

THE REPUBLIC OF KENYA
MURANGA COUNTY GOVERNMENT

COUNTY BUDGET REVIEW AND OUTLOOK PAPER



SEPTEMBER 2024

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Foreword

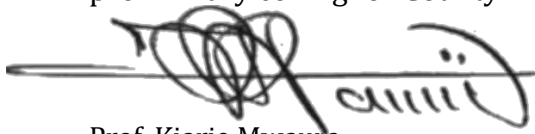
The County Budget Review and Outlook Paper (CBROP) 2024 has been prepared in line with section 118 of the Public Finance Management (PFM) Act 2012, which requires the county government to prepare a County Budget Review and Outlook Paper for each financial year.

This CBROP reviews fiscal performance of the county for the 2023/24 financial year and give comparison to the budget appropriation for the same year. In addition, it provides information on changes in forecasts that are captured in the County Fiscal Strategy Paper

(CFSP) 2024 and how the actual financial performance of the previous financial year may have affected compliance with the fiscal responsibility principles and the county financial objectives for the year. It also gives reasons for any deviation from the county financial objectives captured in the county fiscal strategy paper and offers proposals to address the deviations.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters in preparation for the next budget cycle of 2025/2026. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups in preparing their budgets.

It is, therefore, expected that this policy paper will trigger broad consultations that will set a solid base for prioritization of expenditures for 2025-2026 and beyond thereby setting preliminary ceiling for County Fiscal Strategy Paper (CFSP) 2025



Prof. Kiarie Mwaura
County Executive Committee Member
Murang'a County Government

Acknowledgement

The County Budget Review and Outlook Paper 2024, which reviews the performance of the 2023/24 financial year and provides the medium-term budget outlook, has been prepared in line with section 118 (1) (a) of the Public Finance Management Act 2012.

In its preparation, consideration has been given to the prevailing global and local economic conditions as well as the CIDP for 2022-2027. It is, therefore, my firm belief that this CBROP will achieve its intended objective of guiding various county entities in the preparation of their 2025/2026 budget.

The information contained in this paper was obtained from the County Treasury and I appreciate the efforts made by the Directorate of Budget in the preparation of this paper.

Peter G. Kahora
Chief Officer-Finance and Economic Planning

ABBREVIATIONS AND ACRONYMS

CRA	Commission of Revenue Allocation
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
GDP	Gross Domestic Product
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PE	Personnel Emoluments

PFM Public Finance Management
SWG Sector Working Group



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Preamble

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

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

- 1) A County Treasury shall;
 - a. Prepare a CBROP in respect of the County for each year; and
 - b. Submit the paper to the County Executive Committee (CEC) by 30th September of that year.
- 2) In preparing its CBROP, the County Treasury shall specify;
 - a. The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year

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

c. Information on:

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

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

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

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

- a. Arrange for the paper to be laid before the County Assembly; and
- b. As soon as practicable after having done so, publish and publicise the paper.

Fiscal Responsibility Principles in the Public Financial Management Law

The Constitution of Kenya 2010 as well as the PFM Act 2012 set out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 of the PFM Act 2012 states that: the County Government's recurrent expenditure shall not exceed the County Government's total revenue;

- 1) Over the medium term, a minimum of thirty (30) per cent of the County Government's budget shall be allocated to the development expenditure;
- 2) The County Government's expenditure on wages shall not exceed a percentage of the County Government's total revenue as prescribed by the County Executive Member for Finance in regulations approved by the County Assembly;

- 3) Over the medium term, the Government's borrowing shall be used only for purpose of financing development expenditure and not for recurrent expenditure;
- 4) The County debt shall be maintained at a sustainable level as approved by County Assembly;
- 5) The fiscal risks shall be managed prudently; and
- 6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

1. INTRODUCTION

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

1.1 Objective of CBROP

The County Budget Review and Outlook Paper (CBROP) provides a review of the previous fiscal year's performance and how these impacts on the financial objectives and fiscal responsibility principles set out in the CFSP. This, together with the macroeconomic outlook, provides a basis for revision of the current year's (2024/2025) budget in the context of the broad fiscal parameters underpinning the next budget (2025/2026) and the medium term (2026/2027 -2027/2028). The fiscal framework and the medium-term policy priorities will be firmed up in the County Fiscal Strategy Paper 2025.

Specifically, the CBROP provides:

- i. Updated economic and financial forecasts in relation to the changes expected from the most recent County Fiscal Strategy Paper (CFSP);
- ii. Details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- iii. Any changes in the forecasts captured in the CFSP;
- iv. Indication on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- v. Reasons for any deviation from the financial objectives in the CFSP together with proposed measures to address the deviation and the time estimated for doing so

1.2 Significance of CBROP

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

1.3 Structure

This paper has four other sections. Section Two, reviews the county's fiscal performance for the year 2023/2024. The section is further divided into three sub-sections, namely: The Overview; Fiscal Performance; and Implications of Fiscal Performance. Section three reviews recent economic developments and has four subsections comprising of: Recent Economic Developments; Economic Outlook & Policies; Medium Term Fiscal Framework and Risks to the Outlook. Section four sets out

how the county government intends to operate within its resource envelope. It establishes the resources envelope (total revenues) it expects, and allocates these across departments, setting expenditure ceilings for each department. In addition, the section has four other sub-sections: adjustment to the proposed budget; the medium-term expenditure framework; proposed budget framework; and projected fiscal balance and likely financing.

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

2.1 Overview

In the year 2023/24, the County Government had an approved budget of KShs. 10,758,970,426 as the initial budget which was reduced to Kshs 10,408,366,046 through a supplementary budget. It was necessary to lower Own Source Revenue figures to a realizable level as per the mid-year updated projections. After the processing of the supplementary budget, the development budget allocation was KShs. 3,120,655,387 and the recurrent budget allocation KShs. 10,408,366,046

2.2 Fiscal Performance

The fiscal year 2023/2024 the total budget was Kshs 10,408,366,046 for both revenue and expenditure. The realized revenue amounted to Kshs 9,307,437,131 with total expenditure totaling Kshs 8,706,255,850 with Kshs 2,060,192,402 being development and Kshs

6,659,935,511 recurrent expenditure. The breakdown on departmental expenditures is as per the table below



DEVELOPMENT EXPENDITURE BREAKDOWN

DEPARTMENTS	SUPPLEMENTARY BUDGET 2023-2024	TOTAL EXPENDITURE	% ABSORPTION
Governorship and County Coordination	-	-	
COUNTY ASSEMBLY	20,000,000	12,201,263	61
Finance And Economic Planning	23,000,000	23,000,000	100
Agriculture,Livestock And Fisheries	936,156,317	453,619,516	48
Energy Transport And Roads	693,000,000	550,021,038	79
Commerce,Trade,Cooperatives, Tourism and Investments	266,300,000	224,116,656	84
Education & Technical Training	23,000,000	16,555,793	72
Health And Sanitation	554,269,328	319,716,061	58
Lands, Housing & Physical Planning	23,000,000	4,337,401	19
County Public Service Board	-	-	
Youth,Culture, Gender,Social Services & Sports	180,000,000	164,688,150	91
Environment, Natural Resources, Water and irrigation	288,529,742	197,776,348	69
Public Service Administration & Information Technology	90,000,000	79,708,000	89
Murang'a Municipality	23,400,000	14,452,178	62
	3,120,655,387	2,060,192,402	66

RECURRENT EXPENDITURE BREAKDOWN

DEPARTMENT	SUPPLEMENTARY BUDGET 2023- 2024	TOTAL EXPENDITURES	ABSORPTION (%)
Governorship, County Coordination And Administration	358,356,886	270,331,171	75
County Assembly	872,709,033	774,697,684	89
Finance, And Economic Planning	348,669,107	257,876,153	74
Agriculture,Livestock And Fisheries	248,915,350	229,556,764	92
Energy Transport And Roads	28,960,387	17,590,001	61
Commerce,Trade, Industry And Tourism	89,033,600	61,549,689	69
Education & Technical Training	785,748,214	734,819,843	94
Health And Sanitation	3,117,179,061	3,040,954,991	98
Lands, Housing & Physical Planning	23,679,031	12,546,384	53
County Public Service Board	40,515,881	25,608,385	63
Youth,Culture, Gender,Social Services & Special Programs	102,386,238	63,000,205	62
Environment, Natural Resources, Water and irrigation	123,922,629	104,487,453	84
Public Service Administration & Information Technology	1,077,365,242	1,001,121,960	93
Murang'a Municipality	70,270,000	56,377,026	80
	7,287,710,659	6,650,517,709	91

COUNTY ASSEMBLIES FORUM (CAF)
P.O. Box 73552 - 00200,
NAIROBI, KENYA

2.2.1 Revenue Performance

The County realized Kshs 9,307,437,131 as the total revenue for 2023-2024 with kshs 6,875,883,767 Equitable Share, Kshs 595,401,332 loans and grants and Kshs 1,116,795,730 Own Source Revenue and Kshs 719,356,302 being cash brought forward from the financial year 2022-2023. Own source Revenue target for the year was achieved for the first time since the county came into being this being attributed to automation and better enforcement

strategies. June equitable share of revenue disbursement was released in the financial year 2024-2025 which made the overall revenue received to be below target.

OWN SOURCE REVENUE PERFORMANCE OVER THE LAST FIVE YEARS

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
551,677,222.4	627,164,598.42	520,317,425.01	658,166,964.80	1,116,795,730

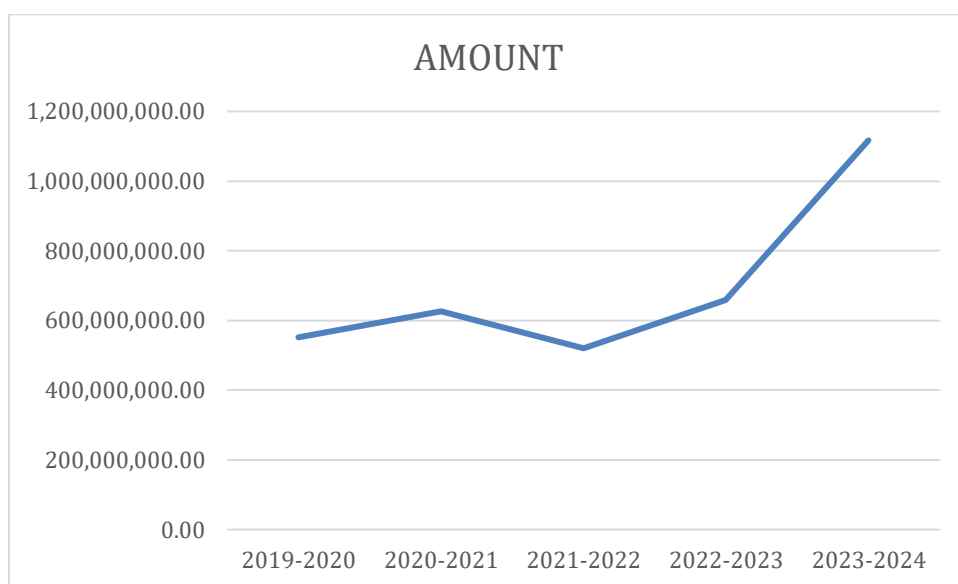


Table: 2.2: Analysis of County Revenue Streams

The table below shows revenue collected per stream in comparison to the budgeted amount.

Table 2.2.1 Revenue Performance per stream

MURANG'A COUNTY GOVERNMENT

FINANCIAL YEAR 2023/2024 LOCAL REVENUE COLLECTION PER STREAM				
NO	REVENUE SOURCE	BUDGET	TOTAL REALIZED	PERFORMANCE (%)
1	LICENCES	253,199,941	245,137,491	97
2	LAND RATE	52,004,434	86,969,184	167
3	CESS REVENUE	48,261,467	7,467,172	15
4	HOUSE RENT/STALL/HALL	11,140,961	3,866,302	35
5	BUS PARK FEE	56,821,694	35,548,150	63
6	PARKING FEE	40,901,695	19,707,970	48
7	BARTER MARKET FEE	62,993,200	44,502,858	71
8	SELF HELP GROUP	2,877,630	757,085	26
9	LIQUOR	82,408,830	97,459,866	118
10	MOTOR BIKES/Tuk Tuk	3,100,567	7,900,398	255
11	BULDG MTS & OTHER CESS	95,264,374	70,358,271	74
12	ADVERTISEMENT	32,743,944	12,677,576	39
13	LANDS & PLANNING REVENUE	89,137,335	69,124,425	78
14	IMPOUNDING FEES	4,766,200	2,711,590	57
15	OTHER REVENUES	6,114,617	4,670,808	76
16	FIRE FIGHTING	403,157	1,373,000	341
17	MARIIRA FARM	405,508	25,030	6
18	COOPERATIVES (AUDIT)	784,443	232,230	30
19	LIVESTOCK (A.I)	441,913	-	-
20	VETERINARY SERVICES	20,329,555	19,673,690	97
21	PUBLIC HEALTH	9,270,588	3,552,291	38
22	WEIGHT & MEASURES	2,809,830	542,500	19
	TOTAL FY 2023/2024)	876,181,883	734,257,887	84

HOSPITALS REVENUE (AIA)				COUNTY ASSEMBLIES FORUM (CAF) P. O. Box 73552 - 00200, NAIROBI, KENYA	
23	HOSPITALS /H.C	238,818,117	131,342,430		
	NHIF CLAIMS REFUND	0	251,195,413		
TOTAL HOSPITALS REVENUE (AIA)		238,818,117	382,537,843	160	
TOTAL REVENUE FY 2023/2024)		1,115,000,000	1,116,795,730	100.2	

2.2.2 Expenditure Performance

Total budgeted expenditure for the financial year amounted to Ksh 10,408,366,0456, actual expenditure achieved at the close of the financial year was 8,470,336,885. This was 81.3 percent absorption. The low absorption was attributed to late release of June 2024 disbursement.

2.2.2.1 County Recurrent Expenditure

The County's total recurrent budget for 2023-2024 was KShs 7,287,710,659, actual expenditure on recurrent amounted to Kshs 6,659,935,510 representing an overall absorption rate of 91.4%. Total actual expenditure for the year was Kshs 8,706,255,850 giving an absorption for recurrent to total expenditure of 76%

Table 2.3: Percentage (%) Absorption of Recurrent Budget.

FY 2023/24-RECURRENT EXPENDITURE BUDGET				
PROGRAMME	DEPARTMENT	SUPPLEMENTARY BUDGET 2023-2024	TOTAL EXPENDITURE	% ABSORPTION
R-01	Governorship, County and Coordination Administration	358,356,886	312,994,283	87 %

R-02	County Assembly	872,709,033	774,697,684	%	89
R-03	Finance, And Economic Planning	348,669,107	269,172,475	%	77
R-04	Agriculture, Livestock and Fisheries	248,915,350	212,090,932	%	85
R-05	Energy Transport and Roads	28,960,387	17,143,208	%	59
R-06	Commerce, Trade, Industry And Tourism	89,033,600	59,010,965	%	66
R-10	Education & Technical Training	785,748,214	732,734,652	%	93
R-07	Health And Sanitation	3,117,179,061	3,028,316,615	%	97
R-08	Lands, Housing & Physical Planning	23,679,031	12,647,135	%	53
R-13	County Public Service Board	40,515,881	25,466,557	%	63
R-11	Youth, Culture, Gender, Social Services & Special Programs	102,386,238	62,990,104	%	62
R-12	Environment, Natural Resources, Water and irrigation	123,922,629	102,667,834	%	83
R-09	Public Service Administration & Information Technology	1,077,365,242	996,206,931	%	92

R-14	Murang'a Municipality	70,270,000	53,796,136	
GRAND TOTAL		7,287,710,659	6,659,935,510	91 %

2.2.2.2 County Development Expenditure

The development expenditure was KShs. 2,046,320,340. The County Executive's share of development expenditure was KShs. 2,034,119,076 and the County Assembly's share was KShs. 12,201,263. This development expenditure represented an absorption rate of 21% of the total budget and 24% of the total actual expenditure for 2023-24.

Table 2.4 Percentage (%) Absorption of Development Budget.

MURANGÁ COUNTY GOVERNMENT				
FY 2023/24-DEVELOPMENT EXPENDITURE BUDGET				
PROGRAMME	DEPARTMENT	SUPPLEMENTARY BUDGET 2023-2024	TOTAL EXPENDITURE	% ABSORPTION
D-01	Governorship and County Coordination	-	-	
D-02	County Assembly	20,000,000	12,201,263	61 %
D-03	Finance And Economic Planning	23,000,000	23,000,000	100 %
D-04	Agriculture, Livestock and Fisheries	936,156,317	453,619,516	48%

D-05	Energy Transport and Roads	693,000,000	550,121,038	79 %
R-06	Commerce, Trade, Cooperatives, Tourism and Investments	266,300,000	214,379,077	81%
D-10	Education & Technical Training	23,000,000	16,802,528	73 %
D-07	Health And Sanitation	554,269,328	316,207,739	57%
D-08	Lands, Housing & Physical Planning	23,000,000	4,262,617	19 %
D-13	County Public Service Board	-	-	
D-11	Youth, Culture, Gender, Social Services & Sports	180,000,000	162,816,569	90%
D-12	Environment, Natural Resources, Water and irrigation	288,529,742	197,776,412	69 %
D-09	Public Service Administration & Information Technology	90,000,000	80,474,172	89 %
D-14	Murang'a Municipality	23,400,000	14,759,409	63 %
GRAND TOTAL		3,120,655,387	2,046,320,340	66 %

2.2.2.3 Implications for the FY 2023/24 performance

The summarized expenditure by economic classification is as tabulated below;

EXPENDITURE CLASSIFICATION	BUDGE51T	ACTUAL	PERCENTAGE / TOTAL BUDGET	PERCENTAGE/ TOTAL ACTUAL
Recurrent	7,287,710,659	6,659,935,510	63.9%	76.5%

Personnel Emolument	4,500,953,665	4,463,761,136	42.9%	51.3%
Operation and Maintenance	2,786,756,993	2,196,174,373	21.1%	25.2%
Development	3,120,655,387	2,046,320,339	19.6%	23.5%
Total	10,408,366,046	8,709,255,849	83.7%	100%

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The 2023-2024 budget implementation was impeded by delayed cash disbursement from the national government, high personnel costs, pending bill from previous years and the El-nino rains.

The high personnel budget allocation and the need to finance some critical programme currently classified within the recurrent budget as per the Public Sector Accounting Standard Board (PSASB) including School Feeding, Kangatacare, medical drugs and bursary continue to enjoy high public demand thereby posing challenges on development reporting in the context of Fiscal Responsibility Principles as provided in the PFM Act 2012. The 24% development budget as shown on the table above therefore exclude some critical programmes.

Minimum of 30% allocated to development budget

A minimum of 30 percent was allocated to development budget, the County did not meet the set threshold on actual expenditure given that June disbursement was not received in the financial year. Also, some tenders were unresponsive and had to be readvertised which delayed completion and payments

Expenditures on wages and benefits for public offers not to exceed the limit set by regulations.

The PFM regulation sets the Personnel Emoluments limit at 35 Percent of the budget, the actual ratio achieved was 51 %. The county is implementing strategies to reduce the ratio in the medium term to fully comply with the regulations.

Over the medium-term borrowings shall only be used for development expenditure

The county did not engage in borrowing, except for cashflow management to facilitate payments of salaries as most disbursements were received late.

Public Debt and obligations shall be maintained at sustainable level

The County has maintained it debt at sustainable level and has continued implementing pending bill payment plan as prepared and submitted to the Office of the Controller of Budget.

The County to Maintain a reasonable degree of predictability with respect to tax rates

County fees and charges has remained unchanged from the year 2018 to date, any revision in future will undergo the necessary public participation.

Fiscal risks shall be managed prudently

The county has been managing fiscal risks prudently and is currently developing a risk policy to be launched later in the year.

3. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 World Economic Outlook

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

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

3.2 Kenya's Economic Performance and Outlook

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

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

The primary sector grew by 5.0 percent in the first quarter of 2024 compared to a growth of 5.3 percent in the first quarter of 2023. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter of 2024 compared to a growth of 6.4 percent in a similar quarter in 2023

The performance was evident in the significant increase in production of tea, milk, and sugarcane during the quarter under review. Mining and Quarrying sub-sector contracted by 14.8 percent in the first quarter of 2024 compared to a contraction of 11.0 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium. (Source; National Treasury BRDP, 2024)

COUNTY LEVEL OUTLOOK

At the County level, a lot of effort are being made to spur the local economy. Inua Mkolima Subsidy programme continue to offer a guaranteed prices for milk managements. Muranga youth service programme has seen many youths acquire job skills and capital to start mini and micro enterprises thereby boosting local economies. It is expected that the programmes that now include certified seeds and fertilizer distribution and community-based projects will have a positive impact on the local economy.

3.3 Risks to the Outlook

The county economy is still exposed to various risks that affect the country, including the ongoing Russia - Ukraine conflict, upheaval in the Middle East has the potential to disrupt global supply chains with the net effect of raising commodity prices of oil and other goods and, as a result, leading to higher inflation. This could a negative affect on economic projections already made.

The county's major economic activity is agriculture. As such, inadequate rainfall could lead to drought and poor harvest. This has the effect of reducing revenues that are realizable from cess levy on agricultural produce.

The heightened political activities and the ongoing debate on the Finance Bill 2024 could increase tension leading to lower than projected economic activities level

The high stock of pending bills inherited from their previous regime continue to pose a risk to implementation and realization of county development objectives. The county is alive to this risk and has put in place measures to ensure that it pays off the bills and ensures that there is no further accumulation of pending bills.

4.1 Implementation of the FY 2024/25 Budget

The current financial year budget is under implementation, development total budget amounts to Kshs 3,164,019,216 and recurrent Kshs 7,337,458,737 adding up to Kshs 10,501,477,953. The revenues estimates constitute Kshs 7,753,474,531 Equitable Share, Kshs 597,902,936 being cash carried forward in the County Revenue Fund, 900,100,486 being amount expected from National Government in form of loans and grants and Kshs 1,250,000,000 is the amount estimated from Own Source Revenue.

There are challenges being experienced arising from continued late disbursement of Equitable Share by the National government and the proposed reduction of County Governments total Equitable Share allocation by Ksh 20 billion. If the proposed reduction is passed by the parliament, then the county stand to lose in excess of 300 million. These will necessitate a realignment of expenditure priorities through a supplementary budget.

4. RESOURCE ALLOCATION FRAMEWORK

4.1 FISCAL PROJECTIONS

CRITERIA FOR RESOURCE ALLOCATION

Allocation and utilization of resources in the medium term will be guided by the priorities outlined in the County Integrated Development Plan 2022-2027, Bottom-up Economic Transformation Agenda as outlined in the Fourth Medium Term Plan, Governors Manifesto and other county plans.

4.2 PROJECTED REVENUE

PROJECTED REVENUE BUDGETS PER SOURCE FOR F/Y 2025/26 to 2027/28				
FINANCIAL YEAR	2024/25	2025/26	2026/27	2026/27
Equitable share	7,753,474,531	7,753,474,531	7,753,474,531	7,753,474,531
Equitable share C/F	597,902,936	597,902,936	597,902,936	597,902,936
Local Revenue	1,250,000,000	1,350,000,000	1,450,000,000	1,550,000,000
Loans and Grants	900,100,486	900,100,486	900,100,486	900,100,486
TOTAL REVENUE(KSHS)	10,501,477,953	10,601,477,953	10,701,477,953	10,801,477,953

4.3 Medium Term Expenditure Framework

Table 5 Summary of Proposed Indicative Sector Ceilings for FY 2025/26 and the MTEF [1]

	Current Fy	Proposed	Projections		Current FY	Proposed	Projection	
Financial Year	2024/25	2025/26	2026/27	2027/2028	2024/25	2025/26	2026/27	2027/28
Governor's Office	424,326,209	424,326,209	424,326,209	424,326,209	4.0%	4.0%	4.0%	3.9%
Finance	407,008,543	407,008,543	407,008,543	407,008,543	3.9%	3.8%	3.8%	3.8%
County Public Service Board	35,115,881	35,115,881	35,115,881	35,115,881	0.3%	0.3%	0.3%	0.3%
ICT & Public Service	1,037,082,478	1,037,082,478	1,037,082,478	1,037,082,478	9.9%	9.8%	9.7%	9.6%
Education & Technical Training	758,309,214	758,309,214	758,309,214	758,309,214	7.2%	7.2%	7.1%	7.0%

Muranga Municipality	117,441,824	117,441,824	117,441,824	117,441,824	1.1%	1.1%	1.1%	1.1%
County Assembly	881,956,442	861,956,442	881,956,442	881,956,442	8.4%	8.1%	8.2%	8.2%
Agriculture Livestock Fisheries & Veterinary Services	802,448,221	802,448,221	802,448,221	802,448,221	7.6%	7.6%	7.5%	7.4%
Trade, Investment & Industrialization	362,230,706	362,230,706	362,230,706	362,230,706	3.4%	3.4%	3.4%	3.4%
Roads, Housing and Infrastructure	1,225,671,381	1,225,671,381	1,225,671,381	1,225,671,381	11.7%	11.6%	11.5%	11.3%
Youths, Sports, culture Gender and Social Services	272,679,737	272,679,737	272,679,737	272,679,737	2.6%	2.6%	2.5%	2.5%
Lands Physical Planning and Urban Development	50,079,031	70,079,031	50,079,031	50,079,031	0.5%	0.7%	0.5%	0.5%
Water, Irrigation, Environment and Natural Resources	402,537,167	402,537,167	402,537,167	402,537,167	3.8%	3.8%	3.8%	3.7%

Health Services	3,560,743,095	3,660,743,095	3,760,743,095	3,860,743,095	33.9%	34.5%	35.1%	35.7%
Kenol Municipality	74,348,024	74,348,024	74,348,024	74,348,024	0.7%	0.7%	0.7%	0.7%
Kangari Municipality	43,500,000	43,500,000	43,500,000	43,500,000	0.4%	0.4%	0.4%	0.4%
Devolution and External Linkages	46,000,000	46,000,000	46,000,000	46,000,000	0.4%	0.4%	0.4%	0.4%
Total	10,501,477,953	10,601,477,953	10,701,477,953	10,801,477,953	100%	100%	100%	100%

5. CONCLUSION

Due to the prevailing economic situation, the County Government shall continue to exercise prudence in its expenditure and budget management. Further, it shall continue to monitor closely risks that could affect the realization of its objectives, including: the ongoing economic shocks of rising interest rates; security shocks affecting the global economy; and the adverse effects of climate change causing unpredictable rain patterns.

Going by the constrained resource envelope vis-à-vis the competing priority needs of the County Government, departments shall be required rationalize the proposed budget and only allocate resources in areas that will have maximum impact.

The ceilings indicated shall be re-evaluated and firmed up in the County Fiscal Strategy Paper 2024. These provisional ceilings shall act as a guide to departments in preparing their budgets for the year 2024/25. However, once the ceilings for the medium term period 2025/26 and 2026/27 are firmed in the CFSP, they shall be expected to remain the same unless there is a significant change in the county's macroeconomic indicators and assumptions of revenue sources.
