenya Informal Settlement Improvement Project- KISIP II	50,000,000		-
World Bank- Financing Locally Led Climate Action Program (FLLOCA)- County Climate Institutional Support (CCIS) Grants	11,000,000		-
World Bank- Financing Locally Led Climate Action Program (FLLOCA)- County Climate Resilience Investment Grant	136,000,000		-
Kenya Devolution Support Programme Level 1- B/f FY 2022-23	22,538,054	22,538,054	100.00
Total	1,321,482,614	277,654,575	21.01

2.1.2. Expenditure Performance

The County recorded an overall cumulative absorption of Kes 2,013,259,475 amounting to 24.50%. Notably, the recurrent budget had a higher absorption of Kes 1,834,729,643 (34%) of the total expenditure while Development expenditure amounted to Kes 178,529,832 (6.4%). the high absorption in recurrent expenditure emanated from payments of personnel emoluments, county funds as well as payments of allowances.

Table 5: FY 2023/24 First Half-Year Expenditure Performance

Expenditure category	Approved Estimates	Actual expenditure July-December 2023	Absorption rate %
Recurrent	5,401,571,405	1,834,729,643	34.0
Development	2,810,887,265	178,529,832	6.4
Total	8,212,458,670	2,013,259,475	24.5

2.1.2.1 Departmental Expenditure Performance

Table 6, outlines the expenditure for all departments during the period under review

Table 6: First Half-Year Departmental Expenditure (2023/24 FY)

Department	Approved Budget Estimates FY 2023/24	Total Expenditure July-December 2023	Absorption Rate (%)
Office of The Governor	126,000,000.00	64,340,674.20	51.06
Office of The County Secretary & Head of Public Service	56,400,000.00	13,061,630.00	23.16
Office of County Attorney	34,650,000.00	4,246,129.00	12.25
Public Service & Devolution	2,546,895,000.00	1,100,224,146.00	43.20
County Public Service Board	25,000,000.00	10,441,970.00	41.77
Finance, Economic Planning and ICT	531,511,170.00	387,124,138.60	72.83
Health Services	669,437,792.00	162,330,295.00	24.25
Education, Children, Gender Affairs, Culture and Social Services	261,395,954.20	25,730,305.00	9.84
Tourism, Industrialization, Co-Operative Development, Trade & Industrialization	622,496,831.18	21,392,311.00	3.44
Youth, Sports and Arts	82,803,027.00	14,202,847.00	17.15
Water, Environment, Climate Change and Natural Resources	442,249,053.50	55,379,537.00	12.52
Lands, Physical Planning and Urban Development	147,700,000.00	12,636,793.00	8.56
Transport, Energy and Public Works	851,847,002.36	112,166,465.00	13.17
Agriculture, Livestock and Fisheries	783,634,036.00	25,259,083.00	3.22
Municipalities	44,500,000.00	4,723,151.00	10.61
County Assembly	985,938,804.00	490,713,525.00	49.77
Total	8,212,458,670.24	2,503,972,999.80	30.49

The department of Finance, Economic Planning and ICT had the highest absorption of 72.83% of the allocated budget given the county funds domiciled there.

The department of Agriculture, Livestock and Fisheries had the lowest absorption of 3.22% of the allocated amount. This is because the largest component of its budget is conditional grants which were not received during the reporting period.

2.1.2.2 Analysis of First Half-Year Departmental Expenditure

Table 7: FY 2022/23 First Half-Year Departmental Expenditure Analysis

Programme	Approved Estimates	Actual Expenditure	% Absorption	Approved Estimates	Actual Expenditure	% Absorption
	Recurrent Expenditure	Recurrent Expenditure		Development Expenditure	Development Expenditure	
Office of The Governor	126,000,000	64,340,674	51.1	-	-	
Office of The County Secretary & Head of Public Service	56,400,000	13,061,630	23.2	-	-	
Office of County Attorney	34,650,000	4,246,129	12.3			
Public Service & Devolution	2,546,895,000	1,100,224,146	43.2	-	-	
County Public Service Board	25,000,000	10,441,970	41.8			
Finance, Economic Planning and ICT	510,511,170	387,124,139	75.8	21,000,000	-	-
Health Services	520,223,404	106,516,891	20.5	149,214,388	55,813,404	37.40
Education, Children, Gender Affairs, Culture and Social Services	180,470,000	24,410,983	13.5	80,925,954	1,319,322	1.63
Tourism, Industrialization, Co-Operative Development, Trade & Industrialization	60,080,000	21,392,311	35.6	562,416,831	-	-
Youth, Sports and Arts	79,803,027	14,202,847	17.8	3,000,000	-	-
Water, Environment, Climate Change and Natural Resources	39,800,000	15,274,286	38.4	402,449,054	40,105,251	9.97
Transport, Energy and Public Works	100,300,000	30,874,610	30.8	751,547,002	81,291,855	10.82
Lands, Physical Planning and Urban Development	61,000,000	12,636,793	20.7	86,700,000	-	-
Municipalities	20,000,000	4,723,151	23.6	24,500,000	-	-
Agriculture, Livestock and Fisheries	170,000,000	25,259,083	14.9	613,634,036	-	-
County Assembly	870,438,804	472,184,548	54.2	115,500,000	18,528,977	16.04
Grand Total	5,401,571,405	2,306,914,191	42.7	2,810,887,265	197,058,809	7.01

The department of finance, economic planning and ICT had the highest recurrent budget absorption of Kes 387,124,139 (75.8%) due to payments of county funds domiciled here. The office of the county attorney recorded the lowest recurrent absorption of 12.3% as a result of unprocessed Legal fees

The department of health services recorded the highest a absorption development expenditure of 37.4%. This was as a result of payment of JM hospital Mashujaa complex which is an ongoing project. The departments that recorded absorption of their development votes were as a result of payments of pending bills.

The departments of Finance, Economic Planning and ICT, Tourism, Industrialization, Co-Operative Development, Trade & Industrialization, Lands, Physical Planning and Urban Development Municipalities, Agriculture, Livestock and Fisheries did not record any development expenditure. This is because departments were in the process of developing BoQs for the projects thus delaying the procurement process.

2.2 Fiscal Framework for FY 2024/25 and the Medium Term

The CFSP 2024 has been guided by programmes and projects as encapsulated in the third CIDP and the approved ADP 2024/25 FY.

2.2.1. Revenue Projections

The total resource envelope for the CFSP 2024 is Kes 7,913.37 million. The budget will comprise of Kes 5,905.97 million from equitable share, Kes 810 million from County own source revenue and Kes 1197.4 million from conditional loans and grants from National Government and development partners.

Table 8: FY 2023/24 and the Medium-Term Revenue Projections

Revenue	FY 2023/24 Actual Revenues (Kes. Millions)	Revenue Projections (Kes. Millions)		
		FY2024/25	FY2025/26	FY2026/27
Equitable Share	5,905.97	5,905.97	6,142.21	6,387.90
County Own Source Revenue (Inclusive of Linda Mama)	985	810	850	884.00
Other revenues (unspent balances b/f)		-	-	
Conditional loans and Grants from National Government and Development Partners	1,321.48	1197.4	1,237.70	1,287.20
Total	8,212.45	7,913.37	8,229.90	8,559.10

CHAPTER THREE

INDICATIVE MEDIUM-TERM RESOURCE ALLOCATION

3.0 Overview

This Chapter outlines the Fiscal Framework for the FY 2024/25 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 2024/2025 have been drawn from development priorities as set out in the approved CIDP 3 and the approved FY 2024/25 Annual Development Plan.

County allocation of resources in the medium term will be geared towards social development and wealth creation. The FY 2024/25 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 endeavor 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 2024/25 will sustain the allocation of resources to core programs and subprograms identified in the approved CIDP 3 (2023- 2027).

Through the approved Annual Development Plan (ADP) 2024/25 FY, all the County Departments have identified the priority areas with their estimated resource requirements. The Departmental 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 and the Bottom-up Economic Transformation Agenda (BETA).

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

In addition, through various investment forums and the Regional Economic Bloc (CEREB), 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.

3.1 Criteria for Resource Allocation

Over the Medium Term, the County Government will ensure that resource allocation strives to channel 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
2. County Own Source revenue including business permits, property rates, entertainment taxes, levies, fees and charges; and
3. Donor funding (Conditional Loans and 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 Transformation
- ii. Micro, Small and Medium Enterprises (MSME)
- iii. Housing and Settlement
- iv. Healthcare
- v. Digital superhighway and Creative Industry

In addition, resource 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) A shift in budgetary allocation from a social budget to a more balanced budget factoring both the social and infrastructure development.
- (iv) Flagship Projects, The Governor’s Change Agenda.
- (v) Ongoing/phased projects: emphasis is on 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.
- (vi) 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 3 has been considered as well as disability and gender.

Table 9: FY 2024-25 Programme and Departmental Ceilings

Department/Programme	2024/25 FY CFSP Ceiling				
	Conditional Grants Kes. Million	Flagship Kes. Million	Non-capital Kes. Million	Capital Kes. Million	Total Kes. Million
GOVERNOR'S OFFICE					
Service Delivery unit Coordination			75		75.00
Liaison & Intergovernmental services			33		33.00
Governor's press services			18		18.00
Total	-	0	126	0	126.00
COUNTY SECRETARY'S OFFICE					
Administration and Support services (including general insurance of Kshs 27.6M)			46.6		46.60
County Executive Committee Affairs			2.4		2.40
Communication and public relations			15.8		15.80
Records Management			3		3.00
Total	-	0	67.8	0	67.80
COUNTY ATTORNEY		0	30		30.00
COUNTY PUBLIC SERVICE BOARD			28		28.00
PUBLIC SERVICE, ADMINISTRATION AND DEVOLUTION					
Public Service (Including compensation to Employees Kes. 2279M, Gratuity Kes. 30M, Pension Kes. 100M & Medical insurance Kes. 100M)		2509	27.00		2,536.00
Administration and Devolution			25.8		25.80
Enforcement and Compliance			12.5		12.50
Total	-	2,509.00	65.30	0.00	2,574.30
FINANCE, ECONOMIC PLANNING AND ICT					
Public Finance Management (Including Financial Reporting)			24		24.00
Mortgage fund			70		70.00
Emergency Fund			40		40.00

Department/Programme	2024/25 FY CFSP Ceiling				
	Conditional Grants Kes. Million	Flagship Kes. Million	Non-capital Kes. Million	Capital Kes. Million	Total Kes. Million
Nyandarua County Trade Development and Investment Authority Fund				15	15.00
County Bursary Fund			156.2		156.20
Pending Bills			50	500	550.00
ICT & E-government services			12	8.5	20.50
Economic Planning and Development			45.49		45.49
KDSP Level 1					-
Revenue and business development			52.2		52.20
Supply Chain Management			9		9.00
Internal Audit and Risk Management			13		13.00
Total	-	0	471.89	523.5	995.39
EDUCATION, CHILDREN, GENDER AFFAIRS, CULTURE AND SOCIAL SERVICES					
Early Childhood Development Education (ECDE)			21.2	37.72	58.92
Vocational Training Development			39.1	10.2	49.30
Culture (Including Library Services			5	4	9.00
Gender, Children and social services			42.7	5	47.70
Alcoholic Drinks Control			7		7.00
Total	-	0	115	56.92	171.92
HEALTH SERVICES					
Health infrastructure and equipment		200		52	252.00
Preventive and promotive health care	8.890		31.91		40.80
Solid waste management & cemetery			10	7.5	17.50
Curative health care (Inclusive of Universal Health Coverage)	124.70	295	40		459.70
Total	134	495	81.91	59.5	770.00
WATER, ENVIRONMENT, CLIMATE CHANGE AND NATURAL RESOURCES					
Water Resource development (including Irrigation)		18	20	74.9	112.90
Climate Change Resilience	136		6	30	172.00

Department/Programme	2024/25 FY CFSP Ceiling				
	Conditional Grants Kes. Million	Flagship Kes. Million	Non-capital Kes. Million	Capital Kes. Million	Total Kes. Million
Environment Management			6		6.00
Natural Resource management			6		6.00
Total	136	18	38	104.9	296.90
TOURISM, COOPERATIVES DEVELOPMENT, TRADE AND INDUSTRIALIZATION					
Trade Development			9.75	15	24.75
Investment Promotion and development			8		8.00
Industrial development	250	150	5	5	410.00
Cooperative development			7.5		7.50
Weights & Measures			4		4.00
Tourism Development and Marketing			7	8.5	15.50
Total	250	150	41.25	28.5	469.75
YOUTH EMPOWERMENT, SPORTS AND ARTS					
Youth Empowerment			27.3		27.30
Sports development			32.2	11.95	44.15
Arts development			9		9.00
Total			68.5	11.95	80.45
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT					
Urban Development	50		2.5	6	58.50
Physical Planning			10		10.00
Survey and mapping (including GIS)			12		12.00
Land administration and management		30	11	29.3	70.30
Total	50	30	35.5	35.3	150.80
MUNICIPALITIES					
Ol'Kalou Municipality			14	10.8	24.80
Mairo-Inya Municipality			5	5	10.00
Engineer Municipality			7	6	13.00
Total			26	21.8	47.80
					-

Department/Programme	2024/25 FY CFSP Ceiling				
	Conditional Grants Kes. Million	Flagship Kes. Million	Non-capital Kes. Million	Capital Kes. Million	Total Kes. Million
PUBLIC WORKS, ROADS, TRANSPORT, HOUSING AND ENERGY					
Roads and Transport Development		200	30	180.75	410.75
Energy development			25	20.7	45.70
Fire Emergency and Disaster Management Unit			6		6.00
Public works	121	30	3.4	5	159.40
Housing development			3	3	6.00
Total	121	230	67.4	209.45	627.85
AGRICULTURE, LIVESTOCK AND FISHERIES					
Crop development	371.60		12	39.85	423.45
Agricultural Institutions support to ATCs & AMS (including SPPU & Revolving fund)			10		10.00
Livestock development	135.21		8	24.5	167.71
Veterinary services (including subsidized AI)			48	2	50.00
Fisheries Development			3.25	2	5.25
Total	507		81.25	68.35	656.41
COUNTY ASSEMBLY					
County Assembly			800	20	820.00
Grand Total	1,197.40	3,432.00	2,143.80	1,140.17	7,913.37

Table 10: FY 2024/25 and the Medium-Term Departmental Ceilings

Department/Programme	Approved Budget 2023/24	ADP Allocation	2024/25 FY Proposed Ceiling	FY 2025/26 Projected ceilings	FY 2026/27 Projected ceilings
	Kes. Million	Kes. Million	Kes. Million	Kes. Million	Kes. Million
Governor's office	126,000,000	100,000,000	126,000,000	131,040,000	136,281,600
County Secretary's office	56,400,000	67,800,000	67,800,000	70,512,000	73,332,480
County Attorney	34,650,000	30,000,000	30,000,000	31,200,000	32,448,000
County Public Service Board	25,000,000	28,000,000	28,000,000	29,120,000	30,284,800
Public Service, Administration and Devolution	2,550,895,000	2,574,300,000	2,574,300,000	2,677,272,000	2,784,362,880
Finance, Economic Planning and ICT	678,560,123	630,140,000	995,390,000	1,035,205,600	1,076,613,824
Education, Children, Gender Affairs, Culture and Social Services	230,734,376	195,950,000	171,920,000	178,796,800	185,948,672
Health Services	669,437,792	756,020,000	770,000,000	800,800,000	832,832,000
Water, Environment, Climate Change and Natural Resources	394,500,000	408,500,000	296,900,000	308,776,000	321,127,040
Tourism, Cooperatives Development, Trade and Industrialization	609,480,000	86,750,000	469,750,000	488,540,000	508,081,600
Youth Empowerment, Sports and Arts	80,403,027	82,650,000	80,450,000	83,668,000	87,014,720
Lands, physical planning and urban development	147,700,000	184,800,000	150,800,000	156,832,000	163,105,280
Ol'Kalou Municipality	22,500,000	24,800,000	24,800,000	25,792,000	26,823,680
Mairo-Inya Municipality	9,000,000	8,400,000	10,000,000	10,400,000	10,816,000
Engineer Municipality	9,000,000	10,000,000	13,000,000	13,520,000	14,060,800
Public Works, Roads, Transport, Housing and Energy	801,639,900	769,850,000	627,850,000	652,964,000	679,082,560
Agriculture, Livestock and Fisheries	783,634,036	665,410,000	656,410,000	682,666,400	709,973,056
County Assembly	985,938,804	980,000,000	820,000,000	852,800,000	886,912,000
Total	8,215,473,058	7,603,370,000	7,913,370,000	8,229,904,800	8,559,100,992

3.2 Priority areas for the 2024/25 FY and the medium term

1. Office of the Governor

The Office of the Governor will provide policy guidance and direction as per the County's change agenda. These directives are subsequently approved with or without amendments by the County Executive Committee.

The County Sectoral Committees are responsible for providing specialized advice and support to the County Executive Committee in specific policy areas. These committees will be responsible for developing and implementing policies and programmes relating to their respective sectors, as well as monitoring and evaluating the performance of the Government. Additionally, they play a key role in coordinating the work of other sectoral Government agencies and various stakeholders to ensure effective and efficient delivery of services to the public. The total proposed allocation for the seamless operations of the office is Kes. 126 million.

2. Office of the County Secretary and Head of Public Service

The office runs programmes for key departmental coordination and administration, county executive committee affairs, communication and public relations, utility management, asset and records management. The Office of the County Secretary has an allocation of 67.8 million.

3. Office of the County Attorney

County legislation and litigation services are the purview of the County Attorney. Departments are supposed to seek legal advisory services from this office. The office has actively been addressing County litigations whose costs pose legal risks to the County. The office has a proposed allocation of Kes 30 million.

4. The County Public Service Board

The County Public Service Board (CPSB) has its mandate and functions prescribed in Section 59 of the County Government Act, 2012. To fully undertake its functions as intimated in the Act, the CPSB has a proposed budget of Kes 28 million.

5. Public Service, Administration and Devolution

The Department is mandated to undertake all human resource management programmes. To this end, the payroll sub-programme, and performance management are domiciled there. The Department also oversees the delivery of services at the devolved units. To enforce county laws

and secure county assets, the department has an enforcement programme that facilitates this. The proposed budget for the compensation of staff and their welfare such as pension and medical care is Kes. 2,574.3 million.

6. Health Services

Key programmes under the department are health infrastructure, preventive and promotive health, Solid waste management and cemeteries and curative Health (Inclusive of Universal Health Coverage). Curative Health takes the bulk of the budget at a proposed Kes. 459.7 million which is inclusive of grants and allocation for acquisition of strategic stocks.

The health infrastructure programme has an allocation of Kes. 252 million with JM Kariuki Memorial Hospital – Mashujaa complex been identified as the main flagship project with an allocation of Kes 200 million.

7. Education, Children, Gender Affairs, Culture and Social Services

Human Capital development is an essential building block for societal development. Early Childhood Education, Youth training, Social Services and Children services are the mandate of the department as per Executive Order No. 1 of August 2022.

Alive to the needs of county residents, the county has both the capitation for learners at the two levels of education – Early and tertiary and a bursary programme that supports both tertiary and secondary education. The County Bursary is proposed at Kes 156.2 million. The total proposed allocation of the department is Kes. 171.92 million.

8. Youth Empowerment, Sports and Arts

The department is an essential component in the county's objective for youth empowerment. This is implemented in the department through three programmes. These are: Youth Empowerment; Sports development; and Arts development. The total proposed allocation to the department is Kes. 80.45 million with the sports infrastructure development comprising of Kes. 11.95 million.

9. Tourism, Cooperatives Development, Trade and Industrialization

This is a key anchor for the development agenda of the County and country at large. Its multiplier effects are wide thus the need to leverage on it. A total allocation of Kes 469.75 million is proposed for the department with the largest share going to industrial development. This is because of allocation of County aggregation industrial parks which has an allocation of 400 million.

10. Water, Environment, Climate Change and Natural Resources

The Department is within the productive sector with water resources catalyzing other activities for socio-economic development.

The department has an allocation of kes. 296.90 million. A total of 74.9 million has been set aside for water development infrastructure and 18 million for desilting of colonial dams.

The Climate-change programme has proposed funding of Kes 136 million under the World Bank FLLoCA programme and Kes. 30 million as the County Climate Change Fund.

11. Lands, physical planning and urban development

The department falls within the infrastructure sector and facilitates other sectors by providing space for utilities and other county infrastructure. Total allocation of the department is Kes. 150.80 million. The key programmes under the department are Urban Development; Physical Planning; Survey and mapping (including GIS); Land administration and management and municipalities.

12. Municipalities

Olkalou, Engineer and Mairo-inya municipalities have been allocated a total of Kes **47.80** million for infrastructure development with the overall goal being to improve the quality of life for residents and promote economic growth and development within these municipalities.

13. Public Works, Roads, Transport, Housing and Energy

The Department is a crucial enabler for all other sectors. The department has an allocation of **Kes 627.85** million. To improve the county roads infrastructure to motorable standards, the department has an allocation of Kes 380.75 million with the County machinery programme having an allocation of Kes. 200 million and contracted works Kes. 180.75 million

The County headquarter offices has an allocation of Kes. 121 million whilst the Governor's residence has been allocated Kes 30 million.

14. Agriculture, livestock and fisheries

Programmes falling under the Department are; Crop development, Agricultural Institutions support (Revolving Fund-AMS, ATCs & SPPU), Livestock Development, Veterinary services (including subsidized AI) and Fisheries Development.

To improve the county's production and productivity, the department has an allocation of Kes. 423.45 million for Crop Development, Kes. 10.00 million for Agricultural Institutions Support, Kes. 167.71 million for Livestock development, Kes. 50.00 million for Veterinary services

(including subsidized AI) and Kes. 5.25 million for Fisheries development. The total allocation to the Department is Kes. 656.41 million.

15. Finance, Economic Planning and ICT

County funds are domiciled in the Finance Department. These are Mortgage fund at Kes.70 million, Emergency Fund, Kes.40 million, Nyandarua Trade Fund Kes. 5 million 1 and County Bursary Fund at Kes. 156.2 million.

Pending bills across various departments have been allocated **Kes. 550 million** which will go towards payment of duly verified pending bills. The revenue directorate is expected to put in place measures for revenue mobilization. The Directorate has an allocation of Kes. 52.20 million. This is inclusive of the commission payable to the system provider. The Economic Planning directorate has an allocation of Kes 45.49. the directorate is expected to conduct a Strategic Environment Assessment (SEA) as recommended by the Environmental Management and Coordination Act (EMCA) on CIDP 3 and also mobilize resources from various sources. The total departmental allocation to the Department is Kes. 995.39 million.

16. County assembly

In order to fulfil its mandates as bestowed by the constitution of Kenya, 2010, County Government Act, 2012, and the Public Finance Management Act, 2012 of oversight, legislation and representation, the County Assembly has an allocation of Kes. 820 million. This is inclusive of development expenditure of kes. 20 million.

3.3 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 2024/25 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 12 gives a summary of the indicators on Fiscal Responsibility.

Table 11: County Fiscal Responsibility Adherence

Indicator		Amount (Kes)	% Share of total Budget
County Expenditure	Recurrent	4,956,690,000	62.64
	Development	2,956,680,000	37.36
	Total	7,913,370,000	100.00
County expenditure on wages & benefits		2,579,000,000	32.59
Expenditure by County Assembly	Recurrent and Development	820,000,000	10.36
Debt financing	Development	550,000,000	6.95

From the analysis presented in table 12, 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 2024/25 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 Kes. 550 million (6.95% of the budget) towards payment of pending bills.

- 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 2024/25 FY, the County's expenditure on wages and benefits will account for 32.59% 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 10.36% of the total revenues. The allocation is above this fiscal responsibility principle is occasioned by the recurrent expenditure ceiling determined by the Commission on Revenue Allocation (CRA).

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

It is projected that the County Government will spend 37.36% of its Budget on development in 2024/25 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 establishment of policy, legal and regulatory framework in ensuring prudence in expenditure, contract and asset management. The County will endeavor to implement the County Risk policy.

Further, a provision of **Kes. 40 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 each 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.

CHAPTER FOUR

ASSUMPTIONS AND RISKS UNDERLYING BUDGETARY AND FISCAL POLICY

4.0 Overview

This chapter assesses the assumptions and risks related to budgetary and fiscal policies that may influence the county's economy, impacting the achievement of targets in the County Fiscal Strategy Paper.

4.1 Assumptions

In the global and regional economic development, it is assumed that challenges emanating from geopolitical tensions in the Russia-Ukraine and Israel-Palestine conflicts, heightened global interest rates, extreme weather events will continue impacting on the supply chains leading to a deceleration in forecasted global growth.

The national macro-economic outlook is expected to remain positive driven by sustained growth in the services and agriculture sectors. The rebound in agriculture, services sector, and an overall robust economic performance are anticipated contributors to this positive outlook.

The CFSP assumes that overall inflation rates are expected to remain elevated in the near term. The tight monetary policy measures by the Central Bank are assumed to play a crucial role in anchoring inflation expectations and maintaining overall economic stability.

The Kenyan shilling is expected to stabilize against the rising US dollar. To stabilize the exchange rate, the government is anticipated to implement measures such as Government-to-Government petroleum supply arrangement. This arrangement is mainly intended to address the US Dollar (USD) liquidity challenges and exchange rate volatility.

The expectations of increasing interest rates are tied to a central bank's tight monetary policy. The introduction of an interest rate corridor is seen as a mechanism to improve the transmission of monetary policy signals throughout the financial system.

The CFSP assumes that the balance of payment current account deficit is expected to improve due to several factors: resilient remittances providing stable or increased foreign currency inflows, a rebound in agricultural exports contributing to higher revenue, and reduced imports helping to narrow the trade deficit. An improved current account deficit is generally considered positive for a country's overall economic stability.

The CFSP assumes that the strengthened foreign exchange reserves implies that the country has taken steps to bolster its holdings of foreign currencies. These reserves serve as a protective

buffer, helping the country withstand short-term economic shocks, stabilize its currency, meet external obligations, and address any unexpected challenges that may arise in the international financial landscape.

Nyandarua County outlook is expected to remain positive, with assumptions pointing towards significant economic growth. To support and sustain this growth, the county is adopting fiscal strategies such as enhanced tax collection, revenue diversification, public-private partnerships, and streamlined processes. These measures aim to ensure a robust and diversified financial base, allowing the county to continue its development trajectory and address the needs of its residents.

4.2 Risks

The county government's success in achieving the objectives of this strategic plan is dependent on its ability to foresee and mitigate risks and challenges that may derail or hinder implementation.

Some of the risks associated with the implementation of the County Fiscal Policies and their interventions include:

- ***Global Economic Factors***

The projected economic growth prospect has been attributed to multiple global factors such as geopolitical tensions which will continue to affect the global supply chains, causing supply disruptions, surge on inflation and incomes globally. The Kenyan economy has already been affected by these factors and others including surges in food and commodity prices, devastating effects of climate change, debts and limited access to foreign finance. These negative economic effects are hitting hard on the cost of living. An increase in international prices of oil has a direct effect on the national economy and trickles down to the county economy. These random shocks in the global economy will lead to slowed economic activities both nationally and at the county level. The above factors may lead to the non-realization of the 2024/25 plan.

Mitigation

Both the National and County governments should develop policies to provide resilience as much as possible to counter the effects of international shocks and setbacks. The strategies should aim at increasing the links between the delivery of social services, disaster risk reduction, livelihood investments, social protection, emergency response, and creating the conditions for economic growth. This will be achieved by creating institutions and agencies in

national and county government that can deliver services to poor people in accountable and transparent ways.

- ***Unpredictable weather Conditions***

This is brought about by global warming which is a major risk in the County's main economic activity i.e agriculture. Prolonged dry seasons lead to reduced agricultural production which affects food safety in the country and the county. Reduced agricultural activities will also hurt the county's local revenue which is the major source within the county. Prolonged heavy rains within the County may also lead to crop failure and post-harvest losses due to impassable roads that link to marketplaces, in addition to delay in implementation of projects such as roads.

Mitigation

The county needs to adopt climate-smart agriculture which aims to integrate agricultural development and climate responsiveness. The farmers should be encouraged 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.

- ***Delays in the release of funds***

Disbursement of funds is the most important aspect of project implementation. It is on this basis that scheduled project activities are translated into measurable outputs. Disbursement is a critical aspect of project financial management since projects are modelled on capital budgeting principles and as such, all relevant cash flows associated with the undertaking must be ascertained with a fair degree of accuracy so that the desirable returns are achieved within the set time periods. Untimely disbursement of funds from the National treasury which is the major source of county resources may impede the implementation of this plan.

Mitigation

The county government will develop policies that will support enhanced revenue mobilization and institute austerity measures on non-priority recurrent expenditure as well as redirecting resources to finance priority growth-supporting programmes.

There is a need to set realistic revenue targets and also increase the revenue collection bracket. While budgeting, priority should be given to unpaid complete projects (Pending bills) and ongoing phased projects.

- ***Poverty and low growth***

The economic damage caused by COVID-19 pandemic, the current geopolitical tensions among others have resulted to a downturn that has left many businesses closing down and others struggling to operate. This has resulted to loss of jobs and reduced household incomes culminating to poverty and low economic growth.

Mitigation

The two levels of Government should endeavour to improve business and governance climate to restore confidence, stability and growth. They should also provide stimulus and incentives to enable businesses to recover. As we prepare the FY 2024/25 the emphasis will be on aggressive revenue mobilization including policy measures to bring on board additional revenue. The strong outcome in revenue collection will offer a strong base for supporting the house hold incomes and job growth. The government will also aim at supporting the private sector to create opportunities and stimulate growth.

- ***Dependency on agriculture***

In Kenya, food security and climate change have led to severe crises including increased poverty, widening inequality across regions and households and increased incidences of social conflicts due to competition for resources, like land and water. This plan is being prepared against that background. As a key economic pillar, agriculture is the main production and job creation sector in Nyandarua County. However, with time the government is eyeing other priority sectors that can attract investment, drive economic growth and create jobs.

Mitigation

The county government will seek avenues for diversification through the introduction of new crop varieties such as pyrethrum and sugar beet, agro-processing and manufacturing. Through the establishment of industrial parks and skills incubation centres, the government will provide the citizens with alternative areas of investment thus reducing overreliance on agriculture.