THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF MARSABIT

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2023

County Budget Review and Outlook Paper (CBROP) 2023

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Foreword

The Marsabit County Budget Review and Outlook Paper (CBROP) 2023, the first 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.

This 2023 CBROP mirrors the National Government's Budget Review and Outlook Paper 2023, and has been prepared against a backdrop of continued global uncertainties, reflecting high but easing inflationary pressures, weak global growth outlook, heightened geopolitical tensions particularly the conflict between Ukraine & Russia, Israel & Palestine, concerns about financial sector stability in advanced economies, and increased food insecurity due to climate-related shocks. Global growth is projected to slow down to 3.0 % in 2023 and 2024 from 3.5 % in 2022, reflecting the impact of the tightening of monetary policy and escalation of geopolitical tensions particularly the ongoing war in Ukraine.

Domestically, Kenya's economic performance is projected to remain strong and resilient over the medium term. The economy recorded a strong growth of 5.3 % in the first quarter reflecting a strong recovery in agriculture sector and buoyant services sector including financial and insurance, information and communication, wholesale and retail trade, transport and storage. The economy is expected to remain strong and expand by 5.5 % in 2023 (5.6 % in FY 2023/24) and 5.7 % in 2024 (5.9 % in FY 2024/25).

This presents the recent economic developments and actual fiscal performance of the FY 2022/2023 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 2023. In this Paper, we will also provide an overview of how the actual performance of the FY 2022/2023 affected the County's compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2022 CFSP.

Technically, this is the last CBROP that has been prepared within the second-generation County Integrated Development Plan 2018-2022 that outlines the County's planning framework that guides county programmes budgeting, project funding, monitoring and evaluation. 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 2022/23, the macro-economic projections and set sector ceiling for the FY 2024/25 and the Medium-Term Budget. The document also provides an overview of how the actual performance of the FY 2022/23 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 2022/2023; the updated macro-economic and financial forecasts; and deviations from the approved County Fiscal Strategy Paper (CFSP) 2023 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 2024/2025 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 2019/20FY

This section details the county's fiscal performance for the financial year 2022/23 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 2022/23 - the County total revenue basket was Ksh **8,416,927,493**comprising of Ksh 7,277,004,032 from exchequer as equitable share of domestic revenues raised nationally, Ksh 348,018,186realized from conditional grants and Ksh 135,545,012 being revenues raised locally(Own Source Revenue). In addition, the County had Ksh 658,360,224 as balance brought forward from FY 2021/22 This is summarized in the Table 2.1

Table 2.1: Summary of County Fiscal Performance for FY 2022/23

	2020/21FY		2021/22FY		2022/23			
	Approved	**Actual**	**Approved**	**Actual**	**Approved**	**Actual**	**% Deviation**	**Growth %**
TOTAL REVENUE&GRANTS	**7,989,021,408**	**8,544,424,890**	**8,755,164,534**	**6,937,803,363**	**8,185,986,169**	**7,758,567,269**	3%	13%
Unspent Bal from Previous FY	28,819,000	583,107,740	576,376,950	576,376,950	646,690,645	658,360,224	1923%	-11%
Revenue (Total)	**8,017,840,408**	**7,812,054,264**	**9,331,541,484**	**7,514,180,313**	**8,832,676,814**	**8,416,927,493**	-4%	16%
Equitable Share Allocation	6,868,050,000	6,773,100,000	7,277,004,032	6,694,843,713	7,277,004,032	7,277,004,032	-1%	9%
Local Revenue	150,000,000	107,446,569	170,000,000.00	99,563,452	170,000,000	135,545,012	-28%	-6%

Grants (Total)	970,971,408	761,134,700	1,308,160,502	143,396,198	738,982,137	348,018,186	-22%	146%
TOTAL (REVENUE & GANTS)	**7,820,538,914**	**7,587,650,256.00**	**8,185,986,164**	**7,306,064,826.00**	**8,017,840,408**	**7,590,929,671.00**	-5%	4%
Recurrent	4,062,538,914	3,879,305,098	4,152,151,055.18	4,109,739,831	**5,033,705,746**	4,928,058,215	-7%	-2%
Development	3,758,000,000	3,708,345,158	3,488,988,360.00	3,196,324,995	4,109,739,831	2,698,781,808	-3%	11%
Unspent Bal Current FY	732,370,626	732,370,626		658,360,224	0			

2.2.1. Revenue Performance

The total amount of County Own Revenue collected in FY 2022/23 was **Ksh 142,663,012**

Constituting a increase of 42 % from ksh**100,204,094 realized** in previous FY 2021/22. Further, this represents a reduction from the annual target of Ksh 150 million approved in the FY 2020/21 budget. Table 2.2 gives a full analysis of the revenue performance per stream for FY 2020/21.

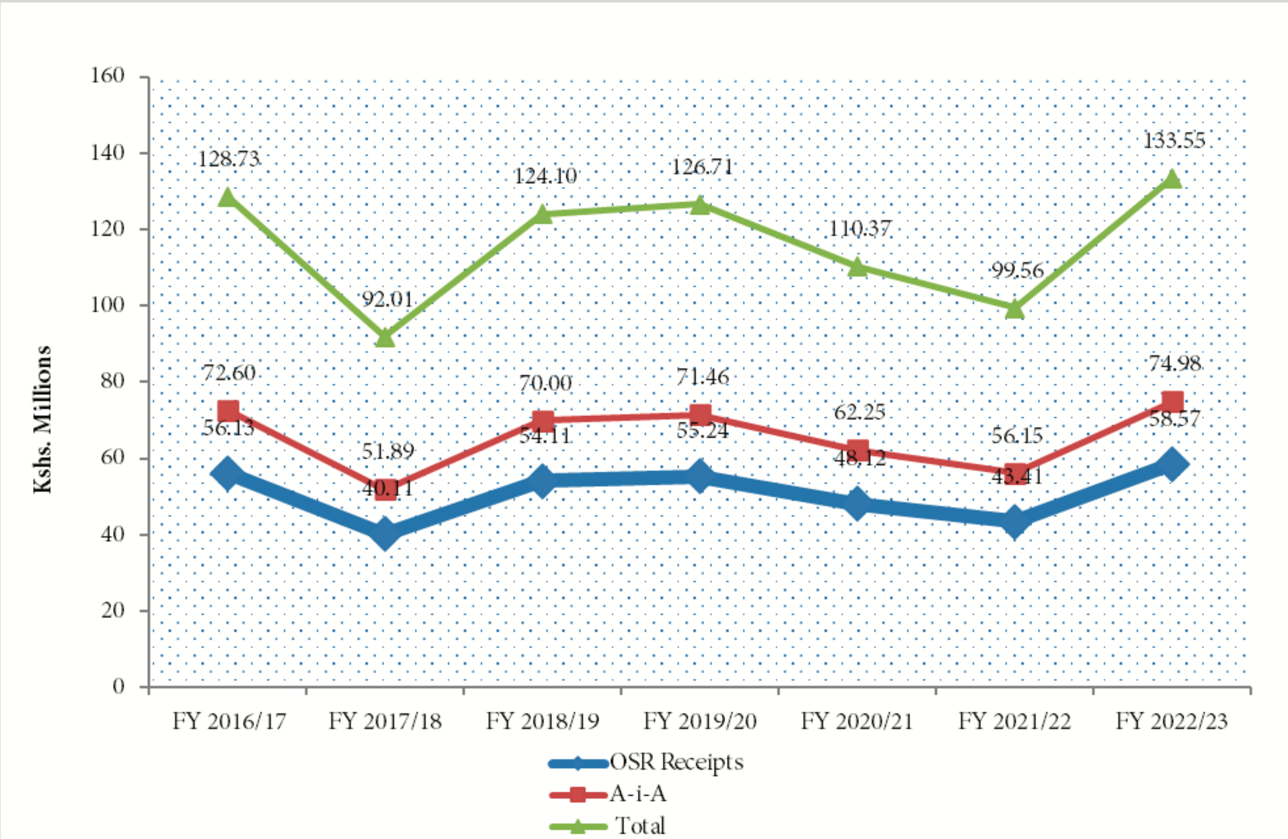

Table .2.2: Revenue Performance per stream

	2022/2023	2021/2022
	Kshs	**Kshs**
RECEIPTS		

Market Charges	1,384,283	1,775,637
Livestock Charges	12,091,208	11,087,118
Land Transaction Charges	2,170,042	2,239,419
Royalties	1,160,450	2,254,640
Plan Approval		
Slaughter	301,750	429,510
Scrap Metal	104,220	93,580
Cement		6,465,040
Single business permit	9,516,150	9,601,077
Produce/Cess	22,571,726	-
Miscellenous charges	9,696,949	872,290
Lease Rentals	4,728,501	3,459,912
Fish Cess	829,900	1,024,900
Hiring of Hall/Stadium		10,000
Liquor Licence	664,000	150,000
Public-health-Facility Improvement Fund	388,800	400,900
Hospital-Facility Improvement Fund	74,979,289	58,435,051
AMS	745,500	9,000
Weights and Measures		
Veterinary-Meat Inspection	104,144	268,720
Water Bill		-
Advertisement	1,971,600	1,636,300
Sale of Tender Documents	-	-
TOTAL	**142,663,012**	**100,204,094**

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 **2022/23** amounted to Ksh **7,590,929,671** a target of Ksh 8,224,789,009

representing an under spending of Ksh 633,859,338 which is a 7.7% deviation from the approved programme based budget estimates. In the FY 2020/21, the recurrent expenditure amounted to Ksh 4,035,691,748 representing 49%% of the total expenditure, while Ksh 3,555,237,923.was spent on development accounting for 43% of the total expenditure. The expenditure excludes unspent balances amounting to Ksh 583,107,740 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 2020 Ceilings and FY 2020/21 budget

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

- High absorption by the finance and economic planning (185%) and Energy, Lands & Urban Development (146%)
- Low absorption was noted in Tourism culture and social services (59%) and Agriculture, livestock and fisheries development (62%).

Table 2.3: Showing Absorption rates by sectors and Comparison with CFSP 2022

DEPARTMENTS	C-FSP 2022			BUDGET ALLOCATION 2022/23(Kshs.Millions)			Cumulative Expenditure 2022/23			Absorption	Deviation (%)
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	(%)	CFSP - BUDGET
County Executive	401	523	**924**	553.5	840	1,394	546.29	765.84	1,312	**94%**	-51
County Public Service Board	81	3	**84**	95.86	5	101	94.01	5	99	**98%**	-20
Trade, Industry & Enterprise development	38	46	**84**	82.85	9	92	81.86	6.81	89	**97%**	-9
Tourism ,Culture & Social Services	95	73	**168**	86.18	20	106	76.4	4.6	81	**76%**	37
Finance Economic Planning	1,093	756	**1,848**	456.48	640.3	1,097	452.5	584.01	1,037	**95%**	41
County Assembly	788	52	**840**	886.69	343.31	1,230	866.97	87.09	954	**78%**	-46
Education, Skills Development, Youths & Sports	337	251	**588**	428.71	61.36	490	425.08	223	648	**132%**	17
Energy, Lands & Urban Development	92	160	**252**	156.64	97.81	254	155.43	77.38	233	**91%**	-1

Administration Coordination &ICT	244	8	**252**	315.9	226	542	312..46	223	223	**41%**	-115
Roads, Transport and Infrastructure	73	347	**420**	114.15	125.16	239	104.63	94.22	199	**83%**	43
Water, Environment and Natural Resources	108	396	**504**	154.06	280.35	434	129.05	542	671	**154%**	14
Agriculture, livestock and fisheries development	132	204	**336**	268.68	724.68	993	267..82	411	679	**68%**	-196
Health Services	1,362	738	**2,100**	1,434.00	425.99	1,860	1,415.05	253.65	1,669	**89%**	11
TOTAL	**4,844**	**3,557**	**8,400**	**5,033.70**	**3,798.96**	**8,833**	**4,347.27**	**3,277.55**	**7,893**	**89%**	-5

Analysis of expenditure- by department shows that the Department of County Public Service recorded the highest absorption rate of development budget at 100.0 per cent, followed by the Department of Administration and ICT at 98.7 per cent. The Department of Agriculture, Livestock, and Fisheries had the highest percentage of recurrent expenditure to budget at 99.7 per cent, while the Department of Water and Environment had the lowest at 83.8 per cent.

Comparison between CFSP 2022 ceilings and 2022/23 FY budget allocation showed a slight decrease 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. .While the County Assembly, water environment and natural resources, and health services sector and Education, youth Skills and Sports had their budgets increased by ……, 20%, 7% and 11 % respectively. Other department which had its budget revised downward include; Tourism, Energy, Admin, Roads and Agriculture by 6%, 22%, 3%, 11% and 7% respectively. The impact was an decrease in the budget projected by CFSP 2022 by 0.2% which was overall unfavorable deviation.

2.2.2.2. Recurrent and Development Expenditure

As shown in Table below, absorption rates for recurrent and development votes for the FY 2019/20 was 98.98% and 91.61% respectively. In FY 2020/21 the absorption rates were 93.04

% And 96.60 % respectively. Between the two financial years recurrent expenditure decreased by 1.8% while development increased by 11%.

Table 2.4: Recurrent Versus development

Year	Approved	Actual	Absorpti	Approved	Actual Devt	Absor ption

		Recurrent	on rate	Dev't		rate
	Recurrent Budget	Expenditure		Budget	Budget	
2021/22	4,152,151,055.18	4,109,739,831	98.98%	3,488,988,360.00	3,196,324,995	91.61%
2022/23	4,337,619,991	4,035,691,748	93.04	3,680,220,417	3,555,237,923	96.60

2.2.2.3. Expenditure per economic classification

Table 2.5 below gives a breakdown of the county expenditure performance per economic classification. The recurrent expenditure was 53.2% of the total expenditure with 32.7% constituting personnel emoluments and 20.5% being operations and maintenance.

Development expenditure accounted for 46.8% of the total.

Table 2.5: County expenditure performance per economic classification

Description	Sum of Revised Estimates FY 2022/23	Actual Expenditure 2022/23FY
A. Total Budget [1+2]	8,832,676,814.00	8,416,927,493
1.0 Total Recurrent Expenditure	5,033,705,746	4,928,058,215

1.1 Compensation to Employees	3,172,534,480	3,012,922,471
1.2 Use of Goods and Services	1,861,171,266	**1,915,135,744**
2.0 Development Expenditure	3,798,971,068.00	2,698,781,808.00
Financed by:		
B. Total Revenue	7,989,021,408	
3.1 Equitable Share	**7,277,004,032**	**7,277,004,032**
3.2 Local Revenue	170,000,000	135,545,012
3.3Conditional Grants	738,982,137	348,018,186
3.4 Balance b/f	646,690,645	658,360,224

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

Global Economic Performance

The Marsabit County 2023 Budget Review and Outlook Paper (CBROP) is developed when the World economic growth slowed to 3.5 % in 2022 from a growth of 6.3 % in 2021 as high global inflation, energy and value chain disruptions, and impact of monetary policy tightening in most world economies weighed on economic activity. The growth is projected to slow down further to 3.0 % in 2023 and 2024 due to the impact of ongoing monetary policy tightening to address inflationary pressures.

Global inflationary pressures have responded to policy tightening but inflation exceeds central bank targets in most countries. Recent actions by authorities to contain banking sector challenges in the United States and Swiss Banking have reduced the immediate risk of financial sector instability. However, intensification of the conflict in Ukraine, volatility in the global oil prices and extreme weather-related shocks could weigh on the global economic outlook.

The global economic outlook has become more uncertain - reflecting the impact of the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of COVID-19 pandemic, and persistent supply chain disruptions. Global growth is projected to slow down to 2.9 % in 2023 from the estimated at 3.4 % in 2022 mainly driven by sluggish growth in advanced economies. The advanced economies are projected to decline from the estimated 2.7 % in 2022 to 1.2 % in 2023 reflecting slowdown in the growth in the USA, Euro Area and United Kingdom.

Advanced economies are projected to record a slower growth of 1.5 % in 2023 and 1.4 % in 2024 from 2.7 % in 2022. About 93 % of the countries in the advanced economies are projected to have a lower growth in 2023 and 2024. This slowdown is largely driven by aggressive monetary policy tightening in advanced economies that have increased concerns about escalating financial markets uncertainty, particularly persistent high interest rates and vulnerability of the banking sector.

Growth in the emerging market and developing economies, is projected to be broadly stable at 4.0 % in 2023 and 4.1 % in 2024, although with notable shifts across regions. The sluggish global growth, high inflation rates and the challenging global and domestic financial conditions continue to weigh on the growth for sub-Saharan Africa region. The region economic growth is projected to slow down to 3.5 % in 2023 from 3.9 % in 2022, before picking up to 4.1 % in 2024.

Table ...: Global Economic Performance

Economy	%age (%) Growth			
	Actual		Projected	
	2021	2022	2023	2024
World	6.3	3.5	3	3
Advanced Economies of which:	5.4	2.7	1.5	1.4
USA	5.9	2.1	1.8	1
Euro area	5.3	3.5	0.9	1.5
Emerging and Developing Economies	6.8	4	4	4.1
Of which: China	8.4	3	5.2	4.5
India	9.1	7.2	6.1	6.3
Sub- Saharan Africa	4.7	3.9	3.5	4.1
Of which: South Africa	4.7	1.9	0.3	1.7
Nigeria	3.6	3.3	3.2	3
Kenya*	7.6	4.8	5.5	5.6

Source: IMF World Economic Outlook, July,2023. * National Treasury Projection

Kenya's Economic Performance and Outlook

The Kenyan economy demonstrated remarkable resilience and recovery from COVID-19 shock due to the diversified nature of the economy and the proactive measures by the Government to support businesses. The economy expanded by 7.5 % in 2021, a much stronger level from a contraction of 0.3 % in 2020.

In the 10 years pre-COVID-19 pandemic, the economic growth averaged 5.0 % whereas in the two years post COVID-19 pandemic the growth momentum picked up to average 6.2 %. The Kenyan economy in 2022 demonstrated resilience in the face of severe multiple 32 shocks that included the adverse impact of climate change, lingering effects of COVID-19, global supply chain disruption and the impact of Russia-Ukraine conflict. As such, the economic growth slowed down to 4.8 % in 2022 from 7.6 % in 2021.

The growth momentum continued in the first three quarters of 2022 averaging 5.5 % despite subdued performance in agriculture and weaker global growth. The economy grew by 6.7 % in the first quarter and 5.2 % in the second quarter compared to a growth of 2.7 % and 11.0 % in similar quarters in 2021.

In the third quarter of 2022, the economy grew by 4.7 % compared to a growth of 9.3 % in the corresponding quarter of 2021. Most sectors posted slower growths owing to the significantly high growth rates recorded in the third quarter of 2021 that signified recovery from the impact of the COVID-19 pandemic. The growth in the third quarter of 2022 was mainly supported by the service sectors, particularly; Accommodation and Food Service activities, Wholesale and retail trade, Professional, Administrative and Support services, Education, Financial and Insurance activities. The growth was, however, slowed by declines in activities of the Agriculture, Forestry and Fishing, and Mining and Quarrying sectors.

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

The activities in the services sector normalized and remained strong in the third quarter of 2022 after a strong recovery in 2021 from the effects of COVID 19 pandemic. The sector growth slowed down to 6.1 % in the third quarter of 2022 compared to a growth of 11.4 % in the third quarter of 2021. This performance was largely characterized by substantial growths in accommodation and food services, wholesale and retail trade, professional, administrative and support services and education sub-sectors.

The economy remained resilient and expanded by 5.3 % in the first quarter of 2023, compared to 6.2 % in a similar quarter in 2022. The growth was mainly supported by a rebound of the agriculture sector and continued resilience of service sectors. All economic sectors recorded positive growths, though the magnitudes varied across activities.

The performance of the industry sector slowed down to a growth of 2.4 % in the first quarter of 2023 compared to a growth of 4.4 % in the first quarter of 2022. This was mainly on account of a slowdown in activities in the manufacturing; electricity and water supply; and construction sub-sectors.

Manufacturing sub-sector expanded by 2.0 % in the first quarter of 2023 compared to a growth of 3.8 % in a similar quarter in 2022. The growth was mainly supported by the manufacture of food products that included bakery products and processing and preservation of fish. In the non-food manufacturing the growth performance was supported by substantial growth in the manufacture of basic metals and fabricated metal products.

In the energy sector, the total local electricity generation increased from 983.12 million KWh in April 2023 to 1,070.09 million KWh in May 2023. Total electricity consumption increased from 844.34 million KWh in April 2023 to 873.24 million KWh in May 2023. In the international market, the price of the OPEC crude oil basket decreased from US Dollars 84.13 per barrel in April 2023 to US Dollars 75.82 per barrel in May 2023. The national average domestic retail oil prices of motor gasoline premium, light diesel and kerosene was KSh 183.29, KSh 169.10 and KSh 161.83 per litre respectively in May 2023. Charcoal prices averaged KSh 70.47 per Kg while the price of a 13-Kg cylinder of gas averaged KSh 3,125.40 during the same period.

The performance of the manufacturing, building and constructions industry sector; the quantity of cement produced increased from 769,259 MT in April 2023 to 818,697 MT in May 2023. Consumption of cement was 777,697 MT in May 2023 the production of assembled vehicles increased from 887 in February 2023 to 1,025 units in March 2023.The number of new vehicle registration increased from 11,419 units in April 2023 to 12,945 units in May 2023. Milk uptake in the formal sector increased from 59.49 million litres in April 2023 to 73.78 million litres in May 2023.

In the tourism and transport sector, the total number of visitors arriving through Jomo Kenyatta (JKIA) and Moi International Airports (MIA) increased from 88,654 persons in April 2023 to 96,245 persons in May 2023. The number of passengers who landed at Jomo Kenyatta International Airport (JKIA) increased from 206,300 persons in April 2023 to 231,021 persons in May 2023. Additionally, the Passengers who embarked at JKIA by port of destination increased from 216,497 persons to 230,511 persons over the same period.

Total monthly throughput at the port of Mombasa registered a 4.9 per cent improvement in the volume of cargo handled at the Port of Mombasa from 3,124.77 thousand metric tonnes in April 2023 to 3,277.07 thousand metric tonnes in May 2023. The volume of imports rose by 3.1 per cent to 2,603.81 thousand metric tonnes in May 2023 from 2,526.74 thousand metric tonnes in April 2023. The volume of exports went up by 11.2 per cent during the same period. Volume of exports accounted for 13.9 per cent of total throughput in April compared to 13.1 per cent in May 2023.

Inflation Development

Year-on-year overall inflation rate inflation has been above the 7.5 % upper bound target since June 2022. Inflation rate remained sticky at 7.9 % in June 2023 same as in June 2022 driven by relatively higher food and fuel prices. To anchor inflation expectations, the Central Bank tightened the monetary policy by raising the Central Bank Rate to 10.50 % in June 2023 from 9.50 % in March 2023. Consequently, inflation declined significantly to 6.7 % in August 2023, from a peak of 9.6 % in October 2022.

Food inflation remained the main driver of overall year-on-year inflation in January 2023, contributing 5.2 %age points, an increase, compared to a contribution of 3.2 %age points in January 2022. The increase was mainly attributed to relatively higher prices key food items particularly cowpeas, maize grain (loose), beans, potatoes (Irish), green grams, and mangoes.

Fuel inflation also increased to contribute 2.4 %age points to year-on year overall inflation in January 2023 from a contribution of 1.4 %age points in January 2022. This was mainly driven by increases in electricity prices due to higher tariffs and increased prices of kerosene/paraffin, diesel and petrol on account of higher international oil prices and scaling down of the fuel subsidy.

The contribution of core (non-food non-fuel) inflation to year-on-year overall inflation has been low and stable, consistent with the muted demand pressures in the economy, supported by prudent monetary policy. The contribution of core inflation to overall inflation increased to 1.3 %age points in January 2023 compared to 0.7 %age points contribution in January 2022.

While inflation has been rising and remains high in most economies, Kenya's rate of inflation compares favorably with the rest of Sub-Saharan Africa countries. In August 2022, Kenya recorded a lower inflation rate than Ghana, Rwanda, Nigeria, Burundi, Zambia and Uganda.

Kenya Shilling Exchange Rate

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies has weakened to exchange at KSh 139.7 in June 2023 compared to KSh 117.3 in June 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh 151.4 in June 2023 compared to KSh 124.1 in June 2022 while against the Sterling Pound the Kenyan shilling also weakened to exchange at KSh 176.3 compared to KSh 144.8, over the same period.

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low. The Kenya Shilling depreciated against the US Dollar at a rate of 19.1 % in the 12 months to June 2023 compared to 8.8 % in the 12 months to June 2022. The depreciation rate of the Kenya Shilling was lower than that of Burundi Franc and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports receipts.

Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 8.25 % to 8.75 % in November 2022 and retained at the same rate on 30th January 2023.

The interbank rate increased to 6.0 % in January 2023 compared to 4.4 % in January 2022 while the 91-day Treasury Bills rate also increased to 9.5 % compared to 7.3 % over the same period due to tight liquidity conditions.

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

Medium Term Economic Outlook

Global Growth Outlook

The global economic outlook remains highly uncertain with growth projected to moderate to 2.9 % in 2023 from 3.2 % in 2022 largely reflecting a slowdown in advanced economies despite a gradual pick up in the emerging market and developing economies. Advanced economies are projected to slow down by 1.0 % in 2023 from 2.3 % in 2022 mainly due to a slowdown in growth in the United States and the Euro area. Growth in the United States is projected to slow down due to the expected impact of a steeper tightening in monetary policy. Growth in the euro area is expected to be adversely affected by the spill overs from the war in Ukraine as well as the assumption of tighter financial conditions.

The emerging market and developing economies are projected to pick up to a growth of 3.9 percent in 2023 from a growth of 3.6 percent in 2022 albeit with varying performance across countries. The emerging and developing Asia is projected to pick up as a result of a more robust recovery in China despite a slowdown in India, while growth in the Latin America and the Caribbean and the Middle East and Central Asia are expected to slow down.

The Sub-Saharan African region is projected to pick up to a growth of 4.0 percent in 2023 from 3.8 percent in 2022 with the East and Southern African sub-region showing a sustained recovery from the recession. The DRC and Zambia are expected to benefit from rising metal prices in the short-and medium term and gain from the transition away from fossil fuels in the long term.

Domestic Growth Outlook

The economy is expected to grow by 5.5 percent in 2022 and recover in 2023 to 6.1 percent and maintain that momentum over the medium-term (in terms of fiscal years the economic growth is projected at 5.8 percent in the FY 2022/23 and 6.1 percent in the FY 2023/24). This growth will be supported by a broad-based private sector growth, including recoveries in agriculture while the public sector consolidates. From an expenditure perspective, private consumption is expected to support aggregate demand, supported by the ongoing labor market recovery, improved consumer confidence, and resilient remittances.

The growth outlook will be reinforced by the Government's development agenda geared towards economic turnaround and inclusive growth. Special focus will be placed on; increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. The economic turnaround programme will seek to increase investments in at least five sectors envisaged to have the biggest impact on the economy as well as on household welfare. These include: Agriculture; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the Government has launched the Hustlers Fund, as an intervention to correct market failure problems at the bottom of the pyramid. This program aims to lift those at the bottom of the pyramid through structured products in personnel finance that includes savings, credit, insurance and investment. To address the adverse impact of the ongoing drought, the Government in partnership with the Development Partners and the private sector under the auspices of the National Steering Committee on Drought Response has provided response to affected persons, regions and communities. The Committee will work with both the National and County Governments in strengthening the national capacity for resilient recovery to protect development gains from recurrent drought.

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

Growth in the local revenue remained resilient during the first two quarters with the highest collection being in the third quarter, and 65% of all own source revenue collected in the third and fourth quarters.

The County is continuing to establish the automation of Revenue Systems (ARS) which will aid in strengthening the Own Source Revenue collection with its main aim being to ensure the County has no revenue leakage & a vibrant workforce that is dedicated to revenue collection, oversight and enforcement.

As the county diversifies its economic activities and positions its self to becoming a preferred destination for investors both local and foreign so as to improve the quality of life for its citizens, it will establish onsite infrastructure especially in the special economic zone area. This is will stimulate the ailing economy by providing an enabling environment for investment and delivery of services by acting as a catalyst that ensures amongst others a vibrant 24 hours economy specifically at the border point of Moyale and also a preferred worldwide tourist destination as the county has true desert in East Africa (Chalbi Desert) and also operationalization of Bongole Resort in top gear while also planning to hold Lake Turkana Cultural festival that brings together both local and international tourist as the County showcases its diverse cultural heritage.

In infrastructure development, the main interventions will be improvement of access roads, drainage, non-motorized transport, beautification and aesthesis of the County. To empower the SMES the county will continue to improve and set up trading infrastructure within the county.

The County Government has plans for; Establishment of Mechanized Farm tools, Construction of Farms, continuous procurement of fishing gears and boat accessories, Create an integrated value addition Centre with both agriculture and fisheries components, Construction of a 10-tonne capacity cold storage.

The county Government is inclined to revamp social programmes so as to spur the economy and improve the quality of life of its citizens through the various programmes amongst them; the ongoing issuance of bursaries, Talent search programs through sub county sports competition, School feeding, airlifting, the Internship program, the NHIF enrolment for the indigents, and the revolving fund to support the fisherfolk and other small and midsize enterprises (SMEs).

The Covid -19 pandemic was a wakeup call for Governments to ensure that health services are given outmost priority. In this regard, the County Government of Marsabit strives to achieve Universal Health care and will endeavor to ensure that its citizens have access to the best possible affordable and quality health services by heavily investing in the sector. The county is nearing the grand opening of Sololo level IV Hospital and the County KMTC college to open its doors to the public after being under construction for 5years.

The projected water demand for the County is 62,000 cubic meters per day while the current supply is atmost 4,000 cubic meters. The available supply can only meet about 6% of the demand and thus there is need for concerted efforts to address the water deficit. The construction of Bakuli dam that will address the shortfall has been prioritized within the county development plans. A large population relies on borehole water that contains a high percentage of fecal contamination and not safe for domestic use.

As we continue to revamp and expand the economic activities within the county so as to create employment and self-sustainability for the citizens the county has already embarked on the process of rehabilitating and construction of markets and trading areas within the County.

The County Government wishes to scale up investments in the county's priority areas of Health, Youth Empowerment, Cohesion and Inclusivity, Education, waste management services and Investment Promotion as captured in the CFSP 2023.

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 2023/24 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 2023 and the FY 2023/24 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 2023 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 risk to the outlook for Marsabit County during this period and in the medium-term emanates from both external and domestic quotas. The economy remains vulnerable to both domestic and external shocks. For prudent management of risks, the PFM Act 2012 requires the preparation of a "Statement of Fiscal Risks".

The specific Fiscal Risks outlines the County's exposure to fiscal risks that are associated with macroeconomic assumptions used for fiscal projections, public debt dynamics, operations of state corporations, contingent liabilities, vulnerabilities of the financial sector, as well as risks posed by nature.

There are various risks and challenges that have been identified including; weak linkage between planning and budget formulation, high outstanding pending bills, low development budget absorption, under-performance in own-source revenue, failure to use the prescribed financial systems (such as IFMIS, IPPD among others), non-adherence to fiscal responsibility principles, pilferage of public resources, inadequate linkages and cohesion between the County and the National Government entities , high wage bill, weaknesses in human resource management, weak oversight by County Assembly and a weakened internal audit function.

The Government remains committed to fiscal consolidation in order to ensure the long-term sustainability of public finances. Nevertheless, the Government will monitor the risks and take appropriate measures to safeguard macroeconomic and microeconomic stability.

The upside risk to the domestic economy relate to faster than projected rebound in economic activities that would result in higher Government revenues providing fiscal space that would support fiscal consolidation. The Kenyan Government continues to monitor the domestic and external environment and will take appropriate policy measures to safeguard the economy against the adverse effects of the risks if they were to materialize.

In the medium term, the shortfalls in revenue continues to pose a threat of a budget deficit due to the ever-increasing pending bills and a high wage bill. Systems, controls and structures are being put in place to improve the own source revenue performance coupled with a revenue collection reforms and moderation in recurrent expenditure, so as to increase the revenue bases and the fiscal position in the medium term.

The Government will monitor and mitigate the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

The County will embark on the implementation of the Governor’s manifesto incorporating the BETA agenda so as to complement the National Government’s Economic Transformation agenda which has been bearish.

Other that the frequent late disbursement of exchequer issues, the main challenges that continue to be experienced relate to unrealized projected local revenue collection, bloated wage bill and huge pending bills some of which are statutory deductions that accrue huge interests.

The high wage bill continues to be a major challenge in the implementation of the budget. The recruitment of key essential staff and the frequent salary increment for various cadres of staff continues to increase the already bloated wage bill. The various collective bargaining agreements (CBAs) to increase salaries and benefits of various officers also continues to threaten the already ballooned wage bill.

The unfavorable parameters used to allocate equitable share to the county continues to be a major risk coupled with the delay in disbursement of funds by the national government especially in the fourth quarter and continues to be a challenge as this leads to delay in execution of planned activities of the County thus compromising service delivery.

In the medium term, due to revenue shortfalls, the ever-increasing pending bills and a high wage bill, continues to pose a threat of a budget deficit. Systems are being put in place to improve local revenue performance, following revenue collection reforms and moderation in recurrent expenditure, so as to increase the revenue bases and the fiscal position in the medium term.

The fiscal framework for the financial year 2023/24 and beyond will entail a deliberate effort to continue exercising prudence in public expenditure management with the principal goal of containing fiscal risks, gradually lowering the fiscal deficit, and adopting austerity measures to deter increase of recurrent expenditures in favor of productive capital spending. To achieve this, the Government endeavors to prioritize expenditure in the social sectors with the overall objective of this is being to realize sustainable, shared and equitable growth that would in return lead to accelerated job creation and improved standards of living and quality of life for the citizenry.

The CG recognizes that further stringent measures need to be put in place to ensure scaling up of revenue collection and mobilization of resources and more efficient production structure towards the implementation of the third generation CIDP 2023-2027.

The Government will monitor the above risks and take appropriate measures to safeguard macroeconomic stability including preparation of supplementary budgets to regularize and align any emerging issues.

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	Building capacities of the existing staff and recruitment of new staff

	technical staff in county sectors	
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 2023/24 FY and MTEF

4.1 Adjustment to the FY 2023/24 Budget

The 2023/24 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;

The 2020/21 period also will be affected by Covid19 pandemic which will affect business thereby reducing own source revenue. In this regards the county will institute austerity measures to avoid wastages of resources, this includes reducing non -core expenditure especially on recurrent vote and ensuring development projects are prioritized.

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 204/25 MTEF

					% share of total expenditure			
Departments	**Actual expenditure**	**Budget Estimates/Approved Budget**	**Projections**		**Actuals**	**Budget estimates**	**projections**	
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
County Assembly	954.1	1299.8	1338.79	1365.5699	12%	14.3%	14.3%	14.3%
County Executive	1303.1	1014.5	1044.94	1065.8337	17%	11.1%	11.1%	11.1%
Finance and Economic Planning	1036.5	702.3	723.369	737.83638	14%	7.7%	7.7%	7.7%

Agriculture, Livestock and Fisheries Development	679.1	1012.2	1042.57	1063.4173	9%	11.1%	11.1%	11.1%
County Public Service	99.5	120.4	124.012	126.49224	1%	1.3%	1.3%	1.3%
Education, Skills Devp., Youth & Sports	454.6	757.8	780.534	796.14468	6%	8.3%	8.3%	8.3%
Health Services	1688.7	2062.4	2124.27	2166.7574	22%	22.6%	22.6%	22.6%
Administration and ICT	545.5	440.2	453.406	462.47412	7%	4.8%	4.8%	4.8%
Energy, Land ,Urban Development & municipality	232.81	288.9	297.567	303.51834	3%	3.2%	3.2%	3.2%
Road and Public Works	198.9	325.5	335.265	341.9703	3%	3.6%	3.6%	3.6%

Water, Environment and Natural Resources	285.1	681.9	702.357	716.40414	4%	7.5%	7.5%	7.5%
Trade, Tourism,Industry & Enterprise Development	88.4	224.7	231.441	236.06982	1%	2.5%	2.5%	2.5%
Culture,Gender & Social Services	81	153.1	157.693	160.84686	1%	1.7%	1.7%	1.7%
Office of the County Attorney	-	14.5	14.935	15.2337	#VALUE!	0.2%	0.2%	0.2%
Office of the County Secretary	-	11.0	11.33	11.5566	#VALUE!	0.1%	0.1%	0.1%
Total	**7,647.3**	**9109.20**	**9,382.50**	**9570.1**	100%	100.0%	100.0 %	100.0 %

4.3 The Proposed 2024/25 Budget Framework

4.3.1 Revenue Projections

The FY 2024/25 budget targets revenue (equitable share and local) collection of Ksh **9,382.50 Million** up from Ksh. **7,647.3** Million in the FY 2022/23. 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 2024/25 budget, overall expenditures are projected to increase by 3% to Ksh. **9,382.50** up from the budget of Ksh **9109.20** in the FY 2023/2024. Recurrent expenditure is projected to i increase by 3% to Ksh 5,123,542,850 in FY 2024/25 up from a budget of Ksh 4,974,313,446 in FY 2023/24.

Development expenditure is projected to increase by 3% % to Ksh 4,258,917,124

in FY 2024/25 up from Ksh 4,134,870,994 budgeted for in FY 2023/24 accounting for 43 % of the total budget and within the recommended level of 30 %.

Table 4.2 Summary of Expenditure Projections 2023/24 FY and MTEF

Revenue Type	Actual expenditure	Approved budget	Projected Estimates		
	2022/23	2023/24	2024/25	2025/26	2026/27

Personnel Emoluments	4,928,058,215	3,279,082,628	3,377,455,107	3,445,004,209	
Operation s &Maintenance	1,915,135,744	1,695,230,818	1,746,087,743	1,781,009,497	
Development	2,698,781,808	4,134,870,994	4,258,917,124	4,344,095,466	
Un spent Bal FY	513,530,000	-			
Total		**9,109,184,437**	**9,382,459,973**	**9,570,109,173**	

4.4 Projected Fiscal Balance

The proposed 2024/25 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 2024/25 budget is being prepared within the context of a moderate global economic recovery. As the National Government scales up the implementation of “The Big Four” 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 2024/25 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 9% between the budget for FY 2020/21 and the projected ceiling of Ksh 9,530,740,727 for FY 2021/22 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 2024.

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 2023
Launch of Sector Working Groups (SWGs)	County Treasury	15th September 2023
Undertake Departmental Public Expenditure Review	All Departments	15th September 2023
Preparation o f P r o g r e s s r e p o r t o n MTP	All Departments	15th September 2023
Preparation of annual Plans	All Departments	1st September 2023
Capacity b u i l d i n g f o r M T E F a n d Programme Based Budget	County Treasury	31st October 2023
Estimation of the Resource Envelope	County Treasury	30th September 2023
Determination of policy	County Treasury	30th September 2023

priorities		
Preliminary resource allocation to sectors	County Treasury	30th September 2023
Submission of Information necessary for the Development of County Budget Review and Outlook Paper	All Departments	10th September, 2023
Develop County Budget Review and Outlook Paper (CBROP)	County Treasury	20th September 2023
Submit County Budget Review and Outlook Paper (CBROP) to the County Executive Committee	County Treasury	30th September 2023
Departments in Sub-counties submit their inputs to Relevant departments	Departments in the Sub-Counties	30th September 2023
Preparation of MTEF Budget Proposals draft sector report	Sector Working Group	1st October 2023
Deliberation and Approval of the CBROP	County Executive Committee	14th October, 2023

Submission of Approved CBROP to the County Assembly	County Treasury	21st October, 2023
Convene Public Sector Hearing on MTEF budget proposals	County Treasury	12th November 2023

Issue Circular on Revised Budget	County Treasury	15th November, 2023
Review of the MTEF Budget Proposals	County Treasury	20th November, 2023
Submission of Sector Reports to the County Treasury	Sector Working Group	27th November, 2023
Submission of Supplementary Budget Proposals	All departments	8th January, 2024
Review of Supplementary Budget Proposals	County Treasury	15th January, 2024

Submission of Information for Preparation of Draft C o u n t y Fiscal Strategy Paper (CFSP)	County Treasury	15th January, 2024
Submission of CFSP to the County Executive Committee in preparation of Public Participation	County Treasury	1st February, 2024
Public Participation meetings of the CFSP	County Treasury/ All	15th February, 2024
Submission of CFSP to the County Executive Committee for approval	County Treasury	19th February, 2024
Submission Of CFSP to County Assembly for approval	County Treasury	28th February, 2024

Submit Supplementary Budget Proposals to Assembly	County Treasury	27th February, 2024
Develop and Issue Final Guidelines on preparation of 2024/2025 Budget Estimates	County Treasury	30th January, 2024
Preparation of itemized And Programme Based Budgets	All departments	15th March, 2024
Submission of itemized And Programme Based Budgets to the County Treasury	All departments	16th March, 2024
Review and finalize Departmental itemized and Programme Based Budgets	County Treasury	30th March, 2024
Submission of Budget Estimates to Executive Committee for Approval Before Public Participation	County Treasury	4th April, 2024

Public Hearing On the Budget Estimates	County Treasury	18th April, 2024
Consolidation of Budget Estimates after Public Participation	County Treasury	20th April, 2024
Submission of Budget Estimates to Executive Committee for Approval	County Treasury	23rd April, 2024
Submission of Budget Estimates To County Assembly for approval	County Treasury	27th April, 2024
Review of Budget Estimates by the County Assembly	County Assembly	25th May, 2024
Approval of the Budget Estimates	County Assembly	th

		15 June, 2024
Consolidation of the Final Budget Estimates	County Treasury	22nd June, 2024
Submission of Appropriation Bill to the County Assembly	County Treasury	27th June, 2024
Consideration and Passage Of Appropriation Bill	County Assembly	30th June, 2024