COUNTY GOVERNMENT OF MARSABIT

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (CBROP)

SEPTEMBER 2024

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Foreword

The Marsabit County Budget Review and Outlook Paper (CBROP) 2024, the third to be prepared under the new Administration, of the Kenya Kwanza Government, is based on the framework of Bottom-up Economic Transformation Agenda (BETA). It sets out the Administration's priority programs, policies and reforms to be implemented in the Medium-Term Expenditure Framework (MTEF). The priority programmes and policies under BETA are detailed in the Fourth Medium-Term Plan for the period 2023-2027 which is anchored on Kenya Vision 2030 that will prioritize implementation of economic recovery strategies of the new Administration to reposition the economy on a steady, inclusive and sustainable growth trajectory. The 2024 Budget Review and Outlook Paper (BROP) has been developed against a backdrop of stable global and domestic economic outlook. Global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023. The outlook reflects economic recovery in China, Euro area and UK, despite a slowdown in activity in the USA and Japan.

On the domestic front, the Kenyan economy is currently unwinding from layers of negative and persistent shocks that had a structural effect on economic activities. The shocks included: COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices, and led to a rapid depreciation of the Kenya Shilling exchange rate, piling pressure on public debt.

This presents the recent economic developments and actual fiscal performance of the FY 2023/2024 and makes comparisons to the budget appropriations for the same year. It further provides updated forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP), developed in April 2024. In this Paper, we will also provide an overview of how the actual performance of the FY 2023/2024 affected the County's compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2023 CFSP.

In this CBROP the County is reemphasizing the Government's fiscal policy strategy, which focuses on maintaining a strong revenue effort and shifting composition of expenditure from recurrent to productive capital expenditures and optimally ensuring efficiency and effectiveness in the use of public resources.

The expository programmes to be implemented are expected to stimulate the County's socio-economic development. The key County proposed priority areas are; Revamping of quality and affordable health services, Youth Empowerment, Cohesion and Inclusivity, Education and Training development, streamlined waste management services as well as water accessibility & Livestock market improvement which will have been focused and highly emphasized in the 2023-2027 third generation CIDP.

The execution of programs under these strategic sectors is expected to raise efficiency and productivity in the County's economy and in turn accelerate and sustain inclusive growth, create opportunities for productive growth and ensure high standards of living for Marsabit County residents. The County Treasury will link this CBROP with the other budgetary policy documents as stipulated in the PFM Act.

Mr. Adan G. Kanano

County Executive Committee Member

Finance & Economic Planning.

Acknowledgement

This important policy document is prepared in line with the provisions of the Public Financial Management Act, 2012 Article 118(1) (a). The preparation of this County Budget Review and Outlook Paper continues to be a collaborative effort from an array of expertise of professionals in the County Treasury. The information in this policy document has been obtained from the Marsabit County Treasury. We are grateful for their inputs.

The document provides the fiscal outturn for the FY 2023/24, the macro-economic projections and set sector ceiling for the FY 2025/26 and the Medium-Term Budget. The document also provides an overview of how the actual performance of the FY 2023/24 affected compliance in the fiscal responsibility principles and the financial objectives outlined in the PFM Act.

Immense appreciation goes to the Executive Member for Finance and Economic Planning for the good will and guidance provided during the entire period of preparation of this document.

A core team in the Budget and Economic Planning unit spent a significant amount of time consolidating this policy document. The insights and engagements resulted in a policy document that will guide our Sector Working Groups and the entire budget preparation process.

Ahmed Yussuf

County Chief Officer

Economic Planning & Budget

ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
BETA	Bottom-Up Transformation Agenda
BOPA	Budget Outlook Paper
BPS	Budget Policy Statement
BSP	Budget Strategy Paper
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COVID-19	Corona Virus Disease of 2019
CRA	Commission for Revenue Allocation
FY	Financial Year
GDP	Gross Domestic Product
GoK	Government of Kenya
IBEC	Inter-Governmental Budget and Economic Council
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
MT	Metric Tonnes
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OSR	Own Source Revenue
PE	Personnel Emoluments
PERs	Public Expenditure Review

PFM	Public Financial Management
PPP	Public Private Partnership
PLWDs	Persons Living with Disability
SBP	Single Business Permit
SDG	Sustainable Development Goals
SGR	Standard Gauge Railway
SRC	Salaries and Remuneration Commission
SWGs	Sector Working Groups
VAT	Value Added Tax
V 2030	Vision 2030

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Preamble

Legal Basis for Preparation of the County Budget Review and Outlook Paper

The Budget Review and Outlook Paper (CBROP) is prepared in accordance with Section 118 of the Public Finance Management (PFM) Act 2012. The law stipulates that:

1) A county Treasury shall;

a. Prepare a CBROP in respect of the County for each year; and

b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.

2) In preparing its CBROP, the County Treasury shall specify;

a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year

b. The updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP) c. Information on:

(i) Any changes in the forecasts compared with the CFSP; or

(ii) How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or financial objectives in the CFSP for that financial year; and

d. Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

3) The CEC shall consider the CBROP with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the CBROP is approved by the CEC, the County Treasury shall:

a. Arrange for the paper to be laid before the County Assembly; and

b. As soon as practicable after having done so, publish and publicize the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

In line with the Constitution of Kenya 2010, the PFM Act, 2012 sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 of the PFM Act, 2012 states that: The County Government's recurrent expenditure shall not exceed the County Government's total revenue;

1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;

2) The county Government's expenditure on wages shall not exceed a %age of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly;

3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;

4) The County debt shall be maintained at a sustainable level as approved by County Assembly;

5) The fiscal risks shall be managed prudently; and

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

1. INTRODUCTION

The County Budget Review and Outlook Paper (CBROP) is prepared in line section 118 of the Public Finance Management (PFM) Act, 2012. The paper reviews the fiscal performance of the county for the financial year 2023/2024; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2024 and provides the background and reasons for such deviations.

1.1. Objective of CBROP

The objective of CBROP is to provide a review of the previous fiscal performance and how this impacts the financial objectives and fiscal responsibility principles to be set out in the CFSP. This together with macroeconomic outlook provides a basis for revision of the current budget in the context of the broad fiscal parameters guiding the next budget and the Medium Term Expenditure Framework (MTEF). The Details of the fiscal framework and the medium term policy priorities will be firmed in the CFSP.

Specifically the CBROP provides:

i. Updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);

ii. Details of the actual fiscal performance in the previous year compared to the budget appropriation for that particular year;

iii. Any changes in the forecasts compared with the CFSP;

iv. Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and

v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so.

1.2. Significance of CBROP

The paper is a policy document and links planning with budgeting. It is significant in the budget making process within the Medium Term Expenditure Framework (MTEF) as it reviews previous fiscal performance for the year and identifies any deviations from the budget with the aim of providing realistic forecasts for the coming year. It also assesses how fiscal responsibility principles were adhered as provided in section 107 of the PFM Act 2012. In addition the updated macroeconomic and financial outlook provides a basis for any budget revision and sets out broad fiscal parameters for the next budget. Further, the paper is expected to provide indicative sector ceilings for the FY 2025/2026 budget and in the medium term to guide Sector Workings groups (SWGs.

1.3. Structure

This paper has four other sections. Section Two reviews the county's fiscal performance for the previous year. It is divided into three sub-sections, namely, The Overview, Fiscal Performance and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections of Recent Economic Developments, Economic Outlook & Policies, Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out how the county government intends to operate within its means. It establishes the resources envelop (total revenues) it expects then allocates these across departments by setting expenditure ceilings for each department. In addition, it has four sub-sections: adjustment to the proposed budget; the medium term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing. Lastly, section five gives a conclusion of the entire paper.

2. REVIEW OF COUNTY FISCAL PERFORMANCE IN 2023/24FY

This section details the county's fiscal performance for the financial year 2023/24 in relation to the approved programme-based estimates and details the implications arising from the fiscal performance for the same period.

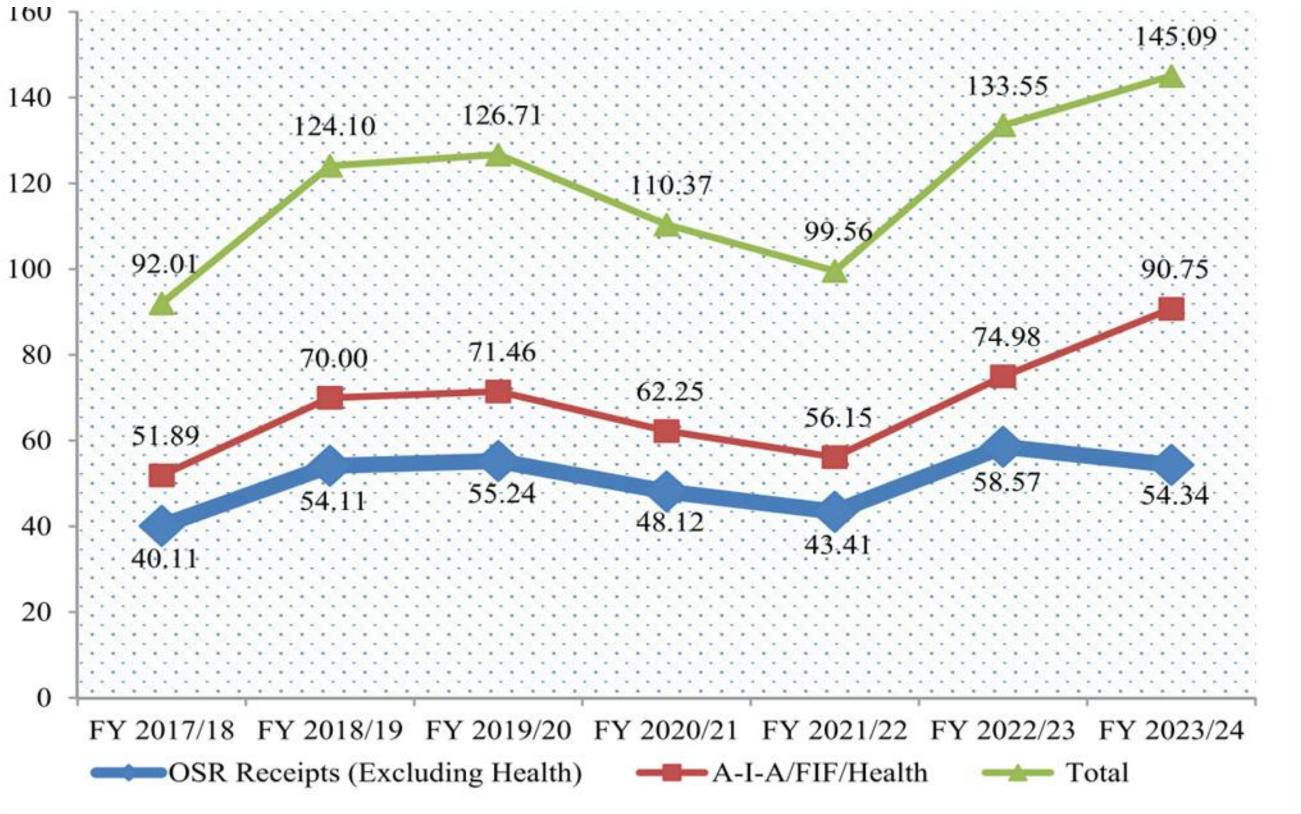
2.1. Overview

2.2. Fiscal Performance

During the period under review- FY 2023/24 - the County total revenue basket was Ksh **7,649,694,075** comprising of Ksh. 6,955,566,539 from exchequer as equitable share of domestic revenues raised nationally, Ksh. **425,190,968** realized from conditional grants and Ksh 145,092,730 being revenues raised locally (Own Source Revenue). In addition, the County had Ksh. 513,532,859.00 as balance brought forward from FY 2022/23This is summarized in the Table 2.1

Table 2.1: Summary of County Fiscal Performance for FY 2023/24

	2021/22 FY		**2022/23 FY**		**2023/24**			
	Approved	**Actual**	**Approved**	**Actual**	**Approved**	**Actual**	**% Deviation**	**Growth %**
TOTAL REVENUE & GRANTS	**8,755,164,534**	**6,937,803,363**	**8,185,986,169**	**7,758,567,269**	9,424,650,447.00	8,039,383,096	-8%	-10%
Unspent Bal from Previous FY	576,376,950	576,376,950	646,690,645	658,360,224	513,532,859.00	513,532,859	0%	-22%
Revenue (Total)	**9,331,541,484**	**7,514,180,313**	**8,832,676,814**	**8,416,927,493**	**8,911,117,588.00**	**7,525,850,237**	-16%	-11%
Equitable Share Allocation	7,277,004,032	6,694,843,713	7,277,004,032	7,277,004,032	7,560,398,412.00	6,955,566,539	8%	-4%
Local Revenue	170,000,000.00	99,563,452	170,000,000	135,545,012	190,000,000	145,092,730	-24%	7%
Grants (Total)	**1,308,160,502**	**143,396,198**	**738,982,137**	**348,018,186**	**1,160,719,176**	**425,190,968**	**-63%**	**22%**
TOTAL (REVENUE & GANTS)	**8,185,986,164**	**7,306,064,826.**	**8,017,840,408**	**7,590,929,671**	**9,424,650,447**	**7,649,694,075**	-19%	1%
Recurrent	4,152,151,055.18	4,109,739,831	**5,033,705,746**	4,928,058,215	**5,100,313,443**	4,697,518,387	-8%	-5%
Development	3,488,988,360.00	3,196,324,995	4,109,739,831	2,698,781,808	4,324,337,004.00	2,952,175,688	-32%	9%
Unspent Bal Current FY		658,360,224	658,360,224	513,532,859.00	0			



2.2.1. Revenue Performance

The total amount of County Own Revenue collected in FY 2023/24 was **Ksh. 167,579,472** Constituting an increase of 17 % from **142,663,012 realized** in previous FY 2022/23. Further, this represents a reduction from the annual target of Ksh 190 million approved in the FY 2023/24 budget.

Table 2.2 gives a full analysis of the revenue performance per stream for FY 2023/24.

Table .2.2: Revenue Performance per stream

No	Revenue Stream	Annual Targeted Revenue 12 months(Kshs.)	Actual Revenue (Kshs.)	Variance (Kshs.)
		A	B	C=A-B
1	Cess	50,000,000.00	31,157,473.20	18,842,526.80
2	land rate	5,000,000.00	1,983,220.00	3,016,780.00
3	single business permit	40,000,000.00	8,225,793.00	31,774,207.00
4	property rent	2,300,000.00	6,084,510.00	(3,784,510.00)
5	parking fees	-		-
6	market fees	1,100,000.00	1,533,433.00	(433,433.00)
7	advertising	2,000,000.00	2,040,800.00	(40,800.00)
8	Physical Planning and Development	4,000,000.00	-	4,000,000.00
9	Hire of county Assets	200,000.00	-	200,000.00
10	Conservancy Administration	-	-	-
11	Administration control fees and charges	200,000.00	1,772,190.00	(1,572,190.00)
12	Proceeds from sale of assets	5,000,000.00	-	5,000,000.00
13	park fees	-		-
14	other fines, penalties and forfeiture fees	1,000,000.00		1,000,000.00
15	Miscellaneous receipts	9,200,000.00	1,224,181.00	7,975,819.00
	Sub Total	**120,000,000.00**	**54,021,600.20**	**65,978,399.80**
16	Hospital	57,000,000.00	112,786,322.00	(55,786,322.00)
17	Public Health Service Fees	10,000,000.00	613,300.00	9,386,700.00
18	veterinary services	3,000,000.00	158,250.00	2,841,750.00
Total		**190,000,000.00**	**167,579,472.20**	**22,420,527.80**

Source: Marsabit county treasury

Hospital collection was the highest accounting for 52.5% of the total revenue collected. Produce cess attributed (15.8%), livestock charges (8.47%) and single business permits (6.67%). Further, the decrease in local revenue of the year is attributable to covid19 pandemic which has affected most business and government tax relief.

2.2.2. Expenditure Performance

Total expenditure in the FY 2023/24 amounted to Ksh. 7,689,614,181 a target of Ksh 9,279,249,886 representing an under spending of 1,589,635,705 with a 17.1% deviation from the approved programme based budget estimates. In the FY 2023/24, the recurrent expenditure amounted to Ksh. 4,697,518,547 representing 61% of the total expenditure, while Ksh 2,992,095,634.was spent on development accounting for 39% of the total expenditure. The expenditure excludes unspent balances amounting to Ksh. 513,532,859 which would be carried forward to the next financial year. The County achieved the thresholds on the proportions to be allocated to recurrent and development contained in the minimum requirements as prescribed in section 107 of the PFM Act 2012.

2.2.2.1. Budget absorption and comparison between CFSP 2023 Ceilings and FY 2023/24 budget

Table 2.2 below indicates the respective department's absorption rates as follows:

- High absorption by water and natural resource department (134%) and county executive (109%)
- Low absorption was noted in in agriculture & livestock, office of county attorney and county secretary at 46%, 13% and 21% respectively.

Table 2.3: Showing Absorption rates by sectors and Comparison with CFSP 2023

DEPARTMENTS	C-FSP 2023			BUDGET ALLOCATION 2023/24			Cumulative Expenditure 2023/24			Absorption	Deviation (%)
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	(%)	CFSP - BUDGET
County Executive	546,500,000	865,000,000	1,411,500,000	477,791,217	535,112,933	1,012,904,150	422,705,136	509,003,900	931,709,036	109%	0.34
County Public Service Board	96,868,000	7,000,000	103,868,000	96,868,000	23,500,000	120,368,000	65,843,575	16,899,631	82,743,206	69%	0.20
Trade, Industry & Enterprise development	81,850,000	125,000,000	206,850,000	86,700,000	189,300,000	276,000,000	69,974,355	156,801,256	226,775,611	82%	-0.10
Tourism ,Culture & Social Services	86,590,000	45,000,000	131,590,000	123,358,270	32,500,000	155,858,270	93,973,440	20,884,746	114,858,186	74%	0.13
Finance Economic Planning	400,000,000	75,000,000	475,000,000	467,000,000	440,442,096	907,442,096	392,497,184	427,891,529	820,388,713	90%	-0.73
County Assembly	890,500,000	58,000,000	948,500,000	792,717,081	525,483,989	1,318,201,070	790,306,649	100,348,642	890,655,291	68%	0.06
Education, Skills Development, Youths & Sports	370,700,000	262,000,000	632,700,000	533,863,481	214,294,347	748,157,828	511,800,626	131,939,874	643,740,500	86%	-0.02
Energy, Lands & Urban Development	137,730,000	120,000,000	257,730,000	134,975,359	134,394,560	269,369,919	128,329,685	84,207,701	212,537,386	79%	0.18
Administration Coordination &ICT	301,200,000	12,000,000	313,200,000	335,200,000	162,800,000	498,000,000	287,866,375	152,978,000	440,844,375	89%	-0.41
Roads, Transport & Infrastructure	110,650,000	210,000,000	320,650,000	104,364,487	236,461,902	340,826,389	82,836,266	266,984,471	349,820,737	103%	-0.09
Water, Environment and Natural Resources	135,000,000	442,200,000	577,200,000	135,000,000	146,900,560	476,034,968	132,544,950	457,122,102	589,667,052	124%	-0.02
Agriculture, livestock and fisheries dev't	263,600,000	745,000,000	1,008,600,000	250,593,488	850,829,926	1,101,423,414	211,588,795	328,702,000	540,290,795	49%	0.46
Health Services	1,427,400,000	694,391,004	2,121,791,004	1,525,981,500	503,182,282	2,029,163,782	1,503,040,711	338,331,782	1,841,372,493	91%	0.13
office of county secretary				11,000,000		11,000,000	2,351,300		2,351,300	21%	-
office of county attorney				14,500,000		14,500,000	1,859,500		1,859,500	13%	-
TOTAL	4,848,588,000	3,660,591,004	8,509,179,004	5,089,912,883	3,995,202,595	9,279,249,886	4,697,518,547	2,992,095,634	7,689,614,181	89%	0.10

Analysis of expenditure- by department shows that the Department of water and natural resource recorded the highest absorption rate of development budget at 124%, followed by the Department of county executive at 109 %. While the Department of agriculture recorded a low absorption rate of 49%.

Comparison between CFSP 2023 ceilings and 2023/24 FY budget allocation showed a slight increase in budget allocations occasioned by increase in equitable share of county revenue Sector ceilings were not affected and it has an upward trend with a small percentage, which is attributed to the reorganization of county departments, staff to enhance service delivery.

2.2.1.1. Recurrent and Development Expenditure

As shown in Table below, absorption rates for recurrent and development votes for the FY 2022/23 was 93.04% and 97% respectively. In FY 2023/24 the absorption rates were 92.1% and 68.27 % respectively.

Table 2.4: Recurrent Versus development

Year	Approved	Actual Recurrent	Absorption rate	Approved Dev't	Actual Devt	Absorption rate
2022/23	4,337,619,991	4,035,691,748	93.04	3,680,220,417	3,555,237,923	97
2023/24	5,100,313,443	4,697,518,387	92.10	4,324,337,004	2,952,175,688	68.27

2.2.1.2. Expenditure per economic classification

Table 2.5 below gives a breakdown of the county expenditure performance per economic classification. The recurrent expenditure was 61.4% of the total expenditure with 43.4% constituting personnel emoluments and 18.0% being operations and maintenance.

Development expenditure accounted for 38.6% of the total.

Table 2.5: County expenditure performance per economic classification

Description	Sum of Revised Estimates FY 2023/24	Actual Expenditure 2023/24 FY
A. Total Budget [1+2]	9,424,650,447.00	7,649,694,075
1.0 Total Recurrent Expenditure	5,100,313,443	4,697,518,387
1.1 Compensation to Employees	3,320,170,216	3,320,044,558
1.2 Use of Goods and Services	1,780,143,227	1,377,475,830
2.0 Development Expenditure	4,324,337,004.00	2,952,175,688
Financed by:		
B. Total Revenue	8,911,117,588	7,525,850,237
3.1 Equitable Share	7,560,398,412	6,955,566,539
3.2 Local Revenue	190,000,000	145,092,730
3.3 Conditional Grants	1,160,719,176	425,190,968
3.4 Balance b/f	513,532,859	513,532,859

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This section presents Recent Economic Developments; Medium Term Fiscal Framework; and Risks to the Outlook. Its purpose is to turn the attention from the past to the present time and the immediate future. In this section, the county government discusses its assessment of the prospects for growth after analyzing the recent economic events and circumstances.

3.1 Recent Economic Developments

This section presents Recent Economic Developments; Medium Term Fiscal Framework; and Risks to the Outlook. Its purpose is to turn the attention from the past to the present time and the immediate future. In this section, the county government discusses its assessment of the prospects for growth after analyzing the recent economic events and circumstances.

3.1 Recent Economic Developments

Global Economic Performance

Global economy has stabilized with global growth projected at 3.2 percent in 2024 and 3.3 percent in 2025 from 3.3 percent in 2023**.** The outlook reflects economic recovery in China, Euro area and United Kingdom, despite a slowdown in activity in the USA and Japan. The main risks to the global growth outlook relate to further escalation of geopolitical tensions, interest rates remaining higher-for-even-longer in advanced economies, and policy uncertainty attributed to changes of Government in some major economies. Global inflation has moderated, with central banks in some major economies lowering interest rates. International oil prices have moderated, but the risk premium from the Middle East conflict has increased following the recent escalation.

Global economic output showed resilience in the first half of 2024, with modest growth anticipated in 2024 and 2025, mainly due to improving economic activities in the United States, China, and India**.** Global growth was estimated at 3.3 percent for 2023 is projected to continue at the same pace in 2024 and 2025. However, the divergence in output across the countries at the beginning of the year narrowed partly attributed to waning cyclical factors and a better alignment of growth with the potential. Even though global headline inflation concerns are diminishing, core inflation remains persistently high. Financial market conditions have remained stable throughout 2024, reflecting improved global investor sentiment and a softening of labour markets. However, the outlook faces significant downside risks, including escalating conflicts in the Middle East, uncertainties around the US elections, and consistently high interest rates in advanced economies.

Growth in the advanced economies is projected to remain stable at 1.7 percent in 2024 and 1.8 percent in 2025. Growth in the US has been revised downwards by 0.1 percentage points from the World Economic Outlook (WEO) April projections as consumption moderated and the labor market eased. Growth prospects for the Euro area were revised upwards by 0.1 percentage points following strong momentum in the services sector and higher than expected 38 net exports in the first half of the year. The Euro area and the UK are projected to grow by 0.9 percent and 0.7 percent, respectively in 2024. In the emerging market and developing economies, growth is projected at 4.3 percent in 2024 and 2025, reflecting stronger activity in Asia particularly China and India. In Sub-Saharan Africa (SSA), economic growth is projected to rise from an estimated 3.4 percent in 2023 to 3.7 percent in 2024 and 4.1 percent in 2025. Growth has been revised downwards by 0.1 percentage points in the April WEO attributed to a weaker growth outlook in Nigeria on account of weaker than expected activity in the first quarter of 2024. Nigeria and South Africa are expected to grow by 3.1 percent and 0.9 percent in 2024, respectively.

Global financial conditions remained accommodative boosted by positive corporate valuations. Global headline inflation is expected to fall to 5.9 percent and 4.4 percent in 2024 and 2025, respectively, which is a slower pace due to higher-than-average inflation in services prices. World trade growth is expected to increase 3.1 percent and 3.4 percent in 2024 and 2025, respectively. Annual average oil prices and non-fuel commodity prices are projected to increase by 0.8 percent and 5.0 percent in 2024, respectively.

Table 2: Global Economic Growth Rates

	Growth (%)			
	Actual	Estimate	Projections	
Economy	2022	2023	2024	2025
World	3.5	3.3	3.2	3.3
Advanced Economies	2.6	1.7	1.7	1.8
Of which: USA	*1.9*	*2.5*	*2.6*	*1.9*
Euro Area	*3.4*	*0.5*	*0.9*	*1.5*
United Kingdom	*4.3*	*0.1*	*0.7*	*1.5*
Japan	*1.0*	*1.9*	*0.7*	*1.0*
Emerging and Developing Economies	4.1	4.4	4.3	4.3
Of which: China	*3.0*	*5.2*	*5.0*	*4.5*
India	*7.0*	*8.2*	*7.0*	*6.5*
Sub-Saharan Africa	4.0	3.4	3.7	4.1
Of which: South Africa	1.9	0.7	0.9	1.2
Nigeria	3.3	2.9	3.1	3.0
Kenya*	4.9	5.6	5.2	5.4

*Source: IMF World Economic Outlook, July 2024. *National Treasury Projection*

Kenya's Economic Performance and Outlook

The Kenyan economy is currently unwinding from the effects of negative and persistent global and domestic shocks that had pushed the economy to its lowest activity level. These shocks included COVID-19 pandemic and its ensuing effects, conflict in Eastern Europe and Middle East that led to global supply chain disruptions and the adverse effects of climate change from the prolonged drought in 2021 to the floods in the first half of 2024. These shocks escalated the cost of essential household commodities including fuel prices, and led to a rapid depreciation of the Kenya Shilling exchange rate, piling pressure on public debt.

Various government interventions, structural reforms and policies have supported economic recovery. The economy grew by 5.6 percent in 2023 from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth was largely driven by a strong rebound in the agricultural sub-sector, which benefited from favourable weather conditions after two years of severe droughts and the robust performance of the services sector. The performance of the industrial sector, particularly manufacturing which has remained subdued. This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter and 4.6 percent in the second quarter compared to a growth of 5.5 percent and 5.6 percent in the corresponding quarters in 2023.

The primary sector grew by 5.0 percent in the first quarter and 4.4 percent in the second quarter of 2024 compared to a growth of 5.3 percent and 6.9 percent in the corresponding quarters in 2023. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter and 4.8 percent in the second quarter of 2024 compared to a growth of 6.4 percent and 7.8 percent in similar quarters in 2023**.** The performance was evident in the significant increase in production of tea, milk and sugarcane during the first half of 2024. Mining and Quarrying subsector contracted by 14.8 percent in the first quarter and 2.7 percent in the second quarter of 2024 compared to a contraction of 11.0 percent and 8.3 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium, soda ash and gemstone.

Inflation Development

The overall year-on year inflation is within the Government target range of 5±2.5 percent largely driven by easing food and fuel prices. Overall inflation remained stable at 4.4 percent and 4.3 percent in August and July 2024, respectively, thereby remaining below the mid-point of the target for three consecutive months. This is a drop from 6.7 percent in August 2023, and a peak of 9.6 percent in October 2022**.** Favourable weather conditions coupled with targeted government interventions have partly led to the reduction in the cost of food production thereby lowering food inflation. Other factors expected to support low inflation include the pass-through effects of the strengthening exchange rate, decreases in electricity and pump prices and the CBK monetary policy stance.

Kenya Shilling Exchange Rate

The foreign exchange market remained stable in the first half of 2024 despite increased global uncertainties, effects of a stronger U.S. Dollar and geopolitical tensions in the Middle East. The Kenya Shilling exchange rate was weaker at the turn of the year but strengthened against the U.S. Dollar from mid-February 2024 through August 2024. It strengthened by 10.15 per cent, 8.55 per cent and 9.55 per cent against the US Dollar, Sterling Pound, and the Euro, respectively in August 2024 compared to a similar period in 2023. It exchanged at an average of Ksh. 129.32 per US dollar in August 2024 compared with Ksh 143.93 per US dollar in August 2023. Similarly, the Kenya Shilling underperformed in all EAC regional currencies over the period under consideration. The foreign exchange market was mainly supported by inflows from agricultural exports, remittances and portfolio investors while demand was driven by pickup in economic activities specifically in the manufacturing, wholesale, and retail sectors

Interest Rates

Interest rates in the year to August 2024 increased reflecting the tight monetary policy stance. The interbank rate increased to 12.97 percent in August 2024 compared to 10.48 percent in August 2023 and has remained within the prescribed corridor around the CBR (set at CBR± 150 basis points). The 91-day Treasury Bills rate increased to 15.8 percent in August 2024 compared to 13.3 percent in August 2023 while the 182-day Treasury Bills rate also increased to 16.7 percent from 13.2 percent over the same period. The 364-day Treasury Bills rate increased to 16.9 percent in August 2024 from 13.6 percent in August 2023. This has increased the cost of borrowing by Government from the domestic market.

Medium Term Economic Outlook

Domestic Growth Outlook

Kenya’s economic performance is projected to remain stable over the medium term. Growth is expected to moderate from 5.6 percent in 2023 to a forecast of 5.2 percent in 2024 and 5.4 percent in 2025. The growth in 2024 and 2025 will benefit from the enhanced agricultural productivity and a resilient services sector. The rebound in Kenya's agricultural sector is expected to be largely driven by favourable weather conditions and productivity-enhancing government interventions. The industrial sector will see growth primarily in manufacturing largely reflecting reduction in costs of production and easing of exchange rate pressures; and in construction partly attributed to increased public spending on affordable housing. The services sector is expected to remain resilient, with ICT reforms boosting growth in financial services, health, and public administration. However, increased uncertainties in both the external and domestic environments, such as the escalation of geopolitical tensions and potential disruptions in supply chain networks, could negatively impact commodity markets and slow down this potential growth.

On the demand side, aggregate domestic demand is expected to remain resilient even as public sector consolidates with the private sector playing a stronger role in Kenya's medium term recovery. Bumper agricultural harvests, moderate inflation, a recovery in employment, and modest growth of credit to private sector will support growth in private consumption. Moreover, remittance inflows to Kenya are projected to remain resilient, providing further support to household incomes. Private consumption is expected to complement moderate government consumption in the context of fiscal consolidation.

Private investment will be supported by measures aimed at improving competitiveness, inclusivity, market efficiency, positive business sentiment, access to the international market, and projected FDI inflows. Investment will also benefit from an increased focus on Public Private Partnerships (PPPs), following the near completion of the harmonization of the Public Investment Policy, which will align PPP and Public Investment Management frameworks. In the medium term, the Government targets PPP investments in key economic sectors to complement its development agenda. These sectors include Agriculture, Roads and Transport, Urban Development and Housing, Energy, Water, Information, Communication Technologies (ICT), and Health. The PPPs are also expected to partly fill the investment financing gap in the wake of ongoing fiscal consolidation efforts which would reduce government domestic borrowing and lower yields on government securities.

Government consumption and investments are expected to slowdown in 2024 and 2025 due to the ongoing growth friendly fiscal consolidation efforts. However, the development will be complimented with private sector investments in commercially viable development projects. Growth over the medium term will also be driven by sustained Government investments in the Bottom-Up Economic Transformation Agenda. Particularly, investments in the nine priority value chains (Leather, Cotton, Dairy, Edible Oils, Tea, Rice, Blue economy, Natural Resources (including Minerals and Forestry), and Building Materials). Government interventions towards climate change adaptation and mitigation measures that include rehabilitation of wetlands and reforestation are expected to support growth over the medium term.

Kenya's external position is expected to remain supportive of macroeconomic stability. Overall, the current account deficit is expected to be stable in the medium term. Exports are expected to recover, both from improvements in the global and regional trade outlook, and domestic conditions. Exports are expected to benefit from the ongoing implementation of trade agreements such as regional economic communities and the AfCFTA. Increased remittance inflows and tourism receipts are expected to further provide foreign exchange buffer. Imports are expected to grow as domestic demand recovers, particularly of raw materials, fuels, and intermediate goods, consistent with investment growth and the stability in the foreign exchange market.

Fiscal Policy Outlook

The fiscal policy stance over the medium term aims at supporting the Bottom - Up Economic Transformation Agenda of the Government through a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective liability management strategy, without compromising service delivery to citizens. This is expected to boost the country's debt sustainability position and ensure that Kenya's development agenda honours the principle of inter-generational equity. The fiscal policy also indicates a deliberate convergence path towards the fiscal targets under the East African Community Monetary Union Protocol that sets a ceiling of fiscal deficit including grants of 3.0 percent of GDP and deficit excluding grants of 6.0 percent of GDP.

The fiscal policy will target to grow tax revenues above 17.8 percent of GDP in the FY 2023/24 and above 18.0 percent of GDP over the medium term. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority (KRA) to Ksh 3.0 trillion in the FY 2023/24 and Ksh 4.0 trillion over the medium term. In order to achieve this, the Government will undertake a combination of both tax administrative and tax policy reforms.

On the tax policy, the Government will implement various tax policy measures to further boost revenue collection. In addition, to further strengthen revenue mobilization efforts, the Government will finalize the development of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) for the period FY 2023/24 - 2026/27.

The National Tax Policy Framework will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislations and management of tax expenditure. On the other side, the Medium-Term Revenue Strategy will provide a comprehensive approach of undertaking effective tax system reforms for boosting tax revenues and improving the tax system over the medium term.

Recent Economic Developments in the County

Marsabit County Medium-Term Framework: Economic Transformation Agenda

In 2024, the county's economy is expected to realize positive growth driven by the rebound in agriculture & Livestock sector as result of anticipated adequate rainfall, ongoing fertilizer and seed subsidy program, Livestock vaccination and robust growth of the service sectors (accommodation and food services activities, education, other service activities and wholesale and retail trade).

To foster inclusive growth and economic transformation over the medium term, the County Government will persist in implementing structural reforms and prudent budgetary policies. The 2024 CFSP is prepared against a backdrop of slowed global economic growth occasioned by 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 on petroleum products on account of increased geopolitical fragmentation and global oil supply cuts.

The county government will enhance implementation of initiatives across the seven (7) core pillars towards realizing and sustaining social economic transformation namely: Infrastructure, Education & Skills enhancement, Innovation and Technology, Private sector engagement, Micro, Small and Medium Enterprises (MSMEs) Support, Inclusive Development and Security Enhancement.

3.3.1 Infrastructure

The County Government intends to provide more affordable public services and amenities, improved road networks and energy access in order to support social-economic development and transformation. To realize this, the government has given top priority to the following: Setting up of bus parks across the County (Saku Bus park completed), opening and upgrading of earth roads to all weather roads, construction of bridges and drainage systems for county roads; regular maintenance of paved and unpaved county roads; promotion of sustainable partnerships in the Completion & equipping of Sololo Level IV Hospital; formulation and execution of the County housing policy; development and maintenance of public street lighting(Two mega flood mast erected at the County HQ); promotion and adoption of renewable energy; installation of green energy in public institutions; and planning of towns, market centers, and informal settlements.

3.3.2 Education & Skills Enhancement

Development of human capital facilitates increased labour productivity, technological innovations, returns to capital investments and sustainable economic growth. This requires investing in people through nutrition, health care, quality education, jobs and skills. Towards this end, the county government plans to implement the following;

i) Providing full Scholarship to over 1300 Students from the poor Households across the county who sat for their Primary certificate in 2023 and scored 300 marks and above

ii) Facilitate acquisition of necessary skills and competencies to learners from pre-primary to post-secondary.

iii) Enhance investments in community and primary health care including hiring and training of more Community Health Promoters (CHPs), increased immunization coverage and continued support to public health.

iv) Increase access to clean water and reliable sanitation (Bakuli Dam completed to supply the County HQ)

v) Support vocational education and training through construction, equipping, staffing and operationalization of additional VTCs within the county to enhance skills.

3.3.3 Innovation and Technology

The county government will continue to invest in digital infrastructure, including high-speed internet and data networks to facilitate the widespread adoption of technologies across various departments. The government will digitize and automate all critical Government processes throughout the county, to bring greater convenience to citizens; support the extension of National Fibre Optic backbone infrastructure to ensure universal broadband availability and promote investment in the digital superhighway and the creative economy; raise revenue efficiently for Government services that are paid for electronically, thus eradicating leakage(Automation of the remaining revenue streams in North Horr & Laisamis Sub County). The government will also implement robust cyber security measures to protect against cyber threats through the ICT section.

3.3.4 Private Sector Engagement

In Kenya, the private sector accounts for about 75 percent of Kenya's GDP. To leverage on private sector contribution, the county government will encourage collaboration between the public and private sector through well-structured PPPs for developing infrastructure projects and delivering public goods and services. The government will create an enabling environment that encourages entrepreneurship, innovation, and investment while upholding transparency and accountability in governance. In addition, the county government will continue improving infrastructure such as transportation, energy, and digital connectivity, to reduce operational costs and enhance the overall business environment.

3.3.5 Micro, Small and Medium Enterprises (MSMEs) Support

MSMEs support provides huge opportunities for county’s socio-economic transformation by providing income opportunities for economically excluded segments of the population including youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment. To support MSMEs growth and transformation, the county government will enhance Enterprise Development fund and Co-operative Revolving fund to benefit large sections of the disadvantaged population. In addition, the county government will review and rationalize all business licenses, support establishment of MSME Business Development Centre in every ward, and an industrial park and business incubation Centre in every TVET institution. The county will also continue initiatives in capacity building of youth and creation of awareness on other available funding opportunities like Hustler fund by the national government.

3.3.6 Inclusive Development

The county government will involve all residents in decision-making processes in order to provide efficient and needs responsive public goods and services. This will be realized through enhanced public involvement in budgeting, legislative, and policy-making processes. Decentralized civic awareness and collaboration with the Civil Society Organizations will be enhanced. In addition, the county government will put in place policy and legislation framework to ensure a certain percentage of development funds is provided for the villages to implement some of their priority projects/ programmes in collaboration with the County Government. This will lead to jobs and wealth creation among the locals.

3.3.7 Security Enhancement

Marsabit County had one of the worst insecurity issues in the Country where many people lost their lives and property to tribal clashes at the County Headquarter, it's after the intervention of the National Government and the Electioneering period that Security was improved. Security is very fundamental to people's livelihoods, poverty eradication and achievement of development aspirations. To enhance security and cohesion, the county government will support establishment of a security committee comprising of local communities from conflict prone areas, Nyumba Kumi leaders, ranchers and office of the County Commissioner; strengthening of security agencies; creation of County Policing Authority; holding of annual cultural festivals, peace caravans and exhibitions. This will ensure non disruption of economic activities and hence improved livelihoods.

3.4 Sectoral Support for Broad-Based Sustainable Economic Growth

The county government is taking steps to improve the livelihoods of its residents. As a result, the government has prioritized seven key areas to focus on, namely: **Health**; **Agriculture**, **Livestock** and **Food Security**, **Water and Sanitation**; **Trade and Enterprise Development**; **Energy**, **Roads and Urban Development**; **Youth Empowerment and Job creation**; and **Education and Training**.

3.4.1 Health

The sector aims to enhance access to affordable and quality healthcare to all the county residents. This includes provision of a range of services, from regular check-ups to life-saving treatments. Several initiatives are being implemented to address and eliminate barriers to access of quality healthcare within the county. These include: establishment of a multi-specialty (level Four) hospital in Sololo to serve the larger population of that Sub County; opening of Marsabit KMTC Branch, increase county enrolment to NHIF from 65 percent to 100 percent; establishment of a strong human resource for health programme; recruitment and deployment of Community Health Promoters (CHPs); adequate supplies and equipping of all hospitals in the county; establishment of functional Community Health Units (CHU) in all locations in the county; creation of health centers of excellence in every ward; digitization and automation of health care services; and equipping of emergency and rescue services department.

3.4.2 Agriculture, Livestock and Food Security

Pastoralism and specifically Livestock sector remains the backbone of the county residents' source of Livelihood at almost 85%, and economically contributes around 27 percent of the Gross County Product (County Statistical Abstract 2023). To enhance gains from the sector, the county government will support provision of subsidized fertilizer and seeds; capacity building of farmers on adoption of climate Smart Agricultural practices; continuous registration and enrolment of farmers on digital register; prevention of post-harvest loses through construction and management of grain stores; enhancement of extension services; establishment of value addition and agro-processing facilities; and supporting of agri-business and access to markets. Under livestock production, the government will upscale diseases and pest control; promotion of fodder production by farmers; livestock breed improvement; and investment in value addition and processing of meat and other livestock products.

3.4.3 Water and Sanitation

Water and sanitation are critical components of human life, and it is crucial to ensure that everyone has access to safe and clean water. The county experiences inadequate water supply to both urban and rural areas occasioned by prolonged drought as a result of failed rains. As at 2023, 90.1 percent of the total county households accessed their drinking water from unimproved water sources (dams, streams/rivers, unprotected springs, and unprotected wells). Sanitation coverage is also low with only 5% of the total households connected to main sewer. The county government has implemented various measures to mitigate the challenges faced in this sector. These include: construction and rehabilitation of water supply systems to increase access to safe and clean water; operationalization of water services board (MARWASCO); provision of at least 50,000 water tanks to household across the county; construction of public toilets; construction of new sewer plants and up-scaling of solid waste management systems in the county.

3.4.4 Trade and Enterprise Development

The sector is responsible for the promotion of orderly growth of trading activities in the county through provision of business development services and regulatory frameworks. The county government continues to implement several strategies towards creating a conducive environment for businesses to thrive. These include: training and education programs for entrepreneurs to develop their skills and knowledge; reducing bureaucracy and streamlining the process of obtaining permits and licenses; markets infrastructure development; provision of street lighting and parking and promotion of local products and services to encourage residents to support the local economy. In addition, the government is promoting local manufacturing and value addition in agricultural products such as milk processing, bakery, leather processing and honey processing among others.

3.4.5 Energy, Roads and Urban Development

The county government focuses on promoting the adoption of renewable energy sources such as solar and wind power to reduce the reliance on fossil fuels. To improve connectivity and facilitate the movement of people and goods, the government has prioritized construction and maintenance of roads, bridges and other transportation systems within the county. In collaboration with the National government, the county government is planning to implement the affordable housing program for low and middle-income sections of the population. Under physical planning and urban development, the county is facilitating provision of cost-effective public utility infrastructure; efficient approval for housing and other structural drawing approvals; issuance of title deeds for plots in small towns and shambas; finalization of surveying of administrative boundaries within the county; timely resolution of land issues and disputes; and fencing and development of county properties.

3.4.6 Youth empowerment and job creation

In Kenya, the overall unemployment rate stood at 12.7 percent with the youth who form 35 percent of the Kenyan population having the highest unemployment of 67 percent (Federation of Kenya Employers, 2022). Over one million young people enter into the labour market annually without any skills, some having either dropped out of schools or completed school and not enrolled in any college. To address the issues facing this section of the population, the county government is implementing various initiatives including employment of more than 500 Youths on annual Internship Basis, Employment of more than 340 Youths as ECD teachers on Permanent basis, establishment/ rehabilitation, modernization and equipping of TVETs to promote skills and business training among the youth; promotion of enterprise development among the youth; capacity building of budding businesses; establishment of innovation and incubation hubs in each sub-county; provision of business funds to youth and market linkages; and implementation of the 30 percent government procurement rule. Other measures include; improvement of sports and recreation facilities; supporting rehabilitation of youths from substance abuse; and engagement of CHWs in providing psychosocial support.

3.4.7 Education and Training

The county government is implementing several strategies to promote education, training and early childhood development. Through the Department of Education and Skills Development, Youth & Sports, the government is disbursing more than 200 million to students in secondary schools through County Scholarship Program where the 6th Cohort was launched on 12th January 2024. The county government will continue to allocate more funds toward education and early childhood development programs to ensure that every child has access to quality education to which 347 ECD teachers were employed on Permanent basis as earlier stated. In addition, the county government intends to establish and equip more ECDE centres; integrate ICT in training and construct and equip more VTCs. Lastly, the county government has partnered with local businesses and organizations to provide scholarships for underprivileged children to access education. Through such partnerships, the county has witnessed scholarships given to these students by Equity foundation, KCB Foundation groups among others.

Medium Term Fiscal Framework

The County Government will continue pursuing prudent fiscal policy to ensure stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for sustainable management of public finances. As such, the CG will continue honouring the repayment plan of the pending bills so as to offset all the pending bills in the shortest period possible and ensuring expenditure is strictly done guided by availability of funds going forth.

Fiscal policy will continue to support County development economic activities while providing a platform for the implementation of the various planned projects and programmes within a context of sustainable public financing. This process will be strengthened in the FY 2024/25 by encouraging more private-sector engagement in order to build concrete public private Partnership in pursuit of new economic opportunities.

The growth of the outlook for the calendar year 2024 and the FY 2024/25 and the medium term, will be supported by the stable macroeconomic environment, ongoing investments in strategic priorities of the County Government to compliment the Bottom-Up Transformation Agenda (BETA), and the ongoing public investments in infrastructure projects that are envisaged to be implemented through Public Private Partnerships.

The County Government in developing the third generation CIDP 2023-2027 will ensure that it rides on the gains that has so far been realized while also putting up strategic measures to address the challenges that have so far been identified that are hindering effective service delivery to the citizenry.

With respect to revenue, the CG will maintain a strong revenue effort at 10 percent of Revenue Growth over the medium term. Measures to achieve this effort include upgrading of the county revenue automated systems, interdepartmental concerted efforts towards revenue collection, implementation of the finance act 2024 with a rejuvenated enforcement mechanism. In addition, the CG will rationalize existing fees and charges incentives, expand the income base as envisaged in the Constitution.

On the expenditure side, the CG will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with continued implementation of the Integrated Financial Management Information System (IFMIS) across all the departments.

The county will continue redirecting expenditure towards those priority programmes as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic welfare.

Risks to the Outlook

The budget forecast faces potential setbacks that stem from internal and external factors. These factors pose a downside risk to the economic outlook for 2024/25 and the medium term. As a result, policymakers will need to take these factors into account and develop strategies to mitigate the risks.

a) Unpredictable weather pattern

Unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural & Livestock production and result to domestic inflationary pressures, reduced agricultural production, which can affect food security and local revenue collection. To address unfavorable weather patterns such as drought the county government shall encourage farmers to adopt crop management practices that cope with drought conditions. These include planting drought-resistant crops, using irrigation systems, and practicing soil conservation techniques. The National Government in collaboration with County Government and development partners will also implement the Financing Locally-led Climate Action (FLLoCA) Program to manage climate risks which has a budgeted amount of Ksh. 148M.

b) Natural Disasters and Man-Made Hazards

Natural disasters and man-made hazards can pose significant risks to the economic outlook of a county and even the country at large. Natural disasters such as floods, can cause extensive damage to infrastructure, disrupt supply chains, and lead to loss of life and property. Marsabit County experienced adverse floods in the recent rain that killed more than 7 persons in the county. Man-made hazards such as banditry, fires, pollution, accidents, and political instability can also significantly impact the economy by disrupting business operations, reducing investor confidence, and causing financial losses. To mitigate the risks posed by natural disasters, the county will invest in disaster preparedness and response measures such as early warning systems and constructing flood control systems. To mitigate the risks posed by man-made hazards, the county will invest in preparedness and response measures as well as promoting good governance practices, Inter-Peace have been circumbulating all over the county working with the department of Cohesion to bring peace and communal dialogue so that Long term solution to the recurrent insecurity issues can be developed.

c) Financial uncertainties

County government may experience uncertainties in its revenue streams due to various factors such as changes in tax laws, economic downturns, or unexpected events such as natural disasters. As a result, they may face budget constraints due to limited resources, competing demands for funding, and unforeseen expenses. To mitigate the impact of these uncertainties, the government will focus on improving its financial management systems, exploring alternative revenue sources, and prioritizing spending. Additionally, the county government will foster partnerships with other stakeholders to help overcome budget constraints and ensure that its services remain accessible to the public. Concerning the own source revenue, the Department of Revenue service is automating revenue systems and training the clerks so as to curb leakages.

d) Conflict in Eastern Europe and the Middle East

The Israel-Hamas conflict poses a threat to the oil market. A rise in crude prices is set to pile upward pressure on pump prices in Kenya. The cost of fuel impacts heavily on inflation due to the movement of goods and services. Higher energy prices would hamper central bank efforts to tame inflation pressures. This will lead to tighter monetary policy that keeps interest rates elevated, it would push up the cost of borrowing and refinancing. Any disruption to trade, likely accompanied by higher prices, would, therefore, force Kenya to incur the additional expense and effort of sourcing for other source markets. It is crucial for the international community to work towards peaceful solutions to these conflicts and promote stability in these regions.

The Russian-Ukraine conflict has continuously indirectly impacted the economy through global effects on commodity prices, particularly oil. Disruptions in the global energy market lead to fluctuations in oil prices, affecting the overall economic stability. Additionally, global economic uncertainties impact international trade, which affects both our exports and imports. To mitigate the impacts of the Russian-Ukraine conflict on the county economy, considering the fact that Marsabit County is the biggest in terms of land mass, reaching far flunked areas for service delivery will require more expenditure especially during the development of County plans and Policies.

The government continues to invest in alternative and renewable energy sources to reduce dependence on traditional energy markets. Additionally, the government should implement robust risk management strategies to monitor and respond to changes in commodity prices, currency exchange rates, and international trade conditions.

e) Technological changes

The county administration continues to place a lot of emphasis on digital technology. Some e-government programs like the IFMIS, GHRIS, and IPPD among others play an important role in the county. However, digital technology has potential risks like cybercrimes and fraud. The vast County lack network connections, the county government will consistently request the providers of such services to increase network coverage so that respondence to an unexpected calamity like floods or drought can be done hastly.

f) Macroeconomic risks

Macroeconomic variables play a key role in the formulation of the budget as they form a baseline in revenue projections and determine the Government's spending priorities. The macroeconomic assumptions underlying the 2024/2025 budget entail an estimated economic growth of 5.5 percent in both 2023 and 2024. Inflation is projected to gradually ease towards the Government target range of 5.0 percent in 2024 and remain within the target range over the medium term. The external sector is expected to remain relatively stable despite the projected global economic slowdown, geopolitical fragmentation uncertainties, and tight global financial conditions. Any unexpected changes in these macroeconomic projections may pose risks to the projected revenue and expenditure. To mitigate the risk, the County Government should maintain a flexible budget that can adapt to changing economic conditions. Additionally, the county can stay vigilant by monitoring key economic indicators and staying informed about development that could impact the micro economic environment.

Proposed Measures to address the risks

There is need for the development of a national legislation on planning to guide planning at both levels of Governments; integration of national and county planning; development of a national resource mobilization strategy; operationalization of all IFMIS modules including pending bills, accounts receivables; monitoring and evaluation; development of a standardized framework for assets valuation in counties; fast-tracking the processing of Auditor General's reports in the County Assemblies and the Senate to strengthen oversight in the management of public finance functions in counties; customization of human resource policies by the Ministry of Public Service in consultation with the Public Service Commission , IGRTC and County Governments; amendment of various Sections of PFMA, 2012 and continuous capacity building of County Governments officials on all PFM related areas.

3.2 County Economic Outlook and Policies

The growing national economy is expected to lead to enhanced revenue performance. This will mean increased allocations to the county by Commission of Revenue Allocation thus having implication on the implementation of strategic interventions. In FY 2019/20, the county own source revenue performance missed the target by 24% by posting Ksh. 114,102,681 million against target of Ksh 150 million. The decrease can be attributed to Covid19 pandemic that has affected business greatly and tax relief on royalties. Absorption rate was about 88% during the period. Total expenditure in the period was Ksh 7,306,064,826 against target of Ksh 7,641,139,415 leading to a deviation of about 4% amounting to Ksh 335,074,589.

The resource envelop of the County Government has also faced challenges of inadequacy given the size and historical underdevelopment characteristics of the County. The situation has been compounded by the consistent underperformance in the generation of the Own Source revenue which results in the County Government relying on the national government for most of its revenue. The County Government has developed several strategies in place to improve revenue collection and also raise additional funds by strengthening collaboration, networking and partnerships. The government will continue to work with the National Government, development partners and other counties in the region and beyond in addressing development challenges facing residents of the county, especially in water, agriculture, infrastructure and health.

3.3 Medium Term Expenditure Framework

The county government will operate within a framework of balanced budget in the medium term with occasional short term borrowing as may be necessary for cash flow management purposes. The government's fiscal policy objective in the medium term will be to focus resources to priority and growth potential areas including water, infrastructure, agriculture and livestock production, and health.

Revenue mobilization initiatives will be strengthened to enhance revenue performance. The County's own revenue performance has been fluctuating over the years culminating to a decline of 26% in 2019/20 compared to 2018/19. To realign local revenue performance to positive growth trajectory, the county government will ensure adequate legislations to guide revenue collection and management, improve enforcement for compliance, enhance residents' ICT literacy levels for more compliance and broaden tax base. The county government will engage the National Government and development partners for additional resources to support implementation of targeted development interventions.

In the medium term the county government will strengthen expenditure management focusing on expenditure productivity. This will be done by full implementation of the Integrated Financial Management Information System (IFMIS) across departments. The county government has formed inspection and acceptance committee in order to continue monitoring expenditures closely to avoid channeling resources to unproductive expenditure areas. Major expenditure areas will be expected to include personnel emoluments (P.E), development and operations. The government will also increase focus and implementation of programmes targeting the vulnerable including the youth, women and people living with disabilities (PWDs) to enhance their participation in the socio-economic development of the county.

The fiscal responsibility principles will remain the guiding framework for its public finance management discourse.

3.4 Risks to the Outlook

The county operates within the framework of global economy and the world scenario will affect the economy of the county through exports, tourism, among others. In the event of a downturn in the Global economy of the economy of Kenya against the World Economy, then the revenues from the equitable share may not grow as projected. Further, the Counties are already facing revenue cuts due to the ongoing Austerity measures. The impact and effect of such measures can only be fully analyzed in the CFSP 2021. However, the potential for adverse impact on the projections and resultant budget ceilings is considered moderate to high.

The outlook is based on assumed normal rainfall. However, rainfall pattern proved erratic in some seasons in the past. Erratic rainfall pattern, if experienced, is likely to affect livestock production. The current ethnic animosity between the communities may affect the economic performance.

Local revenue performance has been fluctuating and underperforming. With the Covid19 pandemic affecting the country revenue performance at the national level is expected to tremble, the total revenue of the county is expected to decrease over the medium term. Expenditure pressures due to increasing wage bill thus leaving inadequate resources for development.

Delays in the receipt of the equitable share in the county affect the absorption and ability to make timely interventions. For the FY 2020/21 and beyond the County will seek to make accurate cash-flow projections to be shared with the Controller of Budget and National Treasury which will ensure better planning for resources.

The final risk is the conflicting priorities between the County Assembly and the County Executive thus affecting budget making process and budget execution.

Risk	Assumption	Mitigation measures
Internally, public expenditure pressures particularly wage related recurrent expenditures	-	Risks materialize we shall revise again the macro framework and the Medium Term Sector Ceilings in the 2020/21 Budget
Local revenue shortfalls that continue to pose a fiscal risk	Expanded county own Revenue streams	Automation and creation of efficiency in revenue collection, management and reporting. Revenue Collection legislation Creation of a dedicated Corporate body to manage all matters relating to the administration and enforcement of County revenue laws and the assessment and collection

		Revenue Clinics to sensitize tax payers on the importance of self-compliance Profiling of revenue sources
Adverse Weather Conditions	Favorable Weather Conditions	Setting up disaster and emergency funds to address the weather changes effects and impacts
Insecurity	Prevailing Security	With the National Government in managing security issues in the County.
Capacity of the county staff to implement the programmes	Prevailing of lack of enough technical staff in county sectors	Building capacities of the existing staff and recruitment of new staff
Political Stability	Enhanced political stability	Issue based, people centered, result-oriented and accountable to the public
Pending bills from the implementation of previous CIDP	-	Strict adherence to plans and budgets
Corona pandemic that will affect own source revenue and national budget.		Coordinate with national government, different stake holders to curb the pandemic.

4. RESOURCE ALLOCATION FRAMEWORK

This section establishes the resource envelope the county expects and how it will be allocated across all the sectors for 2024/25 FY and MTEF

4.1 Adjustment to the FY 2024/25 Budget

The 2024/25 Budget sought to unlock the economic potential of the county by ensuring adequate funding to the critical sectors that will contribute immensely to the realization of our shared vision to pursue the transformative agenda for inclusive economic growth.

However, even as the implementation of the budget continues, there will be need to make adjustments to the new budget;

4.2 Medium Term Expenditure Framework

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in county integrated development plan, Annual Development Plans and Sector plans; and in accordance with section 107 of the PFM Act 2012.

For effective utilization of public finances for enhanced expenditure productivity, the county government will prioritize expenditures within the overall sector ceilings and strategic sector priorities.

Table 4.1 below therefore provides indicative sector ceilings for the 2024/2025 – 2026/27 MTEF period. The projections are inclusive of conditional allocations and grants/loans.

Table 4.1 Summary of Indicative Sector Ceilings for FY 25/26 MTEF

Departments	Actual expenditure 2023/24	Budget Estimates / Approved Budget 2024/25	Projections 2025/26	2026/27	Actuals 2023/24	Budget estimates 2024/25	projections 2025/26	2026/27
County Assembly	890,655,291	1,372,780,811	1,398,177,256	1,424,043,535	12%	14%	14.13%	14.13%
County Executive	931,709,036	722,444,000	735,809,214	749,421,684	12%	7%	7.44%	7.44%
Finance and Economic Planning	820,388,713	1,069,962,157	1,089,756,457	1,109,916,951	11%	11%	11.01%	11.01%
Agriculture, Livestock and Fisheries Development	540,290,795	1,170,561,478	1,192,216,865	1,214,272,877	7%	12%	12.05%	12.05%
County Public Service	82,743,206	125,000,000	127,312,500	129,667,781	1%	1%	1.29%	1.29%

Education, Skills Development., Youth & Sports	643,740,500	738,805,783	752,473,690	766,394,453	8%	8%	7.60%	7.60%
Health Services	1,841,372,493	2,087,263,415	2,125,877,788	2,165,206,527	24%	21%	21.48%	21.48%
Administration and ICT	440,844,375	581,000,000	591,748,500	602,695,847	6%	6%	5.98%	5.98%
Energy, Land ,Urban Development & municipality	212,537,386	276,600,000	281,717,100	286,928,866	3%	3%	2.85%	2.85%
Road and Public Works	349,820,737	544,870,000	554,950,095	565,216,672	5%	6%	5.61%	5.61%
Water, Environment and Natural Resources	589,667,052	499,050,000	508,282,425	517,685,650	8%	5%	5.14%	5.14%

Trade, Tourism, Industry & Enterprise Development	226,775,611	302,121,920	307,711,176	313,403,832	3%	3%	3.11%	3.11%
Culture, Gender & Social Services	114,858,186	184,578,080	187,992,774	191,470,641	1%	2%	1.90%	1.90%
Office of the County Attorney	1,859,500	29,978,854	30,533,463	31,098,332	0%	0%	0.31%	0.31%
Office of the County Secretary	2,351,300	10,500,000	10,694,250	10,892,094	0%	0%	0.11%	0.11%
Total	**7,689,614,181.00**	**9,715,516,498**	**9,895,253,553**	**10,078,315,744**	**100%**	**100%**	**100.00%**	**100.00%**

4.3 The Proposed 2025/26 Budget Framework

4.3.1 Revenue Projections

The FY 2025/26 budget targets revenue (equitable share and local) collection of Ksh **9,895,253,553** up from Ksh. **7,689,614,181** in the FY 2023/24. This revenue performance will be dependent on equitable share, improved control over revenue collection and revenue administration.

4.3.2 Expenditure Forecasts

In the proposed 2025/26 budget, overall expenditures are projected to increase by 1.85% to Ksh. **9,895,253,553** up from the budget of Ksh **9,715,516,498** in the FY 2024/2025. Recurrent expenditure is projected to increase by 1% to Ksh 6,036,104,668 in FY 2025/26 up from a budget of Ksh 5,962,707,135 in FY 2024/25. Development expenditure is projected to increase by 3% % to Ksh 3,859,148,885 in FY 2025/26 up from Ksh 3,752,809,363 budgeted for in FY 2024/25 accounting for 39 % of the total budget and within the recommended level of 30 %.

Table 4.2 Summary of Expenditure Projections 2024/25 FY and MTEF

Revenue Type	Actual expenditure	Approved budget	Projected Estimates	
	2023/24	**2024/25**	**2025/26**	**2026/27**
Total recurrent	4,697,518,387	5,962,707,135	6,036,104,668	6,147,772,603
Personnel Emoluments	3,320,044,558	3,337,904,734	3,380,218,614	3,442,752,658
Operations & Maintenance	1,377,475,830	2,624,802,401	2,655,886,053	2,705,019,945
Development	2,952,175,688	3,752,809,363	3,859,148,885	3,930,543,140
Un spent Bal FY	513,530,000	-		
Total		**9,715,516,498**	**9,895,253,553**	**10,078,315,744**

4.4 Projected Fiscal Balance

The proposed 2025/26 county budget is balanced, but however, any shortfall in revenue that may occur within the year will be addressed through supplementary or borrowing within the borrowing framework by sub-nationals as approved by the Intergovernmental Budget and Economic Forum (IBEC).

5. CONCLUSION

The FY 2025/26 budget is being prepared within the context of a moderate global economic recovery. As the National Government scales up the implementation of "BETA" Plan, the County Government has also aligned the County Integrated Development Plan and the Annual Development Plans to ensure that the County Specific targeted interventions are funded and implemented. The aim of the MTEF is therefore to strike an appropriate balance between support for growth and continued fiscal discipline while providing room for the implementation of the CIDP.

To create fiscal space and guarantee appropriate phasing of expenditure programmes, Sectors and the Sector Working Groups will be required to conduct a thorough scrutiny of all proposed activities and Budgets for FY 2025/26 to ensure that they are not only directed towards improving productivity but also aligned to the achievement of the CIDP objectives. As such, the fiscal strategy in this CBROP will focus on enhancing overall revenue collection and reallocating resources to the targeted sectors of the County as envisaged in the CIDP. The Government will continue with a strategy to ensure that the budget is strictly followed and service delivery is given focal attention to achieve the set objectives.

The resource ceilings projected in this document should guide the Sector Working Groups to prioritize the key productive activities contained in the Annual Development Plan to ensure consistency in the development interventions of the County. Taking this into account, the overall expenditure is expected to increase by 2% between the budget for FY 2024/25 and the projected ceiling of Ksh **9,895,253,553** for FY 2025/26 as provisionally projected in the CBROP. SWGs are required to prepare medium-term budgets that are consistent with the Medium-Term Fiscal Framework. The ceilings provided above will form inputs into the next County Fiscal Strategy Paper (CFSP) which will be finalized by the 28 February 2025.

ANNEX

Annex 1: Budget Calendar for the 2024/25 MTEF Budget Process

ACTIVITY	RESPONSIBILITY	TIMEFRAME/DEADLINE
Develop and issue MTEF Guidelines and Budget Calendar	County Treasury	30th August, 2024
Launch of Sector Working Groups (SWGs)	County Treasury	15th September, 2024
Undertake Departmental Expenditure Review	All Departments	15th September, 2024
Preparation of Progress reports on MTP	All Departments	15th September, 2024
Preparation of annual Plans	All Departments	1st September, 2024
Capacity building for MTEF and Programme Based Budget	County Treasury	31st October, 2024
Estimation of the Resource Envelope	County Treasury	30th September, 2024
Determination of policy priorities	County Treasury	30th September, 2024
Preliminary resource allocation to sectors	County Treasury	30th September, 2024
Submission of Information necessary for the Development of County Budget Review and Outlook Paper	All Departments	10th September, 2024
Develop County Budget Review and Outlook Paper (CBROP)	County Treasury	20th September, 2024
Submit County Budget Review and Outlook Paper (CBROP) to the County Executive Committee	County Treasury	30th September, 2024
Departments in Sub-Counties to submit their inputs to relevant departments	Departments in the sub-counties	30th September, 2024
Preparation of MTEF Proposals draft sector report	Sector Working Group	1st October, 2024

Deliberation and Approval of the CBROP	County Executive Committee	14th October, 2024
Submission of Approved CBROP to the County Assembly	County Treasury	21st October, 2024
Convene Public Sector Hearing on MTEF budget proposals	County Treasury	12th November, 2024
Issue Circular on Revised Budget	County Treasury	15th November, 2024
Review of the MTEF Budget Proposals	County Treasury	20th November, 2024
Submission of Sector Reports to the County Treasury	Sector Working Group	27th November, 2024
Submission of Supplementary Budget Proposals	All Departments	8th January, 2025
Review of Supplementary Budget Proposals	County Treasury	15th January, 2025
Submission of Information for Preparation of Draft County Fiscal Strategy Paper (CFSP)	County Treasury	15th January, 2025
Submission of CFSP to the County Executive Committee in preparation of Public Participation	County Treasury	1st February, 2025
Public Participation meetings of the CFSP	County Treasury / All	15th February, 2025
Submission of CFSP to the County Executive Committee for approval	County Treasury	19th February, 2025
Submission of CFSP to County Assembly for approval	County Treasury	27th February, 2025
Submit Supplementary Budget Proposals to County Assembly	County Treasury	28th February, 2025
Develop and Issue Final Guidelines on preparation of 2024/2025 Budget Estimates	County Treasury	30th February, 2025

Preparation of itemized and Programme Based Budgets	All Departments	15th March, 2025
Submission of itemized and Programme Based Budgets to the County Treasury	All Departments	16th March, 2025
Review and finalize Departmental itemized and Programme Based Budgets	County Treasury	30th March, 2025
Submission of Budget Estimates to Executive Committee for Approval Before Public Participation	County Treasury	4th April, 2025
Public Hearing on the Budget Estimates	County Treasury	18th April, 2025
Consolidation of Budget Estimates after Public Participation	County Treasury	20th April, 2025
Submission of Budget Estimates to Executive Committee for approval	County Treasury	23rd April, 2025
Submission of Budget Estimates to County Assembly for approval	County Treasury	27th April, 2025
Review of Budget Estimates by the County Assembly	County Assembly	25th May, 2025
Approval of the Budget Estimates	County Assembly	15th June, 2025
Consolidation of the Final Budget Estimates	County Treasury	22nd June, 2025
Submission of Appropriation Bill to the County Assembly	County Treasury	27th June, 2025
Consideration and Passage of Appropriation Bill	County Assembly	30th June, 2025