COUNTY GOVERNMENT OF MARSABIT

DEPARTMENT OF FINANCE & ECONOMIC PLANNING

# COUNTY FISCAL STRATEGY PAPER

# FEBRUARY 2024

To obtain copies of the document, please contact:

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# Contents

## FOREWORD

This County Fiscal Strategy Paper (CFSP) sets out the policy goals and strategic priorities that will form the basis for formulation of County's 2024/25 Financial Year (FY) budget and the Medium Term. The Paper is prepared in accordance with the Public Finance Management Act, 2012. The County priorities and goals outlined herein are based on the H.E Governor Mohamud Mohamed Ali's Manifesto and the transformative agenda pursued by the county leadership as well as CIDP( 2023-2027), departmental strategic plans and the National Government's 'Bottom-up Agenda' as contained in the 2024 Budget Policy Statement (BPS) of the new administration to re-position the economy on a steady and sustainable growth trajectory ; all anchored on the Vision 2030- Kenya's development blue print.

The fiscal framework presented in the paper for the Medium-term will guide the County government in ensuring that there will be efficiency and effectiveness in the implementation of the development policies. As per the purpose of all county strategic papers and policies, this paper is part of efforts by the County Treasury to continue with expenditure and financial management reforms as well as containing growth of non-priority expenditures in order to create fiscal space for financing priority policy areas. The County Government will enhance the budgetary allocations to the productive sectors and closely monitor implementation of programmes, projects and initiatives that will have the desired impact on the lives of the people. These sectors will no doubt help in unlocking the economic potential of Marsabit County.

The CFSP 2024 lays the foundation for the preparation of the FY 2024/25 Program-based Budget (PBB) Estimates.

We remain alive to the fact that achievement of our shared objectives calls for greater transparency, effectiveness and efficiency in public financial management in order to ensure fiscal discipline.

Mr. Adan G Kanano,
County Executive Committee Member,
Finance & Economic Planning

## ACKNOWLEDGEMENT

The paper outlines the broad strategic macroeconomic issues affecting the County and fiscal framework to guide spending plans, as a basis of FY 2024/25 budget estimates and the medium- term. It is expected that this document will create and improve the understanding of public finances. We also expect it to inform and guide public discourse on the county development matters and ensure meaningful participation of the people in the budget process in accordance with the Constitution.

It is with great pleasure for the Department of Finance and Economic Planning to register its appreciation to all those persons who put their efforts in the preparation of this CFSP 2024. The preparation of the 2024 Fiscal strategy paper was a consultative and inclusive process in line with the requirements of the Public Finance Management (PFM) Act and the Constitution. Much of the information in this policy document was obtained through the CBROP and Annual Reports. We are grateful to the Marsabit County Government Executive for their continued cooperation. Much appreciation goes to the hard working and invaluable skills of Finance and planning team in ensuring timely delivery of this policy paper. Equally, we received support and contributions from the community through public participation process, county departments and other County Government officials. We greatly value their support and we would like to extend my appreciation to all.

To all that were involved, receive my heartfelt appreciation.

**Ahmed Sheikh Yussuf**

**County Chief Officer**

**Economic Planning & Budget**

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| ADP | Annual Development Plan |
| BOP | Balance of Payment |
| BPS | Budget Policy Statement |
| CBROP | County Budget Review and Outlook Paper |
| CCO | County Chief Officer |
| CBK | Central Bank of Kenya |
| CBR | Central Bank Rate |
| CECM | County Executive Committee Member |
| CFSP | County Fiscal Strategy Paper |
| CRA | Commission of Revenue Allocation |
| DMS | Debt Management Strategy |
| ECDE | Early Childhood Development and Education |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GIS | Geometric Information System |
| HIV | Human Immunodeficiency Virus |
| IBEC | Inter-Governmental Budget and Economic Council |
| ICT | Information & Communication Technology |
| IFMIS | Integrated Financial Management and Information System |
| KNBS | Kenya National Bureau of Statistics |
| Ksh. | Kenyan Shillings |
| LAN | Local Area Network |
| MTEF | Medium Term Expenditure Framework |
| MTP | Medium Term Plan |
| NDA | Net Domestic Asset |
| NFA | Net Foreign Asset |
| NSE | Net Security Exchange |
| PE | Personnel Emoluments |
| PFM | Public Finance Management |
| PWDs | People With Disabilities |

**Legal Basis for the preparation of the County Fiscal Strategy Paper**

The CFSP is prepared in accordance with Section 117 of the Public Finance Management Act, 2012 that states that:

(1) County Treasury shall prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year.

(2) The County Treasury shall align its County Fiscal Strategy Paper with the national objectives in the Budget Policy Statement.

(3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term.

(4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to County Government revenues, expenditures and borrowing for the coming financial year and over the medium term.

(5) In preparing the County Fiscal Strategy Paper, the County Treasury shall seek and take into account the views of—

   (a) The Commission on Revenue Allocation;
   (b) The public;
   (c) Any interested persons or groups; and
   (d) Any other forum that is established by legislation.

(6) Not later than fourteen days after submitting the County Fiscal Strategy

Paper to the county assembly, the county assembly shall consider and may adopt it with or without amendments.

(7) The County Treasury shall consider any recommendations made by the county assembly when finalizing the budget proposal for the financial year concerned.

(8) The County Treasury shall publish and publicize the County Fiscal Strategy Paper within seven days after it has been submitted to the county assembly.

## County Treasury Fiscal Responsibility Principles

A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility and shall not exceed the limits stated in the regulations. In managing the County Government's public finances, the County Treasury shall enforce the following fiscal responsibility principles—

(a) the County Government's recurrent expenditure shall not exceed the County Government's total revenue

(b) Over the medium term a minimum of thirty percent of the County Government's

budget shall be allocated to the development expenditure

(c) The country government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly

(d) Over the medium term, the government's borrowings shall be used only for the

purpose of financing development expenditure and not for recurrent expenditure

(e) The county debt shall be maintained at a sustainable level as approved by county assembly

(f) The fiscal risks shall be managed prudently

(g) 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.

In addition, short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited County Government revenue. Every County Government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.

# CHAPTER ONE:

## COUNTY STRATEGIC BLUE PRINT

Marsabit County has a vision to build "*A Cohesive and Prosperous County of Choice*". Further, the governor's manifesto presented transformational agenda for the County for the period 2023-2027. The transformational plan has informed the CIDP 2023-2027 and the Annual Development Plans. The plans have placed key focus on programmes and interventions required to achieve the National Government's "Bottom up" Agenda and the Governor's Manifesto towards implementation of the Country's Vision 2030.

### 1.1 Overview

#### 1.1.1 General Context

The CFSP 2024 continues to implement programmes set out in our development plan whose broad policies and priorities are anchored in the national development agenda. It outlines the broad strategic development issues and the fiscal framework, together with the summary of county government spending plans. The policy paper is informed Marsabit CIDP 2023-2027, the MTP IV, the Governor's manifesto and feedback from people of Marsabit.

Kenyan economy has slowdown underpinned by the ongoing Russia-Ukraine conflict, elevated global inflation, and the lingering effects of the COVID-19 pandemic and climate change related supply chain disruptions. As the effects of COVID-19 pandemic started to fade away, the Kenyan economy bounced back recording a GDP growth rate of 7.5 percent in 2021. However, the momentum has been disrupted again by the Russia-Ukraine conflict that has disrupted global trade with increased fuel, fertilizer and food prices. For the first time in five years the inflation rate in Kenya is above the Government target range mainly driven by supply side constraints occasioned by external shocks and climate related food and energy prices. Aside from these challenges, the Kenyan economy continues to be confronted by various constraints such as: recurrent drought affecting agricultural productivity; declining manufacturing productivity; skewed access to finance for business and development; rigidities in business regulatory framework; weak governance; and fiscal risks including pension's liabilities, stalled public projects, payment arrears; and high debt service that has hindered the economy from achieving its full potential.

In Marsabit County, the business environment was greatly affected by recurrent drought perennial cattle rustling and significant delay in disbursement of funds in current financial year (2022/23), which has affected the operations in the county. The development budget has not been funded as expected and has greatly affected development interventions. This has had negative multiplier effect in the county development. The County Government has developed strategies and better policy framework to accelerate economic growth in different sectors to increase the capacity of the county for better service delivery. In the FY 2021/22, the county came up with ward-based projects which are at various stages of implementation of which most of it have been completed. This is expected to form the basis for planning in FY 2023/26 MTEF. Further, the county forecast decline in own source revenue due to ravaging drought and is working to expeditiously expand local revenue base streams by targeting the potential in land rates, parking fees, extractive resources, cess, livestock yards fees and water tariffs and automation of revenue collection systems to increase own source revenue and capacity to provide more impactful interventions due to increased resource availability.

Marsabit County early warning by NDMA has shown a critical phase with Dekadal rainfall for estimates (RFE) were below normal. Offseason rains were received in Marsabit Mountain at 33mm. Household and livestock watering distances are significantly above average. 98 percent of open water sources are depleted and most monitored water points in Marsabit County fell below the median depth. Milk consumption was below average and terms of trade un-favorable as Livestock prices were below average and traded volumes low especially for cattle. Cereal prices surged and were above normal. Crisis-emergency food security outcomes are likely to persist due to constrained household income and increased depletion of livelihood assets. Households majorly applied crisis livelihood coping strategies to address food shortage as overall Critical nutrition situation in Marsabit County has worsened rangimg from Alert levels in Saku (8.6percent), Critical levels in Moyale (15.2percent) and Extremely Critical levels in Laisamis and North Horr sub-counties at 32.6percent and 30.0percent respectively.

### 1.1.2 County Specific Context

The County's Medium-Term Expenditure Framework for FY 2023/24 to FY 2025/2026 is predicated on priorities espoused in the Governors Manifesto and which were harnessed and outlined in the draft Marsabit CIDP 2023-2027. The priorities in the 3rd CIDP are aligned to Kenya's Vision 2030 and are in line with the Kenya Kwanza Government's narrative of Bottom- up economic model for the period 2023-2027. To propel this agenda, the following key county priorities and strategies were identified:

i. Increase food and nutritional security and household income of pastoral, agro- pastoral and fisher-folk of Marsabit County
ii. Ensure access to quality and affordable health services
iii. Improve early childhood and vocational education, youth empowerment and sports development
iv. Improve road, transport and housing development to spur economic growth
v. Improve access to adequate portable water and ensure clean and safe environment
vi. To facilitate and enable sustainable land use and growth of the urban centers through efficient land administration, equitable access, secure tenure, sustainable management of land-based resource and well-planned urban centers
vii. Promoting green, affordable, sustainable, and reliable energy services

while protecting and conserving the environment

viii. Improve ease of doing business for wealth creation
ix. To provide quality service delivery at all decentralized units
x. To improve ICT infrastructure for efficient delivery of services to the citizens
xi. To improve cohesion among communities living in the County and strengthen disaster mitigation mechanism
xii. To improve sensitization, awareness creation and advocacy among the citizens
xiii. Ensure professional, ethical and responsive human resource that will provide effective and efficient public service delivery to the devolved units.

## 1.2 Programmes for Achieving the County Strategic Blueprint's Objective

This County Fiscal Strategy Paper articulates priority economic policies and structural reforms as well as sector-specific expenditure programs to be implemented under the Medium Term Expenditure Framework for FY 2023/24-2025/26 in order to achieve the County Government's development goal to ensure a secure, resilient and globally competitive first- class county in service delivery for all.

### 1.2.1 Increase food and nutritional security of household and income of pastoral, agro- pastoral and fisher folk of Marsabit County

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Promotion of irrigated agriculture for crop and pasture development, support to agro- processing and value addition and promotion climate smart agricultural practices
b) Promotion of livestock breed improvement, establishment of feed lots and disease-free zones and strengthen livestock market linkage
c) Promote soil, water and natural resource management
d) Enhance food security through adoption of modern technologies
e) Build communities' resilience to drought through promotion of climate

proof infrastructures and livelihood diversification.

f) Strengthen research extension and farmer/pastoral community through promotion of innovative and new technologies.

g) Enhance animal health and welfare through disease surveillance and disease control as well as veterinary public health

h) Increased and sustainable fish production for subsistence and commercial utilization

### **1.2.2** Ensure access to quality and affordable health services

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Investment in improving health infrastructure of existing health facilities

b) Improve diagnostic services through procurements and installation of specialized equipment in the 4 referral hospitals

c) Increase the workforce numbers by 20% and recruit specialist across all the cadres

d) Promote and re-designate current workforce.

e) Strengthening emergency services and referral system to provide 24 hours' referral services and establishment of command center

f) Increasing allocation for essential medicines and medical supplies

g) Infrastructure and connectivity through LAN and WAN

h) Improve service delivery through customer satisfaction and demand creation

i) Provision of scholarships for health trainings for all cadres as well as enhance capacity development for technical staffs on essential services

j) Strengthen Monitoring and evaluation through regular support supervisions.

### **1.2.3** Improve early childhood and vocational education, youth empowerment and sports development

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Provide competitive and transformative quality education activities in the county
b) Improve access, retention and completion rates at all education levels
c) Provision of appropriate infrastructure and sufficient equipment for early childhood and vocational training
d) Improve ECDE and VTCs learning programs;
e) Improve school feeding program for ECDE centers;
f) Scholarship and bursary support to bright students in High schools, Universities, Colleges and Vocational Training Centers.
g) Link up VTC graduates with the labour market and provision of post training support to VTC graduates
h) Assessment of educational institutions for quality assurance and standards especially with regards to early childhood education and vocational centres
i) Provision of business start-up capital to youth and organized youth groups
j) Promote youth training and development by designing policies and programs that build young people's capacity to resist risk factors and enhance protective factors
k) Talent identification, development and nurturing for all sports persons
l) Stadia development and Management
m) Mobilize county sports persons to participate in sports as a career
n) Prepare and facilitate teams to participate in local and nationwide events.

#### **1.2.4** Improve Road, Transport and housing development to spur economic growth

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Upgrade urban roads to bitumen standards in Moyale and Marsabit towns
b) Maintenance & rehabilitation of county roads and bridges
c) Maintain and upgrade existing airstrips
d) Improve usage and safety of water transport
e) Ensure road worthiness of county government vehicles and drivers' competencies.

f) Construct affordable decent houses
g) Manage county government estates
h) Train youth on appropriate building technologies
i) Provide technical support for infrastructure development.

**1.2.5 Improve access to adequate portable water and ensure clean and safe environment** Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Infrastructure development services which includes construction of mega pans and major water works and drilling of boreholes;
b) Reduce distance to water source by construction of pipeline connections
c) Environment degradation by minimize charcoal burning activities
d) Afforestation programs, mainly tree planting activities
e) Farm forestry and dry land forestry
f) Reduce invasive species through manual clearing.

### **1.2.6** To facilitate and enable sustainable land use and growth of the urban centers through efficient land administration, equitable access, secure tenure, sustainable management of land-based resource and well-planned urban centers

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) To facilitate and enable sustainable land use and growth of the urban centers through efficient land administration, equitable access, secure tenure, sustainable management of land-based resources and well-planned urban centers
b) Demarcation of the already declared land adjudication sections,
c) Physical planning of upcoming towns,
d) Fast-tracking of title deeds of all land adjudicated sections in the County
e) Fast tracking of cadastral surveys for all approved LPDPs

f) Coordinating public and private partnerships, in improving provisions of urban services
g) Expand urban infrastructure through effective urban planning
h) Prepare integrated infrastructures and urban plans countywide
i) Provide efficient waste management policies
j) Formulate urban policies and legislations
k) Establish functional municipality to improve service delivery for social well-being of urban populations.

### 1.2.7 Promoting green, affordable, sustainable, and reliable energy services while protecting and conserving the environment

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Research and harnessing of renewable energy source and increase access to electricity to more homes and institutions.
b) Continuous lighting of existing and upcoming towns [solar street lights]
c) Bridge budget gaps through private-public partnership
d) Develop institutional, legal and regulatory frameworks for attracting investments, especially in the areas of renewable energy
e) Provision of solar lantern lamps for poor households within the county
f) Promotion and development of energy saving devices as well identify and support entrepreneurs
g) Installation of hybrid [solar/wind] energy systems on shallow wells.

### 1.2.8 Improve ease of doing business for wealth creation

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) To establish viable cooperative societies
b) To develop prudent financial control of cooperatives through regular audits
c) Promote the development of small-scale industries

d) Improve availability of financial support to SMEs, i.e. improve access to affordable business finances
e) Promote industrialization through value addition of products in livestock and Agriculture value chains
f) Promotion of wholesale and retail trade
g) Attract foreign direct investment to the county
h) Promotion of fair-trade practices.

### **1.2.9** To provide quality service delivery at all decentralized units

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Construction of Sub county administrators' office at Saku Sub County.
b) Construction of deputy sub County administrators' offices for Sololo, Maikona and Loiyangalani and their respective ward administrators
c) Improved coordination of county government departments and non-state actors' programmes
d) Develop bills and policies to guide the operation of the directorate.

### **1.2.10** To improve ICT infrastructure for efficient delivery of services to the citizens

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Digitization of county operation (ICT support)
a) Infrastructure, connectivity and interoperability: establishment of local, metro and wide area networks countywide.
b) Automation of key County Services such as Revenue, lands registry etc.
c) The installation and use of the integrated financial management system (IFMIS) at the Finance and Economic planning and the IPPD system at the Human Resource Department are all major ICT programs that have been fully rolled out and are fully functional.

### 1.2.11 To improve cohesion among communities living in the County and strengthen disaster mitigation mechanism

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Conflict management and disaster response by a creating awareness creation to enhance and reduce incidents of inter-tribal conflict.
b) Strengthen Traditional Conflict resolution mechanism.
c) Improved cross border Peace building initiatives
d) Build institutional capacities to handle disaster and risk management
e) Strengthen coordination of governments and non-state actors both for ease of Administration and emergency response
f) Monitoring and evaluation of drought preparedness and response interventions by State and Non-state actors.
g) Dissemination of drought early warning information to improved public knowledge and access to information.

### 1.2.12 To improve sensitization, awareness creation and advocacy among the citizens

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Civic education countywide through community awareness, improved ability to identify and prioritize areas of development.
b) Strengthen public participation at sub county and ward administration structures by further devolving resources to the ward level by implementing ward-based development projects.
c) Feedback mechanism established through Uwajibikaji initiative and recruitment of convener who receives and documents public complaints.
d) Capacity building for county civic education officers, county government administrators and other stakeholders on Governance

framework.

e) Conduct radio programs on available essential services provided by the county Government.

### 1.2.13 Ensure professional, ethical and responsive human resource that will provide effective and efficient public service delivery to the devolved units

Under this strategic objective, some of the priority economic policies, structural reforms and sector-specific expenditure programs listed include:

a) Recruitment/employee sourcing
b) Employee welfare management
c) Staff training and development
d) Human Resource Information Systems
e) Job evaluation and performance management systems
f) Human resource policies and regulations
g) Infrastructural development.

## 1.3 Outline of County Fiscal Strategy Paper

This paper has four other sections. Section Two reviews the County's recent economic developments and policy outlook that provides reviews the latest information on the macroeconomic variables and their latest trends at the national level since they were last analyzed during the compilation of the County Budget Review & Outlook Paper (CBROP) and compared to the previous financial year to derive a percentage growth rate. Section three reviews the fiscal policy budget framework and provides the key actions the County Government has decided to take in the budget allocation. Section four sets out the budget framework proposed for FY 2023/24 MTEF and the resource envelope available for allocation among the county's departments and agencies and is based on the County Government's final resource projections contained in the medium-term fiscal framework as outlined in the Fiscal Policy and Budget Framework section of this paper. The section has sub-sections that capture the resource envelope, spending priorities, MTEF estimates, baseline ceilings, the process for finalization of the spending plans and the details of the sector priorities. Lastly, section five gives a conclusion of the entire paper and provides a summary of the main changes and decisions to be put to effect during the MTEF period.

# CHAPTER TWO: RECENT ECONOMIC DEVELOPMENTS AND POLICY OUTLOOK

## 2.1 Overview

This section reviews the latest information on the macroeconomic variables and their latest trends at the national level and how this impacts the Marsabit county government policies, processes and operations. These statistics are based on the National Treasury's Budget Policy Statement of 2024.

### **2.1.1** Gross Domestic Product growth and its main drivers by sector

Global and Regional Economic Developments

The global economy is experiencing challenges arising from global supply chain disruptions due to heightened geopolitical tensions, weakening demand particularly in China and Eurozone, elevated global interest rates on account of inflationary pressures limiting access to credit and exacerbating debt servicing costs and significant losses and damages due to frequent extreme weather events increasing fiscal pressures. As such, global growth is projected to slow down to 3.0 percent in 2023 and 2.9 percent in 2024 from 3.5 percent in 2022 which is below the historical (2000–2019) average of 3.8 percent. Additionally, most currencies in emerging market and frontier economies weakened against the U.S. Dollar, mainly due to the tightening of U.S. monetary policy. Inflation in advanced economies has continued to ease, reflecting effects of monetary policy tightening and lower energy prices. Nevertheless, core inflationary pressures remained elevated.

Advanced economies are projected to record a slower growth of 1.5 percent in 2023 and 1.4 percent in 2024 from 2.6 percent in 2022 mainly driven by lower growth in the Euro Area. The slowdown in growth in the advanced economies is as a result of aggressive monetary policy tightening that has contributed to a significant deterioration of global financial conditions.

**Domestic Economic Developments**

Despite the challenging environment, the Kenyan economy is demonstrating resilience with growth performance well above the global and SSA average. In the first three quarters of 2023, the economic growth averaged 5.6 percent (5.5 percent Q1, 5.5 percent Q2 and 5.9 percent Q3). This growth was primarily underpinned by a rebound in the agricultural activities which grew by an average of 7.0 percent in the first three quarters of 2023 compared to a contraction of 1.8 percent during the same period in 2022. All economic sectors recorded positive growth rates in the first three quarters of 2023, though the magnitudes varied across activities

Agriculture: In the first three quarters of 2023, the agriculture sector rebounded strongly following improved weather conditions and the impact of fertilizer and seed subsidies provided to farmers by the Government.

The sector grew by 6.1 percent in the first quarter, 8.2 percent in the second quarter and 6.7 percent in the third quarter. The strong performance was reflected in enhanced production, especially of food crops that led to significant increase in exports of tea, coffee, vegetables and fruits. However, production of cut flowers and sugarcane declined during the period.

Services: The services sector continued to sustain strong growth momentum in the first three quarters of 2023 growing by an average of 6.2 percent (5.9 percent in the first quarter, 5.9 percent in the second quarter and 6.9 percent in the third quarter). The robust performance was reflected in the notable growth of information and communication (driven by increases in wireless internet and fiber-to-home subscriptions), wholesale and retail trade, accommodation and food services (driven by recovery in tourism), financial and insurance (due to strong private sector credit growth, increased yield on investment and increased return on deposits by commercial banks) and real estate (supported by sustained expansion of the construction industry).

Industry: In the first three quarters of 2023, the industrial sector remained positive and recorded growths of 2.4 percent in the first quarter, 1.7 percent in the second quarter and 2.9 percent in the third quarter compared to growths of 4.4 percent, 4.2 percent and 3.0 percent, respectively in similar quarters in 2022. Growth in the sector was supported by increased activities in the construction sector mainly reflected in the increased consumption of cement and imports of bitumen, iron, and steel. Activities in the manufacturing sector, which accounts for nearly half of the industrial sector output, was hampered by a decline in the manufacture of both food (particularly sugar production) and non-food products while electricity sub-sector slowed down due to a notable decrease in electricity generation from all sources, except geothermal.

### **2.1.1** The Broad Money Supply Trend

Broad money supply, M3, grew by 21.1 percent in the year to November 2023 compared to a growth of 5.3 percent in the year to November 2022 . The primary source of the increase in M3 was an improvement in the Net Foreign Assets (NFA) of the banking system and resilient domestic credit. The increase in NFA mainly reflected the improvement in commercial banks' foreign assets.

### **2.1.2** The Inflation Rate Trend

Inflation had remained above the Government target range of 5±2.5 percent from June 2022 to June 2023. In order to anchor inflation expectations, the Monetary Policy Committee (MPC) gradually raised the policy rate (Central Bank Rate (CBR)) from 7.50 percent in May 2022 to 10.50 percent in June 2023 and further to 12.50 percent in December 2023. The tightening of the monetary policy was to address the pressures on the exchange rate and mitigate second round effects including from global prices. This ensured that inflationary expectations remain anchored, while setting inflation on a firm downward path towards the 5.0 percent mid-point of the target range. This policy action was complemented by Government interventions and favourable weather conditions that increased food supply. Consequently, inflation eased gradually to 6.6 percent in December 2023 from a peak of 9.6 percent in October 2022 and has been within the target range for the first half of FY 2023/24 . However, inflation has remained sticky in the upper bound of the Government's target range since July 2023 due to relatively higher energy prices.

### **2.1.3** The Interest Rate Trend

Short-term interest rates increased in December 2023, partly reflecting the tight monetary policy stance and liquidity conditions in the money market. The interbank rate increased to 11.7 percent in December 2023 compared to 5.4 percent in December 2022 while the 91-day Treasury Bills rate increased to 15.8

percent compared to 9.3 percent over the same period. The introduction of the interest rate corridor around the CBR (set at CBR± 250 basis points by the MPC in August 2023) has aligned the interbank weighted average rate to the Central Bank Rate and thereby improving the transmission of the monetary policy.

#### **2.1.4** The Balance of Payments Trend

The Balance of Payment (BOP) is the record of all international financial transactions made by a country's residents. A country's balance of payments tells you whether it saves enough to pay for its imports. It also reveals whether the country produces enough economic output to pay for its growth. Reports from the National Treasury shows that the current account deficit improved to USD 4,196.5 million (4.2 percent of GDP) in November 2023 compared to USD 6,012.3 million (5.4 percent of GDP) in November 2022. The current account balance was supported by an improvement in the trade balance account and resilient remittances

#### **2.1.1** The Exchange Rate Trend

Kenya like several other countries is experiencing foreign exchange challenges due to the rise of US interest rates. In December 2023, the Kenya Shilling weakened by 25.3 percent against the US Dollar, 30.2 percent against the Sterling Pound and 29.2 percent against the Euro, compared to a similar period in 2022.

The Kenya Shilling against the US Dollar exchanged at an average of Ksh 154.1 in December 2023 compared to an average of Ksh 122.9 in December 2022. Against the Euro, the Kenya shilling weakened to exchange at Ksh 168.0 in December 2023 compared to Ksh 130.0 in December 2022 while against the Sterling Pound the Kenyan Shilling also weakened to exchange at Ksh 195.0 compared to Ksh 149.8, over the same period . The Kenyan Shilling was supported by increased remittances, adequate foreign exchange reserves and strong exports receipts.

#### **2.1.2** The Stock Market Trend

Activity in the capital markets slowed down in December 2023 compared to December 2022 as advanced economies tightened their monetary policy amid inflationary pressures. The NSE 20 Share Index declined to 1,509 points in December 2023 compared to 1,676 points in December 2022 while Market capitalization declined to Ksh 1,432 billion from Ksh 1,986 billion over the same period

### **2.2** Impact of the Macro-economic performance indicators to the County

The rate of inflation has largely been held stable due to a favorable macroeconomic environment and a prudent fiscal and monetary policy regime although it is still above the 7.5 percent upper bound target. Holding the rate of inflation stable enables the county maintain stable public investment and service delivery projections and hence a more stable approach to planning and budgeting. This is contrasted against an unstable inflation environment which ultimately affects the purchasing power parity of the resources both at the disposal of the government and the residents, and increases the poverty demographics to levels that may impact the spending patterns of the County

Government. Hence the stability in the inflation rates is important for the continued implementation of the County development strategy.

## 2.2 Update on Fiscal Performance and Emerging Trends

The County's approved supplementary budget for FY 2021/22 was Kshs.9.33 billion, comprising Kshs.4.59 billion (49.1 per cent) and Kshs.4.74 billion (50.9 per cent) allocation for development and recurrent programmes, respectively.

To finance the budget, the County expected to receive Kshs.7.28 billion (78 per cent) as the equitable share of revenue raised nationally, generate Kshs.170 million (1.8 per cent) from its sources of revenue, and use a cash balance of Kshs.576.38 million (6,2 per cent) from FY 2020/21.

### Revenue

During the period under review- FY 2022/23 - the County total revenue basket was Ksh 8,416,927,493comprising 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

### 2.3.2 Expenditure

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.

### Recurrent and Development Expenditure

As shown in Table 1 below, absorption rates for recurrent and development votes for the FY 2021/22 was 95.1% and 70.7% respectively. In FY 2022/23 the absorption rates were 93.04% and 96.60 respectively.

Table 1: Recurrent versus Development

| Year | Approved | Actual | Absorption rate | Approved | Actual | Absorption rate |
|---|---|---|---|---|---|---|
| | Recurrent Budget | Recurrent Expenditure | | Dev't Budget | Dev't Budget | |
| 2021/22 | 4,745,539,032 | 4,514,823,509 | 95.10% | 4,586,002,452 | 3,245,198,049 | 70.70% |
| 2022/2023 | 4,337,619,991 | 4,035,691,748 | 93.04 | 3,680,220,417 | 3,555,237,923 | 96.60 |

### 2.3.3 Fiscal balance

In the medium term, the government is forecasting a balanced budget hence there will be no need for debt financing.

### **2.3** Comparison of Actual Performance against budget

An analysis of the budget performance in the FY 2022/23 reveals that while the recurrent allocation is well absorbed, the development vote is not fully absorbed. Table 1 above shows the comparison of actual performance against budget.

Table 2: Comparison of Actual Performance against Budget

| | FY 2021/22 | FY 2022/23 | | FY 2021/22 |
|---|---|---|---|---|
| | **Actual( Ksh.M)** | **Budget estimates** | **Actual (Ksh. Million)** | **% deviation** |
| **TOTAL REVENUE, UNSPENT BALANCE & GRANTS** | **7,514** | **8,185,986,169** | **7,758,567,269** | **-19%** |
| Unspent Bal from Previous FY | 576 | 646,690,645 | 658,360,224 | 0% |
| **Revenue (Total)** | **6,938** | **8,832,676,814** | **8,416,927,493** | **-21%** |
| Equitable Share Allocation | 6,694 | 7,277,004,032 | 7,277,004,032 | -8% |
| Local Revenue | 100 | 170,000,000 | 135,545,012 | -41% |
| Grants (Total) | 143 | 738,982,137 | 348,018,186 | -89% |
| **Total Expenditure** | 7,759 | **8,017,840,408** | **7,590,929,671** | -17% |

| | | | | |
|---|---|---|---|---|
| **Recurrent** | 4,514 | **5,033,705,746** | 4,928,058,215 | -5% |
| **Development** | 3,245 | 4,109,739,831 | 2,698,781,808 | -29% |
| **Unspent Bal Current FY** | 576 | - | | - |

In FY 2022/23, the County received Ksh. 7,277,004,032 billion as the equitable share of the revenue raised nationally, raised Kshs135,545,012 million as own-source revenue, Kshs348,018,186 million as conditional grants, and had a cash balance ofKshs658,360,224 million from FY 2020/21. The total funds available for budget implementation during the period amounted to Kshs8,416,927,493 billion.

### **2.1** Significant Economic, Legislative and Financial Events

The constitutional provisions for county governments financing have guaranteed stable flow of funds from the national government with Marsabit county recording an average of 12% growth per annum. Capacity challenges to fully operationalize e-procurement in the county have slowed down implementation of the county projects and therefore affecting the budget implementation for the financial year 2022/23. This has also seen a slow start to the current financial year 2023/24.

### **2.2** Revised Estimates

During the past financial year drought situation has affected the economic outlook of the county, many projects has been put aside to address emergency issues of relief supply and water tracking. This has affected revenue collection in the first half of the 2023/24 to be Ksh 59M which is below the target.

### **2.3** Economic Policy and Outlook

Marsabit County's economic growth prospects for the FY 2024/25 and over the medium term will largely be influenced by the national growth prospects, according to BPS (2024), The economy is projected to remain strong and resilient in 2023, 2024 and over the medium term supported by the continued robust growth of the services sectors, the rebound in agriculture, and the ongoing implementation of measures to boost economic activity in priority sectors by the Government. As such, the economy is expected to remain strong and expand by 5.5 percent in both 2023 and 2024 (5.5 percent in FY 2023/24 and in FY 2024/25) 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 labour 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. These sectors are key to the county economy given that it entirely relies on Livestock, partly agriculture and trade (wholesale and Retail). In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the National 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. The County Government has created an emergency drought mitigation program to supplement the National Government effort. The fund will provide capital to the struggling MSMEs from the negative impact of drought.

*Table 3: Macroeconomic Indicators Underlying the Medium-Term Fiscal Framework (FY 2024/25 MTEF)*

| | | | | | |
|---|---|---|---|---|---|
| **Terms of Trade (-deterioration)** | **-2.2** | **-1.1** | **1.1** | **-0.3** | **0.5** |
| | | | | | |
| Investments and savings | | | | | |
| Investments | 9.4 | 13.3 | 19.8 | 18.3 | 19 |
| Gross National Savings | 3.6 | 8.2 | 13.8 | 12.2 | 12.8 |
| Central Government Budget | 5.9 | 0.3 | -2.7 | -1.6 | -0.5 |
| Others | 2.6 | 7.9 | 16.5 | 13.7 | 13.2 |
| Total Revenue | 17.1 | 16.5 | 16.4 | 17.3 | 18.2 |
| Total expenditure and Net lending | 25.3 | 25.9 | 24.3 | 23.3 | 22.7 |
| Overall balance Commitment basis (excluding. Grants) | -8.2 | -9.4 | -7.9 | -6 | -4.5 |
| Overall balance Commitment basis (including. Grants) | -8 | -8.9 | -7.5 | -5.6 | -4.2 |
| External Sector | | | | | |
| Current external balance, including official transfers | -5.8 | -5.1 | -6 | -6.1 | -6.2 |
| Gross international reserve coverage in months of imports | 6.3 | 5.8 | 5.8 | 5.8 | 5.9 |
| Nominal GDP(billions) | 10,157 | 11267 | 12,393 | 13,760 | 15,373 |
| | | | | | |

## 2.1 Risks to the Outlook

Marsabit County's economic growth prospects for the FY 2024/25 and over the medium term will largely be influenced by the national growth prospects, according to BPS (2024), the Kenyan 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 labour 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.

These sectors are key to the county economy given that it entirely relies on Livestock, partly agriculture and trade (wholesale and Retail). In furtherance of the agenda on inclusive growth and innovation in Micro, Small, and Medium Enterprises (MSMEs), the National 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. The County Government has created an emergency drought mitigation program to supplement the National Government effort. The fund will provide capital to the struggling MSMEs from the negative impact of drought.

## Risks to Economic Outlook

According to the BPS (2024), there are downside risks to this macroeconomic outlook emanating from national as well as external sources. There are downside risks emanating from domestic as well as external sources. On the domestic front, risks relate to unpredictable weather conditions due to the impact of climate change which could adversely affect agricultural production and result in domestic inflationary pressures and food insecurity. Additionally, tight fiscal space due to the impact of the multiple shocks that have affected the global and the domestic economy might lead to tight liquidity conditions for financing the budget.

On the external front, uncertainties in the global economic outlook stemming from the escalating geopolitical fragmentations could result in higher commodity prices which poses a risk to domestic inflation outcomes leading to further tightening of financial conditions. Additionally, weaker global demand due to the slowdown in the global economic recovery could adversely affect Kenya's exports, foreign direct investments and remittances. Continued strengthening of US dollar against other global currencies arising from aggressive monetary policy tightening present significant risks to financial flows and puts pressures on the exchange rate with implication to growth and inflation.

The upside risk to the domestic economy relate to early easing of global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances. 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.

At the level, the County Government is continually monitoring the climate change risk and taking appropriate measures to strengthen resilience in the economy. To cushion the county against the downsides of the risks, the County Government will continue to implement the drought mitigation programs to protect the lives and livelihoods of the residents.

# CHAPTER THREE

## MACRO-ECONOMIC POLICY FRAMEWORK AND MEDIUM-TERM OUTLOOK

### 3.1 Introduction

This chapter delves into the global and national macroeconomic development outlook, and how they will affect the country's economic outlook and fiscal performance in the medium term. Moreover, the chapter provides a comprehensive view of how the county government plans to manage and steer its economic growth. It will also shed light on how macroeconomic variables will impact the county's economic outlook and fiscal performance in the medium term.

### 3.2 Global, National, and County Economic Prospects

According to IMF World Economic Outlook projections, the world economy will grow by 2.9 percent in 2024, a slight decrease of 0.1 percent as compared to 3.0 percent in 2023. The geopolitical fragmentation arising from the Israeli-Palestinian conflict and elevated global oil prices on account of supply cuts by major oil exporters, particularly Saudi Arabia and Russia could weigh on the global economic outlook.

Advanced economies are projected to record a slower growth of 1.5 percent in 2023 and 1.4 percent in 2024 from 2.6 percent in 2022 mainly driven by lower growth in the Euro Area. Growth in the US is projected at 2.1 percent in 2023 and 1.5 percent in 2024. The slowdown in growth in the advanced economies is a result of aggressive monetary policy tightening that has contributed to a significant deterioration of global financial conditions.

Growth in the emerging markets and developing economies is projected to decline slightly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, although with notable variations across regions. In sub-Saharan Africa, growth is projected to decline to 3.3 percent in 2023 from 4.0 percent in 2022 reflecting worsening climate change-related shocks, inflationary and exchange rate pressures, and domestic supply issues especially in the electricity sector. Growth in the region is expected to rebound to 4.0 percent in 2024, picking up in four-fifths of sub-Saharan Africa’s countries, and with strong performances in non-resource-intensive countries.

Despite the challenging environment, the Kenyan economy is demonstrating resilience with growth performance well above the global and sub-Saharan Africa average. The Kenyan economic growth is projected to increase significantly from 4.8 percent in 2022 to 5.5 percent in both 2023 and 2024. This growth is attributed to a rebound in agricultural activities, and robust growth of service sectors, particularly transport and storage, financial and insurance, information and communication, and accommodation and food services sectors.

Real GDP is projected to grow by 5.5 percent on average in 2023 and 2024 (5.5 percent in FY 2023/24 and 5.4 percent in FY 2024/25). This growth will be driven by a strong recovery in the agriculture sector; increased activities in manufacturing and construction subsectors; resilient activities in accommodation and restaurant, financial and insurance, information and communication, wholesale and retail trade and transport and storage; household private consumption and robust private sector investments coupled with Government investments in the Affordable Housing programme, PPP infrastructure projects and the ongoing work on building and maintaining public infrastructure.

The current account deficit is projected to improve to 4.4 percent of GDP in 2023 and 4.0 percent of GDP in 2024 compared to 5.1 percent of GDP in 2022. The expected narrowing of the current account deficit is driven by a decline in imports, exchange rate adjustment, and further rationalization of capital spending. Additionally, the Current account balance will be supported by continued strong remittance inflows. Consequently, overall inflation is expected to remain within the Government target range of 5±2.5 percent in the medium term.

Inflation is projected to rise to 8.6percent in 2023 and drop to 5.9percent in 2024, driven by food and energy inflation while monetary policy is expected to remain tight.

The projected global and national economic growth rates across the various categories are presented in Table …

**Table 2: Global Economic Growth Rates**

***Source: World Economic Outlook Oct 2023***

| | Growth (%) | | | |
|---|---|---|---|---|
| | Actual | | Projected | |
| **Economy** | **2021** | **2022** | **2023** | **2024** |
| World | 6.3 | 3.5 | 3.0 | 2.9 |
| Advanced Economies | 5.4 | 2.6 | 1.5 | 1.4 |
| *Of which: USA* | *5.9* | *2.1* | *2.1* | *1.5* |
| *Euro Area* | *5.3* | *3.3* | *0.7* | *1.2* |
| Emerging and Developing Economies | 6.8 | 4.1 | 4.0 | 4.0 |
| *Of which: China* | *8.4* | *3.0* | *5.0* | *4.2* |
| *India* | *9.1* | *7.2* | *6.3* | *6.3* |
| Sub-Saharan Africa | 4.7 | 4.0 | 3.3 | 4.0 |
| Of which: South Africa | 4.7 | 1.9 | 0.9 | 1.8 |
| Nigeria | 3.6 | 3.3 | 2.9 | 3.1 |
| Kenya* | 7.6 | 4.8 | 5.5 | 5.5 |

The country has made significant political and economic reforms that have contributed to sustained economic growth, social development, and political stability gains over the past decade. These reforms have been designed to enhance the country's economic competitiveness, boost investment, improve public services, and promote greater transparency and accountability across government institutions. They have also focused on strengthening social safety nets, expanding access to education and healthcare, and promoting inclusivity and diversity in society. As a result of these efforts, the country has made significant strides in achieving its development goals and improving the quality of life of its citizens.

Key development challenges facing the country include poverty, inequality, climate change, youth unemployment, lack of transparency and accountability, continued weak private sector investment, and the vulnerability of the economy to internal and external shocks. To address these challenges, the government has put forward a range of initiatives:

i In the agricultural sector, the government has prioritized several key programmes aimed at improving productivity, increasing efficiency, and promoting sustainability. These initiatives include fertilizer and seed subsidy program, provision of adequate affordable working capital to farmers, enhancement of irrigation systems, the promotion of climate-smart agriculture, and the provision of necessary infrastructure to support farmers, such as roads, storage facilities, and access to markets.

ii The government has prioritized programmes in the areas of Micro, Small, and Medium Enterprises (MSMEs), digital infrastructure, and the creative economy. These initiatives aim to foster innovation, promote entrepreneurship, and support the growth of small businesses, which are essential drivers of economic development. Interventions by the Government through the Hustlers' Fund will strengthen MSMEs thereby correcting market failures for the vast majority of Kenyans at the bottom of the pyramid. This will strengthen the private sector led growth opportunities.

iii In healthcare and housing, the government aims to improve access to essential services and reduce disparities in health outcomes and living conditions. These initiatives include the construction and equipping of new healthcare facilities, reforms and expansion of health insurance coverage, and significant investments in affordable housing.

iv Overall, the Government continues to implement interventions and policies to reduce the cost of living and improve livelihoods, while at the same time fostering a sustainable inclusive economic transformation through the Bottom-Up Economic Transformation Agenda. This will create jobs and economic opportunities across all regions of the country, and tackle social and income inequalities.

### 3.3 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, its 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, Empoyment 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.

## 3.5 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.

# CHAPTER FOUR

## FISCAL FRAMEWORK AND STRUCTURAL MEASURES FOR 2024/25 AND THE MEDIUM-TERM

### 4.1 Introduction

This section details the fiscal framework, projections of county revenue, recurrent and development expenditures and the overall deficit and its financing for the FY 2024/25.

### 4.2 The Fiscal Framework

The fiscal framework for the FY 2024/25 is based on the macroeconomic policy framework and the County Government's policy priorities. The Government's fiscal policy objective in the medium term will be geared towards promoting social and economic growth towards a high-quality of life. The CFSP 2024/2025 provides an overview of the resource envelope to guide county spending plan in the delivery of public goods and services. It provides the linkage between planning, budgeting and implementation of development projects and programmes as outlined in the Annual Development Plan 2024/25 and the County Integrated Development Plan 2023-2027. In order to realize the financial resources required to implement the planned development initiatives, the County Government will prioritize the implementation of policies and reforms necessary to support enhancement of Own Source Revenue.

### 4.3 Revenues for FY 2024/25

Constitution of Kenya 2010, Articles 202 and 203 stipulates the criteria to be followed in sharing of revenue raised nationally shall be shared between the National and County Governments. In addition, the County Government may receive additional allocations from the National Government's share of the revenue either conditionally or unconditionally as stipulated in the Budget Policy Statement (BPS). The BPS sets out the broad strategic priorities and policy goals that guide the National Government and County Governments in preparing their budgets both for the following financial year and over the medium term.

The 2024 Budget Policy Statement forecasts a total revenue basket of Kshs. 2,958.6 billion for FY 2024/25 out of which Kshs. 2,539.4 billion (excluding conditional/unconditional grants from National Government and development partners) will be allocated to the National Government, Kshs. 401.6 billion to the County Governments as equitable revenue share and Kshs. 17.6 billion to the Equalization Fund. In additional the County Governments will receive Ksh 58.242 billion as conditional and unconditional grants and loans. The additional conditional allocations are meant to support specific national policy objectives to be implemented by County Governments.

In the FY 2024/25 Marsabit County expects to receive Kshs. 7,664,978,854 as equitable share from the National Government representing 1.84% of total equitable share allocated to the County Governments as shown in table 4 and figure 5. In addition, the County expects to receive additional conditional/unconditional grant and Equalization fund with allocations per county as shown on BPS 2024.

Marsabit County total Own source revenue target for 2024/2025 stands at Kshs. 190,000,000 as analyzed in table 4 and figure 6. Therefore, the total expected county revenue for F/Y 2024/2025 is projected at Kshs. 9,193,627,827 inclusive of conditional grants and equalization funds as analyzed in table 4. Some of revenues streams expected to contribute largely on Own Source Revenue includes, hospital collections, Single business permits, land rates, vehicle parking fees, County natural exploitation and technical service fees.

In the medium term the county government will leverage on ongoing implementation of revenue policy and administrative reforms to boost own source revenue. Specifically, the Government will continue executing the following internal revenue raising strategies in its endeavors to finance development initiatives in the county.

• Strengthening and facilitating the county Revenue Department to deliver on its mandate.

• Widening the revenue base by bringing on board all individuals and businesses.

• Leverage on technology to enhance revenue collection (Automation of Revenue system).

• Enacting and enforcing appropriate sector-based laws to facilitate effective and efficient revenue collection.

• Effective implementation of the Annual Finance Acts.

• Enhanced supervision and monitoring of the revenue collection process.

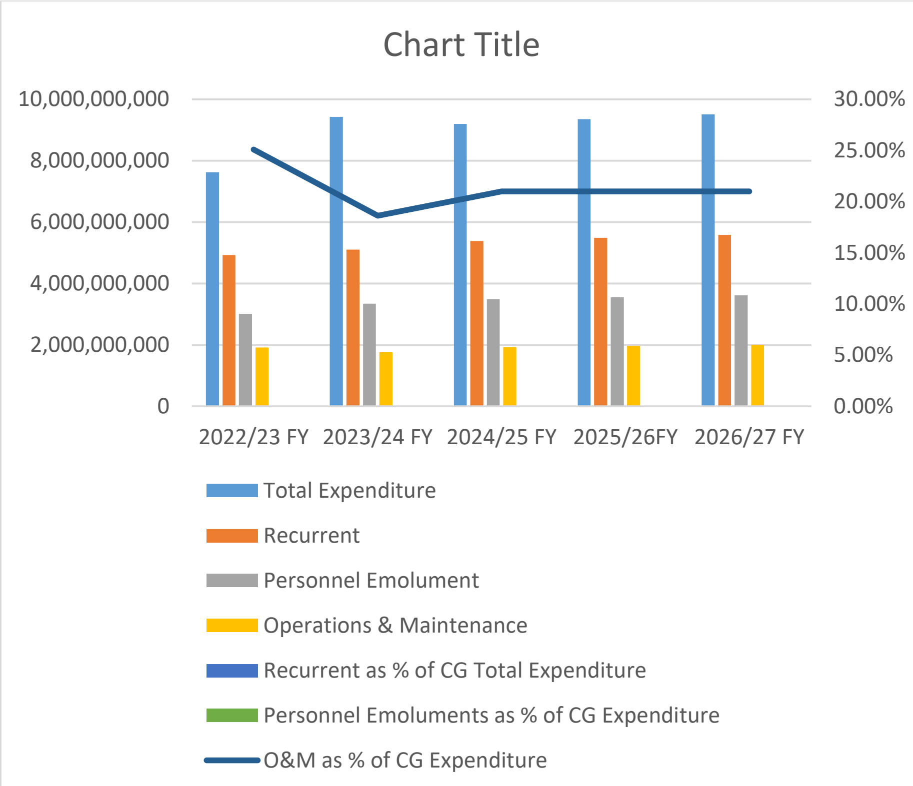
• Encourage compliance through recognition schemes and open days.

**Table 4: County Government Revenue Trends**

| Financial Year | Equitable Share | User Fees forgone | Fuel Levy | Dev't of Youth Polytechnics Conditional Grant | Leasing of Equipment | Aggregated Industrial Parks Program | Community Health promoters | Transfer of Museum Function | Unconditional Allocation of 20% share of Mineral Royalties | Other Loans and Grants | Own Source Revenue | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018/19 | 6,800,652,600 | 6,640,000 | 184,360,000 | 26,280,000 | - | | | | | 461,060,000 | 140,000,000 | **7,618,992,600** |
| 2019/20 | 6,773,100,000 | 6,643,714 | 192,258,938 | 15,558,298 | 131,914,894 | | | | | 527,605,108 | 140,000,000 | **7,787,080,952** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020/21 | 6,896,260,000 | 6,643,714 | 204,701,864 | 11,196,170 | 148,936,170 | | | | | 616,904,659 | 150,000,000 | **8,034,642,577** |
| 2021/22 | 7,277,004,032 | - | - | - | 153,297,872 | | | | | 753,314,489 | 150,000,000 | **8,333,616,394** |
| 2022/23 | 7,277,004,032 | - | - | - | 153,297,872 | | | | | 753,314,489 | 160,000,000 | **8,343,616,394** |
| 2023/24 | 7,557,969,667 | - | - | - | 124,723,404 | 100,000,000 | | | | 803,567,901 | 160,000,000 | **8,746,260,972** |
| 2024/25 | 7,664,978,854 | | 237,670,000 | | | | 47,074,915 | 2,878,080 | 331,285 | 1,050,694,693 | 190,000,000 | **9,193,627,827** |
| % of Total Revenues 2024/25 | 83% | | 3% | | | | 1% | | | 11% | 2% | 100% |

Figure 6




From the foregoing, at 83 percent, equitable share remains the main source of county revenues while own source revenue is projected at just 2 percent as depicted in table 4. To bridge the resource gap that may arise in the implementation of the 2024/2025 development initiatives the government will continue to strengthen its relationship with the development partners operating within and outside the county. These efforts will be coordinated by the planned Marsabit County Development Authority (MCDA) which is the resource mobilization and investment arm of the government. Particularly, MCDA will coordinate and spearhead the achievement of the following internal and external revenue raising strategies:

- Operationalize County Revenue Automation system and Public Benefit Organizations (PBO) forums
- Mobilize funds through alternative financing methods such as loans and other financing instruments
- Strengthen relationships and partnerships with development partners and other non-state actors to support programmes.
- Develop PPP models for providing public services

### 4.4 Expenditure Projections

The expenditure framework must be aligned to the National and County goals and objectives as outlined in the Budget Policy Statement 2024, County Integrated Development Plan (2023-2027) and the Annual Development Plan 2024/2025.

This Expenditure framework is premised on a limited resource envelope while acknowledging the actual cost of delivering goods and services.

Departmental funding therefore should prioritize payment of pending bills and completion of ongoing projects. Departments will have to rationalize their expenditure programs in the FY 2024/25 and medium term as they focus on their strategic interventions.

County expenditure will promote; job creation; improve access to quality and affordable healthcare; increase access to water and sanitation; improve agricultural productivity; increase access and transition in ECDE and vocational training; increase empowerment of youth, women and vulnerable groups; initiate and promote economic empowerment programmes; provide for disaster management; provide quality infrastructure and sustainable human settlements; strengthen public finance management and good governance and enhance participatory development planning , budgeting and implementation. Overall, the 2024/2025 annual expenditure is projected at Kshs. 9,193,627,827 inclusive of expenditures funded by conditional grants and equalization fund.

***County Government Fiscal Projections FY 2024/25 MTEF***

| | 2022/23 FY | 2023/24 FY | | 2024/25 FY | | 2025/26 FY | | 2026/27FY |
|---|---|---|---|---|---|---|---|---|
| | Actual | Budget | CFSP 2023 | CFSP 2024 | CBROP 2023 | CFSP 2024 | CBROP 2023 | CFSP 2024 |
| TOTAL REVENUE & GRANTS | 8,418,927,454 | 9,276,684,437 | 8,696,260,972 | 9,193,627,827 | 8,893,836,332 | 9,357,931,516 | 9,530,740,726 | 9,515,341,493 |
| Unspent Bal b/f \Previous FY | 658,360,224 | 513,532,859 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue (Total) | 7,760,567,230 | 8,763,151,578 | 8,696,260,972 | 9,193,627,827 | 8,893,836,332 | 9,357,931,516 | 9,530,740,726 | 9,515,341,493 |
| Equitable Share Allocation | 7,277,004,032 | 7,560,398,412 | 7,557,969,667 | 7,664,978,854 | 7,664,978,854 | 7,819,282,543 | 8,291,744,432 | 7,976,692,520 |
| Local Revenue | 135,545,012 | 190,000,000 | 110,000,000 | 190,000,000 | 170,000,000 | 200,000,000 | 180,138,816 | 200,000,000 |
| Grant | 348,018, | 1,012,753 | 1,028,29 | 1,338,64 | 1,058,857, | 1,338,6 | 1,058,857 | 1,338,6 |

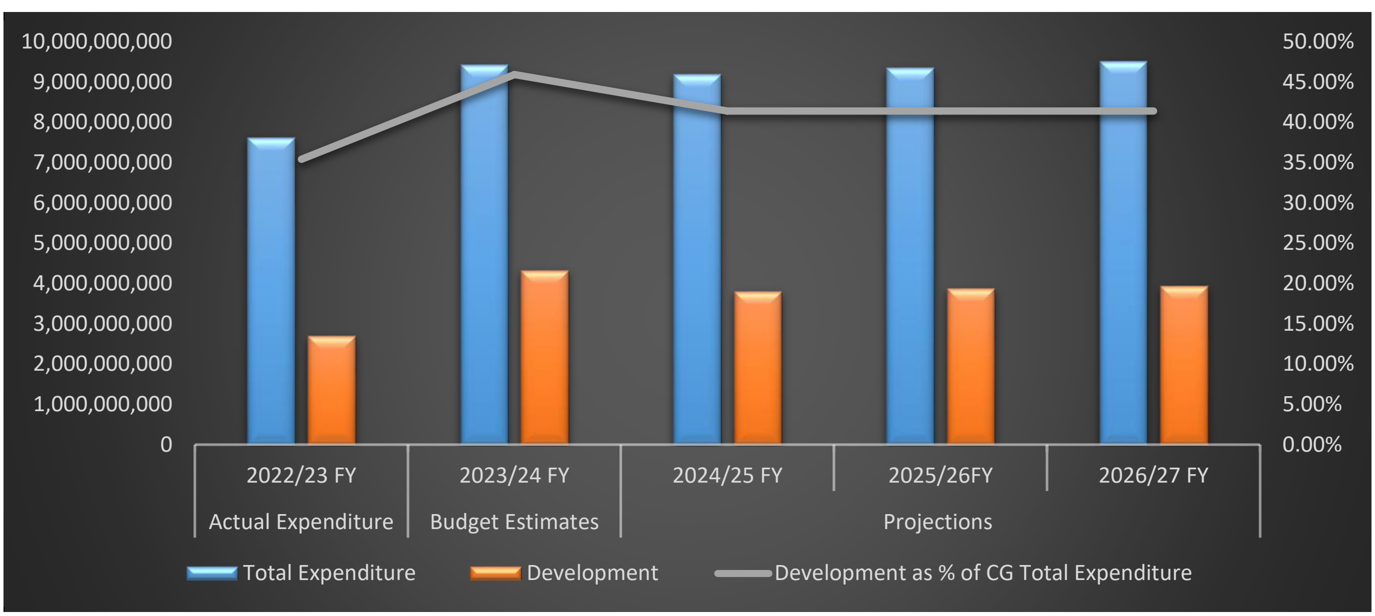
| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| income | 186 | ,166 | 1,305 | 8,973 | 478 | 48,973 | ,478 | 48,973 |
| TOTAL REVENUE & GRANTS | 8,418,927,454 | 9,276,684,437 | 8,696,260,972 | 9,193,627,827 | 8,893,836,332 | 9,357,931,516 | 9,530,740,726 | 9,515,341,493 |
| Total Expenditure | 7,626,840,023 | 9,424,650,447 | 7,877,611,745 | 9,193,627,828 | 9,382,459,974 | 9,357,931,517 | 9,530,740,727 | 9,515,341,494 |
| Recurrent | 4,928,058,215 | 5,100,313,443 | 4,625,043,271 | 5,389,978,854 | 5,123,542,850 | 5,486,305,726 | 4,955,985,178 | 5,578,590,998 |
| *Recurrent as % of CG Total Revenue* | 58.54% | 54.98% | 53.18% | 58.63% | 57.61% | 58.63% | 52.00% | 58.63% |
| Personnel Emolument | 3,012,922,471 | 3,344,090,625 | 2,912,341,101 | 3,493,578,574 | 3,377,455,107 | 3,556,013,976 | 2,096,762,960 | 3,615,829,767 |
| Operations & Maintenance | 1,915,135,744 | 1,756,222,818 | 1,712,702,170 | 1,930,661,844 | 1,746,087,743 | 1,965,165,618 | 2,859,222,218 | 1,998,221,714 |
| *Personnel Emoluments as % of CG Revenue* | 35.79% | 36.05% | 33.49% | 38.00% | 37.98% | 38.00% | 22.00% | 38.00% |
| Development | 2,698,781,808 | 4,324,337,004 | 4,071,217,701 | 3,803,648,974 | 4,258,917,124 | 3,871,625,791 | 4,574,755,549 | 3,936,750,496 |
| *Development as % of CG Total Revenue* | 32.06% | 46.62% | 46.82% | 41.37% | 47.89% | 41.37% | 48.00% | 41.37% |
| Unspent Bal Current FY | | | | | | | | |

### 4.4.1 Development Expenditure

To ensure that the county complies with the fiscal responsibility principles, the development expenditures across departments for FY 2024/2025 (Exclusive of grants) are projected at Kshs. 3,803,648,974 representing 41.37% of the total county expenditure.

Table 5 Showing Ratio of Development Expenditure Against the total Budget

| | Actual Expenditure | Budget Estimates | Projections | | |
|---|---|---|---|---|---|
| | 2022/23 FY | 2023/24 FY | 2024/25 FY | 2025/26FY | 2026/27 FY |
| Total Expenditure | 7,626,840,023 | 9,424,650,447 | 9,193,627,827 | 9,357,931,516 | 9,515,341,493 |
| Development | 2,698,781,808 | 4,324,337,004 | 3,803,648,974 | 3,871,625,791 | 3,936,750,496 |
| Development as % of CG Total Expenditure | 35.39% | 45.88% | 41.37% | 41.37% | 41.37% |



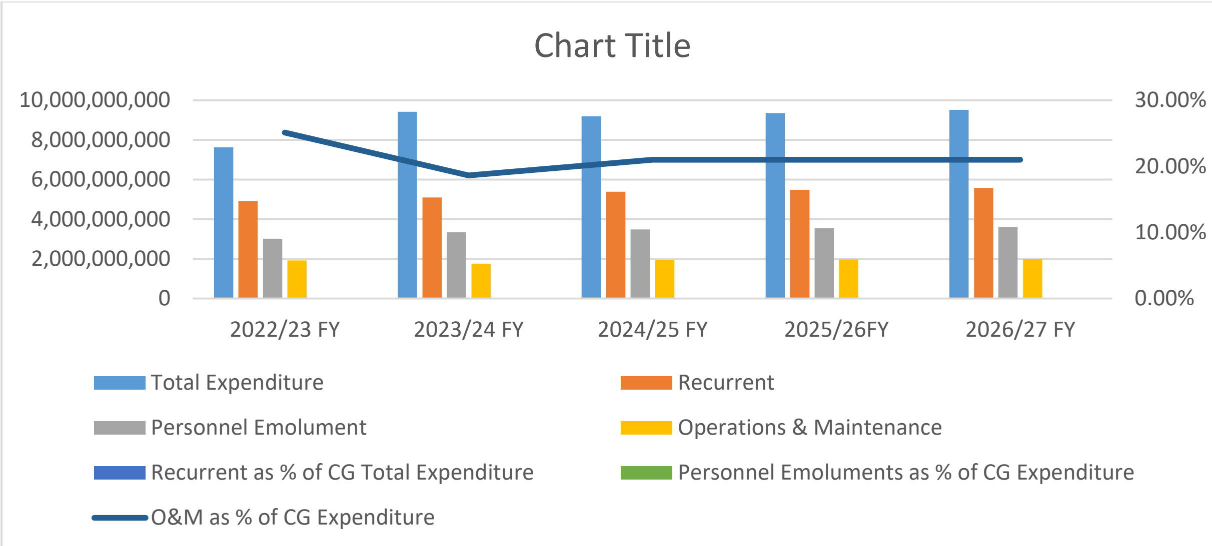
### 4.4.2 Recurrent Expenditure

Recurrent expenditure for FY 2024/25 is projected at Kshs. 5,389,978,854 representing 58.63% of total revenues (inclusive of grants). excluded in this expenditure are personnel emoluments projected at Kshs. 3,493,578,594 and operation and maintenance expenditures projected at Kshs. 1,930,661,884. Towards maximizing delivery of public services, the County Government will strengthen efforts to improve efficiency in public spending and ensure value for money by:

- Eliminating non-priority expenditures
- Full implementation of e- Procurement System
- Prudent management of assets and liabilities
- Financing for commercially viable projects

Table 6 shows the Reccurent Expenditure against Total County Expenditure

| Total Expenditure | **Actual Expenditure** | **Budget Estimates** | **Projections** | | |
|---|---|---|---|---|---|
| | 2022/23 FY | 2023/24 FY | 2024/25 FY | 2025/26FY | 2026/27 FY |
| **Total Expenditure** | 7,626,840,023 | 9,424,650,447 | 9,193,627,827 | 9,357,931,516 | 9,515,341,493 |
| **Recurrent** | 4,928,058,215 | 5,100,313,443 | 5,389,978,854 | 5,486,305,726 | 5,578,590,998 |
| **Personnel Emolument** | 3,012,922,471 | 3,344,090,625 | 3,493,578,574 | 3,556,013,976 | 3,615,829,767 |
| **Operations & Maintenance** | 1,915,135,744 | 1,756,222,818 | 1,930,661,844 | 1,965,165,618 | 1,998,221,714 |
| **Recurrent as % of CG Total Expenditure** | 64.61% | 54.12% | 58.63% | 58.63% | 58.63% |
| **Personnel Emoluments as % of CG Expenditure** | 39.50% | 35.48% | 38.00% | 38.00% | 38.00% |
| **O&M as % of CG Expenditure** | 25.11% | 18.63% | 21.00% | 21.00% | 21.00% |




**4.5: County Fiscal Policy Statement**

With respect to revenue, the County Government aims at raising revenues to meet the budgetary requirements as guided by the County Annual Finance Act. Local revenue collection in the year is projected at Kshs. 190,000,000.

The PFM Act prescribes that wages and benefits to public officers should not exceed 35percent of the County's total revenue. However, the projected county expenditure on personnel emoluments for FY 2024/25 stands at 35.48% of the total expenditure.

**4.6: Overall Deficit Financing**

The 2024 BPS highly encourages the County governments to have a balanced budget. In this regard the County Government of Marsabit has allocated resources for spending that are equivalent to the revenues expected in the 2024/25 and the medium term.

**4.7: Resource Envelope Projection for the MTEF**
**Table 7**

| | FY2024/25 | FY 2025/26* | FY 2026/27* |
|---|---|---|---|
| **Equitable shares** | 7,664,978,854 | 7,819,282,543 | 7,976,692,520 |
| **Loans and Grants** | 1,050,694,693 | 1,050,694,693 | 1,050,694,693 |
| **Community Health Promoters** | 47,074,915 | 47,074,915 | 47,074,915 |
| **Transfer Of Museum Function** | 2,878,080 | 2,878,080 | 2,878,080 |
| | 331,285 | 331,285 | 331,285 |
| **Maintenance of Road Fuel levy** | 237,670,000 | 237,670,000 | 237,670,000 |
| **Own source revenue** | 190,000,000 | 200,000,000.00 | 200,000,000 |

| TOTAL | 9,193,627,827 | 9,357,931,516 | 9,515,341,493 |
|---|---|---|---|

From the above projections, the projected budget for the coming FY will be expected to be 9,193,627827 while the projected budget for the Financial year 2025/26 and 2026/27 will be 9,357,931,516 and kshs. 9,515,341,493 respectively.

# CHAPTER FIVE: MEDIUM TERM EXPENDITURE FRAMEWORK

## 5.1 **Resource Envelope**

The programmes and projects over the medium term will be funded by equitable shares from National Treasury, conditional and unconditional grants, loans and own source revenue collected by the county government.

For the FY 2024/25 own source revenue will finance about 2 % of the expenditure priorities in the projected budget of Ksh. **9,193,627,827**. In the FY 2023/24, the own source revenue was projected at Ksh. 170 million. The own source of revenue is expected to be Ksh 190,000,000 in the FY 2024/25 due to ongoing rains and higher expectation of farm produce. Equitable Share from National Government will account for 83 % of total budget resources while loans and conditional grants will account for 11 % and maintenance of road fuel levy 3%. The equitable share in FY 2024/25 is projected to be Ksh. **9,193,627,827**.

*Table 9: Resource Envelope for FY 2024/25-2026/27 [Ksh. Million]*

| | FY2024/25 | FY 2025/26 | FY 2026/27 |
|---|---|---|---|
| **Equitable shares** | 7,664,978,854 | 7,819,282,543 | 7,976,692,520 |
| **Loans and Grants** | 1,050,694,693 | 1,050,694,693 | 1,050,694,693 |
| **Community Health Promoters** | 47,074,915 | 47,074,915 | 47,074,915 |
| **Transfer Of Museum Function** | 2,878,080 | 2,878,080 | 2,878,080 |

| | | | |
|---|---|---|---|
| **unconditional allocation for 20% share of mineral royalties** | 331,285 | 331,285 | 331,285 |
| **Maintenance of Road Fuel levy** | 237,670,000 | 237,670,000 | 237,670,000 |
| **Own source revenue** | 190,000,000 | 200,000,000.00 | 200,000,000 |
| **TOTAL** | **9,193,627,827** | **9,357,931,516** | **9,515,341,493** |

The revenue allocation was based on Third Basis formula approved by the parliament in September 2020 for allocating money among the Counties from the share of national revenue. The Third Basis formula will be applicable for FY 2024/25 and over the medium term expenditure framework.

The formula takes into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iii) Urban Index (5%); (iv) Poverty Index (14%); (v) Land Area Index (8%); (vi) Roads Index (8%), and; (vii) Basic Share index (20%).On the other hand, each additional conditional allocation shall be distributed based on its objectives, criteria for selecting beneficiary Counties and distribution formula.

5.2 **Spending Priorities**

The County Government priority for FY 2024/25 will be implementing the new third generation County Integrated Development Plan (2023-2027). In the medium term, priority will be given to projects and programmes geared toward addressing the prolonged drought which has devastated our livestock economy and food and nutritional security, access to quality and affordable healthcare, as well as wealth creation for Micro, Small and Medium Enterprise (MSME). In the FY 2024/25. 22 % of the county funding will be allocated to health care services,13 % to agriculture, livestock and fisheries development, 10% to Executive, 5% towards water, environment and natural resources, 6% roads and transport, and 8% to education, skills development, youth and sports.

### 5.3 Medium Term Expenditure Framework

In the medium term the government plans to spend Ksh. 9.4 billion in FY 2023/24, Ksh. 9.2 billion in FY 2024/25 and Ksh. 9.4 billion in 2025/26 respectively. Health care services have the biggest allocation as the county government moves towards offering Universal Healthcare to the county residents. As the government enhances service delivery, the other service sectors will be the ultimate beneficiaries.

| | | Total Expenditure Kshs. | | | Projections | | %SHARE OF TOTAL EXPENDITURE | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Vote** | | **Approved 2023/24** | **CBROP Ceilings 2024/25** | **CFSP Ceilings 2024/25** | **2025/2026** | **2026/2027** | **Approved 2023/24** | **CBROP Ceilings 2023/24** | **CFSP Ceilings 2024/25** | **2025/2026** | **2026/2027** |
| County Assembly | **SUB-TOTAL** | **1,316,701,070** | **1,338,204,166** | **796,000,000** | **812,024,276** | **828,371,137** | **14%** | **14%** | **9%** | **9%** | **9%** |
| | Rec. Gross | 791,217,081 | 862,426,618 | 750,000,000 | 765,098,250 | 780,500,443 | 8% | 9% | **8%** | **8%** | **8%** |
| | Dev. Gross | 525,483,989 | 475,777,548 | 46,000,000 | 46,926,026 | 47,870,694 | 10% | 5% | **1%** | **1%** | **1%** |
| County Executive | **SUB-TOTAL** | **1,012,904,150** | **1,044,065,524** | **910,000,000** | **928,319,210** | **947,007,204** | 11% | **11%** | **10%** | **10%** | **10%** |
| | Rec. Gross | 477,791,217 | 560,792,427 | 510,000,000 | 520,266,810 | 530,740,301 | 5% | **6%** | **6%** | **6%** | **6%** |
| | Dev. Gross | 535,112,933 | 483,273,097 | 400,000,000 | 408,052,400 | 416,266,903 | 11% | **5%** | **4%** | **4%** | **4%** |
| County Treasury | **SUB-TOTAL** | **907,442,096** | **723,111,885** | **1,177,500,000** | **1,201,204,253** | **1,225,385,695** | 10% | **8%** | **13%** | **13%** | **13%** |
| | Rec. Gross | 467,000,000 | 509,030,000 | 490,000,000 | 499,864,190 | 509,926,956 | 5% | **5%** | **5%** | **5%** | **5%** |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dev. Gross | 440,442,096 | 214,081,885 | 687,500,000 | 701,340,063 | 715,458,739 | 9% | **2%** | **7%** | **7%** | **8%** |
| Agriculture, Livestock & Fisheries | **SUB-TOTAL** | **1,101,423,418** | **1,200,908,970** | **1,172,062,193** | **1,174,883,743** | **1,167,560,786** | 12% | **13%** | **13%** | **13%** | **12%** |
| | Rec. Gross | 250,593,492 | 273,146,906 | 280,000,000 | 285,636,680 | 291,386,832 | 3% | **3%** | **3%** | **3%** | **3%** |
| | Dev. Gross | 850,829,926 | 927,762,063 | 892,062,193 | 889,247,063 | 876,173,954 | 17% | **10%** | **10%** | **10%** | **9%** |
| Water, Environment & Natural Resources | **SUB-TOTAL** | **622,935,528** | **702,999,726** | **495,731,285** | **505,710,851** | **515,891,317** | 7% | **7%** | **5%** | **5%** | **5%** |
| | Rec. Gross | 146,900,560 | 160,121,610 | 170,000,000 | 173,422,270 | 176,913,434 | 2% | **2%** | **2%** | **2%** | **2%** |
| | Dev. Gross | 476,034,968 | 542,878,115 | 325,731,285 | 332,288,581 | 338,977,883 | 9% | **6%** | **4%** | **4%** | **4%** |
| Education, Skills Development, Youth & Sports | **SUB-TOTAL** | **748,157,828** | **780,492,033** | **709,050,000** | **723,323,886** | **737,885,119** | 8% | **8%** | **8%** | **8%** | **8%** |
| | Rec. Gross | 533,863,481 | 581,911,194 | 560,000,000 | 571,273,360 | 582,773,664 | 6% | **6%** | **6%** | **6%** | **6%** |
| | Dev. Gross | 214,294,347 | 198,580,838 | 149,050,000 | 152,050,526 | 155,111,455 | 4% | **2%** | **2%** | **2%** | **2%** |
| Health Services | **SUB-TOTAL** | **2,029,163,783** | **2,124,788,523** | **2,033,857,416** | **2,074,801,000** | **2,116,568,819** | 22% | **22%** | **22%** | **22%** | **22%** |
| | Rec. Gross | 1,525,981,500 | 1,663,319,835 | 1,560,000,000 | 1,591,404,360 | 1,623,440,921 | 16% | **17%** | **17%** | **17%** | **17%** |
| | Dev. Gross | 503,182,283 | 461,468,688 | 473,857,416 | 483,396,640 | 493,127,897 | 5% | **5%** | **5%** | **5%** | **5%** |
| Energy, Lands, & Urban Development | **SUB-TOTAL** | **269,369,914** | **297,613,206** | **288,200,000** | **294,001,754** | **299,920,304** | 3% | **3%** | **3%** | **3%** | **3%** |
| | Rec. Gross | 134,975,355 | 151,123,137 | 160,000,000 | 163,220,960 | 166,506,761 | 1% | **2%** | **2%** | **2%** | **2%** |
| | Dev. Gross | 134,394,559 | 146,490,069 | 128,200,000 | 130,780,794 | 133,413,542 | 3% | **2%** | **1%** | **1%** | **1%** |
| Public Service Board | **SUB-TOT** | **120,368,00** | **124,201,120** | **160,000,000** | **163,220,960** | **166,506,761** | 1% | **1%** | **2%** | **2%** | **2%** |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AL** | **0** | | | | | | | | | |
| | Rec. Gross | 96,868,000 | 98,586,120 | 130,000,000 | 132,617,030 | 135,286,743 | 1% | **1%** | **1%** | **1%** | **1%** |
| | Dev. Gross | 23,500,000 | 25,615,000 | 30,000,000 | 30,603,930 | 31,220,018 | 0% | **0%** | **0%** | **0%** | **0%** |
| Administration & ICT | **SUB-TOTAL** | **498,000,000** | **453,820,000** | **377,000,000** | **384,589,387** | **392,331,556** | 5% | **5%** | **4%** | **4%** | **4%** |
| | Rec. Gross | 335,200,000 | 365,368,000 | 360,000,000 | 367,247,160 | 374,640,213 | 4% | **4%** | **4%** | **4%** | **4%** |
| | Dev. Gross | 162,800,000 | 88,452,000 | 17,000,000 | 17,342,227 | 17,691,343 | 3% | **1%** | **0%** | **0%** | **0%** |
| Roads, Public Works & Housing | **SUB-TOTAL** | **340,826,390** | **335,500,765** | **587,070,000** | **598,888,306** | **610,944,527** | 4% | **4%** | **6%** | **6%** | **6%** |
| | Rec. Gross | 104,364,487 | 113,757,291 | 130,000,000 | 132,617,030 | 135,286,743 | 1% | **1%** | **1%** | **1%** | **1%** |
| | Dev. Gross | 236,461,903 | 221,743,474 | 457,070,000 | 466,271,276 | 475,657,783 | 3% | **2%** | **5%** | **5%** | **5%** |
| Tourism, Trade, Industry, Enterprise Development &,Cooperative | **SUB-TOTAL** | **276,000,000** | **231,840,000** | **242,878,080** | **247,767,459** | **252,755,265** | 3% | **2%** | **3%** | **3%** | **3%** |
| | Rec. Gross | 86,700,000 | 94,503,000 | 110,000,000 | 112,214,410 | 114,473,398 | 1% | **1%** | **1%** | **1%** | **1%** |
| | Dev. Gross | 189,300,000 | 137,337,000 | 132,878,080 | 135,553,049 | 138,281,867 | 2% | **1%** | **1%** | **1%** | **1%** |
| Culture ,Gender & Social Services | **SUB-TOTAL** | **155,858,270** | **157,885,514** | **214,300,000** | **218,614,073** | **223,014,993** | 2% | **2%** | **2%** | **2%** | **2%** |
| | Rec. Gross | 123,358,270 | 122,460,514 | 150,000,000 | 153,019,650 | 156,100,089 | 1% | **1%** | **2%** | **2%** | **2%** |
| | Dev. Gross | 32,500,000 | 35,425,000 | 64,300,000 | 65,594,423 | 66,914,905 | 0% | **0%** | **1%** | **1%** | **1%** |
| Office of the County Attorney | **SUB-TOTAL** | **14,500,000** | **15,805,000** | **29,978,854** | **30,582,358** | **31,198,012** | 0% | **0%** | **0%** | **0%** | **0%** |
| | Rec. Gross | 14,500,000 | 15,805,000 | 29,978,854 | 30,582,358 | 31,198,012 | 0% | **0%** | **0%** | **0%** | **0%** |
| | Dev. Gross | 0 | - | 0 | - | - | 0% | **0%** | **0%** | **0%** | **0%** |
| **TOTAL** | | **9,413,650,4** | **9,531,236,4** | **9,193,627,8** | **9,357,931,5** | **9,515,341,4** | **100%** | **100%** | **100%** | **100%** | **100%** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **47** | **31** | **28** | **16** | **93** | | | | |
| TOTAL REC. GROSS | | **5,089,313,443** | **5,556,546,653** | **5,389,978,854** | **5,467,902,160** | **5,577,976,498** | **54%** | **58%** | **59%** | **58%** | **59%** |
| TOTAL DEV. GROSS | | **4,324,337,004** | **3,974,689,778** | **3,803,648,974** | **3,890,029,356** | **3,937,364,995** | **46%** | **42%** | **41%** | **42%** | **41%** |

*Table 11: Conditional Grants and Loans by Beneficiary Departments*

| **Additional Conditional Allocations Financed From Proceeds Of Loans And Grants From Development Partners For Financial Year 2024/25** | **National Allocation** | **Mbt County Allocation-Estimates** | **Beneficiary Department** |
|---|---|---|---|
| Roads Maintenance Fuel Levy | 10,522,211,85 | 237,670,000 | Roads And Public Works |
| Community Health Promoters | 2,500,000,000 | 47,074,915 | Health Services |
| Transfer Of Museum Function | 30,184,835 | 2,878,080 | Tourism |
| Primary Healthcare In Devolved Context | 487,500,000 | 10,432,500 | Health Services |
| Emergency Locust Response Project-ELRP | 1,900,000,000 | 142,500,000 | ALF |
| Food System Resilience Project - (FSRP) | 2,250,000,000.04 | 173,076,923.08 | ALF |
| Kenya Devolution Support Program (Kdsp Ii) | 1,762,500,000 | 37,500,000 | Economic Planning |
| Kenya Urban Support Project (Kusp) - Urban Institutional Grant (Uig) | 1,575,000,000 | 35,000,000 | Lands And Urban Development |

| | | | |
|---|---|---|---|
| IDA (World Bank) Credit (Financing Locally- Led Climate Action (Flloca) Program -County Climate Institutional Support (CCIS) Grants | 517,000,000 | 11,000,000 | Water & Environment |
| unconditional allocation for 20% share of mineral royalties | | 331,285 | Water & natural resource |
| IDA (World Bank) Credit (Financing Locally- Led Climate Action (Flloca) Program – County Climate Resilience Investment Grant | 6,187,500,000 | 137,500,000 | Water & Environment |
| German Development Bank (Kfw)- Drought Programme In Northern Kenya (DRPNK) | 781,969,410 | 462,435,270 | ALF |
| Kenya Livestock Commercialization Project (KELCLOP) | 378,730,000 | 41,250,000 | ALF |
| **Total Estimates** | | **1,338,648,973** | |