REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KERICHO

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C- BROP)

SEPTEMBER

2024

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. It presents the recent economic developments and actual fiscal performance of the FY 2023/2024 and makes comparisons to the budget appropriations for the same year. In this Paper, we will also provide an overview of how the actual performance of the FY 2023/2024 affected the County's compliance with the fiscal responsibility principles and the financial objectives.

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

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in Section 107 of the PFM Act 2012 that will contribute towards the realization of aspiration of the residents of Kericho County.

Hon. Jackson Rop
C.E.C – Finance and Economic Planning and Head of County Treasury

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ACRONYMS

CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CPI	Consumer Price Index
FIF	Facility Improvement Fund
FY	Financial /Fiscal year
GDP	Gross Domestic Product
SDR	Special Drawing Rights
IFMIS	Integrated Financial Management Information Systems
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTP	Medium Term Plan
PFM Act	Public Finance Management Act

1.0 BACKGROUND

The main objective of the County Budget Review and Outlook Paper (CBROP) is to provide a review of the actual fiscal performance in the previous year compared to the budget appropriation for that year and to specify the updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP). Finally, to give 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.

1.1 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C-BROP)

Section 118 of the Public Financial Management Act, 2012 states that:

1) A County Treasury shall –
   - (a) Prepare a County Budget Review and outlook Paper in respect of the County for each Financial Year, and
   - (b) Submit the paper to the County Executive Committee by the 30th September of that year.

2) In preparing its County Budget Review and Outlook Paper, 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 forecast in the most recent County Fiscal Strategy Paper.
   - (c) Information on –
     - (i) Any changes in the forecasts compared with County Fiscal Strategy Paper, or

(ii) How actual financial performance for the previous Financial Year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that Financial Year; and

(d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall-

a) arrange for the Paper to be laid before the County Assembly; and

b) as soon as practicable after having done so, publish and publicize the Paper.

Under section 137 of the PFM Act 2012, the County Budget and Economic forum purpose shall be;

(a) Preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county; and

(b) Matters relating to budgeting, the economy and financial management at the county level.

1.1.1. Fiscal Responsibility Principles in the Public Financial Management Law.

1. The Public Financial Management Act, 2012, sets out the fiscal responsibility principles to ensure prudency and transparency in the management of public resources. Section 107 avers that:

1) A County Treasury shall manage its public finances in accordance with the principle of fiscal responsibility set out in subsection (2) and shall not exceed the limits stated in the regulations.
2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
   (a) The County government 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 county government's expenditure on wages and benefits for the 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 for the purpose of financing development expenditure and not for recurrent expenditure i.e., the county debt shall be maintained at a sustainable level as approved by the County Assembly.

2.0 REVIEW OF FISCAL PERFORMANCE IN FINANCIAL YEAR 2023/2024

2.1 OVERVIEW

The County's approved final supplementary budget for FY 2023/24 was Kshs.8.48 billion, comprising of Kshs.2.73 billion (32 per cent) and Kshs.5.75 billion (68 per cent) allocation for development and recurrent programmes, respectively. The approved supplementary budget estimates represented an increase of 0.3 per cent compared to the previous financial year when it was Kshs.8.45 billion and comprised of Kshs.2.63 billion towards development expenditure and Kshs.5.83 billion for recurrent expenditure.

To finance the budget, the County expected to receive Kshs.6.7 billion (79.3 per cent) as the equitable share of revenue raised nationally, Kshs.699.83 million (7.9per cent) as additional allocations/conditional grants, a cash balance of Kshs.15.38 million (0.2 per cent) brought forward from FY 2022/23 and generate Kshs.1.07 billion (12.6 per cent) as gross own source revenue. The own-source revenue includes Kshs.536.36 million (50.3 per cent) as Facility Improvement Fund (revenue from health facilities) and Kshs.530.07 million (49.7 per cent) as ordinary own-source revenue.

Table 1: Summary of Final 2 Supplementary Budget FY 2023/24

	Line Ministries/Departments	RECURRENT SUPPL 2	DEVELOPMENT SUPPL 2	TOTAL SUPPL 2	%
1	County Assembly Services	844,575,901	35,547,843	880,123,744	10%
2	Public Service & Administration	433,870,257	13,241,257	447,111,514	5%
3	Office of the Governor & Deputy governor	134,096,145	-	134,096,145	2%
4	County Public Service Board	69,612,544	-	69,612,544	1%
5	Finance & Economic Planning	292,450,154	112,129,705	404,579,859	5%
6	Health Services	2,600,210,375	295,766,624	2,895,976,999	34%
7	Agriculture, Livestock Development & Fisheries	155,249,979	511,787,023	667,037,002	8%
8	Education, Youth Affairs, Culture & Social Services	730,479,234	180,096,749	910,575,983	11%
9	Public Works, Roads & Transport	104,819,101	753,053,849	857,872,950	10%
10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	59,223,266	57,195,418	116,418,684	1%
11	Water, Energy, Natural Resources & Environment	174,261,279	572,570,050	746,831,329	9%
12	Land, Housing & Physical Planning	95,943,280	59,761,623	155,704,903	2%
13	Information, Communication & E-Government	58,786,604	45,514,841	104,301,445	1%
14	STRATEGIC INTERVENTION	-	94,524,931	94,524,931	1%
	TOTAL EXPENDITURE	**5,753,578,119**	**2,731,189,913**	**8,484,768,032**	**100**

Table 2: Shows the expected sources of budget financing in the FY 2023/24

FINANCIAL YEAR 2023/24	**FINAL SUPPLEMENTARY**
SOURCES OF REVENUE	
Revenue Description	
1.CRA Equitable share	6,703,129,925
2.Local Collections	530,071,600
3.Facility Improvement Fund	536,355,000
4.CONDITIONAL GRANTS	
Transfer of Library services	9,297,833
Livestock Value Chain Support Project	71,618,400
5. DONOR FUNDS	

5A. DANIDA FUND	21,165,000
5B. Agricultural Sector development support Fund(ASDSP)	1,527,779
5D. Kenya Devolution Support Project (world bank)	75,235,659
5E. Climate Smart Agriculture Project (world bank)	90,000,000
5H. FLOCCA Grants to support climate change CCIs	214,392,898
5I IDA National Agricultural Value Chain Devt Project(NAVCDP)	200,000,000
5J. FLOCCA Grants to support climate change CCIs	15,096,989
PEPFAR Grants to County Government of Kericho	1,500,000
6. OTHER FUNDS	
6A. Unspent Funds	15,376,949
Total	**8,484,768,032**

2.2 FISCAL PERFORMANCE

2.2.1 Revenue

During FY 2023/24, the County received Kshs. 6.166 billion as equitable share of revenue raised nationally, Kshs 500.3 million as donor funds and Kshs 15.3 as unspent funds from FY 2022/23. The County also raised Kshs.841.9 million from its own source revenue.

In overall, actual income received by the County Treasury reflected a deficit of Kshs 537 million attributable to delayed exchequer. Own source revenue target was not achieved by Kshs 224 million including the FIF and NHIF rebates.

The Own Source Revenue (OSR) performance for the financial year 2023/2024 shows varying outcomes across different revenue streams.

Overall OSR Performance the Projected Revenue 2023/2024 stood at Kshs. 1,066,426,600 against actual revenue collected of Kshs. 841,927,978 an Overall Performance 78.9% of the projected revenue. Additionally, an Annual Growth Kshs. 340,573,433, representing a 68% increase compared to the previous year.

Table 3A: Analysis of Exchequer Releases per Quarter

	Kshs
Total Exchequer Releases for quarter 1	1,675,782,482
Total Exchequer Releases for quarter 2	1,106,016,438
Total Exchequer Releases for quarter 3	1,106,016,437
Total Exchequer Releases for quarter 4	2,279,064,175
Total	**6,166,879,532**

Table 3B: Summary of Own Source Revenue

Revenues	**Budgeted**	**Actual Collection**	**% Performance**
Local Collection (OSR)	531,071,600	359,936,512	67.78%
Facility Improvement Fund (FIF)	238,089,406	200,902,860	84.38%
NHIF Rebates	297,295,914	290,107,047	97.58%
TOTAL	**1,066,456,920**	**850,946,419**	**79.79%**

Table 4: Analysis Own Source Revenue by Streams

	OWN SOURCE REVENUE FOR THE PERIOD JUL - DEC 2024							
	REVENUE STREAM	ANNUAL PROJECTION FY 2023-24	Q1 ACTUAL	Q2 ACTUAL	Q3 ACTUAL	Q4 ACTUAL	YTD ACTUAL	VARIANCE
1	Hospital Payments -FIF	238,089,406	34,167,418	54,983,108	60,466,988	35,349,932	184,967,446	(53,121,960)
2	Market Fees	30,000,000	4,656,920	4,656,920	6,759,629	7,196,950	23,270,419	(6,729,581)
3	Land and Property Rates Fees	206,071,600	4,596,036	4,596,036	84,015,775	42,104,527	135,312,374	(70,759,226)
4	Bus Park Fees	25,000,000	4,113,310	4,113,310	3,678,010	5,033,560	16,938,190	(8,061,810)
5	Car Park Fees	15,000,000	3,911,700	3,911,700	2,293,300	2,719,950	12,836,650	(2,163,350)
6	Single Business Permit	100,000,000	3,905,200	12,052,910	43,897,655	16,910,900	76,766,665	(23,233,335)
7	House Rent Fees	15,000,000	2,122,423	2,122,423	952,500	5,826,500	11,023,846	(3,976,154)
8	Building Plan Approvals Fees	15,000,000	1,415,050	1,415,050	828,300	3,333,191	6,991,591	(8,008,409)
9	Forest Cess/Seedling Sale Yard	5,000,000	1,291,600	1,291,600	1,328,325	916,200	4,827,725	(172,275)
10	Quarry Stone Cess	5,000,000	864,300	864,300	2,695,500	1,267,000	5,691,100	691,100
11	Weights and Measures Fees	5,000,000	637,600	637,600	897,600	62,100	2,234,900	(2,765,100)
12	Advertisment,Branding and Billboard Fees	20,000,000	571,635	571,635	2,348,000	12,138,351	15,629,621	(4,370,379)
13	Stockyard Sales Fees	2,000,000	422,260	422,260	436,100	70,300	1,350,920	(649,080)
14	Kabianga Tea Farm Payments	5,000,000	400,000	400,000	-	500,000	1,300,000	(3,700,000)
15	Agriculture Livestock , Veterinary Payments and Machinery Services.	5,000,000	345,970	345,970	2,867,077	800,580	4,359,597	(640,403)
16	Produce Cess	5,000,000	339,380	339,380	1,870,820	656,400	3,205,980	(1,794,020)
17	Murram, Ballast , Sand & Scrap Metal Cess Fees	3,000,000	310,500	310,500	2,915,215	1,472,844	5,009,059	2,009,059
18	Slaughter House Operation Fees	2,000,000	307,600	307,600	104,350	71,580	791,130	(1,208,870)
19	Plot Rent	3,000,000	307,496	307,496	1,475,248	446,294	2,536,534	(463,466)
20	Refuse Fees	10,000,000	235,000	235,000	1,492,750	2,393,200	4,355,950	(5,644,050)
21	Inspection Fees	5,000,000	165,600	165,600	1,568,400	161,900	2,061,500	(2,938,500)
22	Signages Fees	10,000,000	160,000	160,000	1,462,800	2,658,050	4,440,850	(5,559,150)
23	Application/Registration Fees	5,000,000	150,800	150,800	1,870,260	142,000	2,313,860	(2,686,140)
24	Public Health Payments	5,000,000	126,500	126,500	980,740	209,200	1,442,940	(3,557,060)
25	Fire License Fees	8,000,000	122,000	122,000	1,770,340	3,713,200	5,727,540	(2,272,460)
26	Clamping, Fines and Impounding Fees	500,000	120,450	120,450	60,300	217,700	518,900	18,900
27	Nema Fees,Drilling Services	500,000	113,000	113,000	225,500	158,000	609,500	109,500
28	Survey Fees	1,000,000	103,000	103,000	463,780	61,600	731,380	(268,620)
29	Education Payment Fees	500,000	87,570	87,570	97,260	24,150	296,550	(203,450)
30	Business Permits Late Payment Penalties, Current Year	1,000,000	76,832	76,832	-	191,575	345,239	(654,761)
31	Hire Of Social Hall/Park & Stadium Fees	500,000	25,000	25,000	12,000	12,000	74,000	(426,000)
32	Reserved Parking Fees	3,000,000	6,500	6,500	1,050,000	26,000	1,089,000	(1,911,000)
33	Cemetery Fees	50,000	4,750	4,750	-	4,500	14,000	(36,000)
34	Boda Boda Payments	5,000,000	3,200	3,200	90,600	196,100	293,100	(4,706,900)

35	Alcoholic Drink License Fees	7,500,000	-	-	-	4,000,000	4,000,000	(3,500,000)
36	Audit Fees	100,000	-	-	-	-	0	(100,000)
37	Land Cultivation Fees	1,000,000	-	-	44,500	1,096,728	1,141,228	141,228
38	Tea Transport Cess fees	350,000	-	-	-	132,780	132,780	(217,220)
39	NHIF Rebates (A.I.A)	290,107,047	-	-	-	297,295,914	297,295,914	7,188,867
	TOTAL REVENUE STREAMS	**1,066,426,600**	**66,186,600**	**95,150,000**	**231,019,622**	**449,571,756**	**841,927,978**	**(224,498,622)**

Table 5: Analysis of Receipt from Conditional Grants

CONDITIONAL GRANTS	
Transfer of Library services	0
Livestock Value Chain Support Project	0
Total Conditional Grants	**0**

Table 6: Analysis of Donor Funds Receipts.

DONOR FUNDS	
DANIDA FUND	9,817,500
Agricultural Sector development support Fund (ASDSP)	1,527,779
Kenya Devolution Support Project (world bank)	75,235,660
FLOCCA Grants to support climate change CCIs	214,392,899
IDA National Agricultural Value Chain Devt Project (NAVCDP)	199,344,800
	500,318,638

2.2.2 Expenditure performance

Total expenditure amounted to Kshs. 6.136 billion comprising of Kshs 4.462 billion and Kshs 1.674 billion for recurrent and development expenditure respectively compared to previous year 2022/23 with a total of Kshs 7.622 billion of which Kshs 5.43 and Kshs.2.19 billion represented expenditures for recurrent and development respectively

Table 7: FY 2023/2024 Total Expenditure Analysis (Excluding County Assembly)

Expense Category	Final Approved Budget	Total Expenditure	Variance (Kshs)	Absorption Rate (%)
Recurrent	4,909,002,218	4,462,378,402	446,623,816	91%
Development	2,695,642,070	1,674,607,091	1,021,034,979	62%
TOTAL	**7,604,644,288**	**6,136,985,493**	**1,467,658,795**	**81%**

Source: County Treasury

Global Expenditure analysis

Overall, the absorption rate for consolidated expenditure was 81% which was equivalent to Kshs. 6.136 Billion against allocation of Kshs. 7.604 billion excluding county assembly.

The County spent Kshs.6.96 billion on development and recurrent programmes in the FY 2023/2024. The expenditure represented 97.2 per cent of the total funds released by the Office of the Controller of Budget and comprised of Kshs.1.69 billion and Kshs.5.27 billion on development and recurrent programmes, respectively. Expenditure on development programmes represented an absorption rate of 61.7 per cent, while recurrent expenditure represented 91.6 per cent of the annual recurrent expenditure budget.

Analysis of expenditure by economic classification indicates that the County Executive spent Kshs.3.19 billion on employee compensation, Kshs.1.28 billion on operations and maintenance, and Kshs.1.67 billion on development activities. Similarly, the County Assembly spent Kshs.362.27 million on employee compensation, Kshs.446.55 million on operations and maintenance, and Kshs.11.33 million on development activities.

Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,909,002,218**	**844,575,901**	**4,462,378,402**	**808,817,499**	**90.9**	**95.8**
Compensation to Employees	3,607,472,151	390,376,709	3,185,565,473	362,266,556	88.3	92.8
Operations and Maintenance	1,301,530,067	454,199,192	1,276,812,929	446,550,943	98.1	98.3
Development Expenditure	**2,695,642,070**	**35,547,843**	**1,674,607,091**	**11,333,268**	**62.1**	**31.9**
Total	**7,604,644,288**	**880,123,744**	**6,136,985,493**	**820,150,767**	**80.7**	**93.2**

Table 9: Expenditure Analysis by County Entity

DEPARTMENT: EXECUTIVE OFFICE OF THE GOVERNOR

Programme	Sub-Programme	Approved Supplementary 2 Estimates FY 2023/24 (Kshs.)			Actual Expenditure Jul 23 - Jun 24 (Kshs.)		Absorption Rate	
		Recurrent Expenditure	Development Expenditure	Gross	Recurrent Expenditure	Development Expenditure	Rec	Dev
County Coordination Services	County Coordination Services	134,096,145	-	134,096,145	127,269,405	-	95%	
		134,096,145	**-**	**134,096,145**	**127,269,405**	**-**	**95%**	

DEPARTMENT: FINANCE AND ECONOMIC PLANNING

Administration, Planning and Support Services.	Administration Services.	250,886,530	85,235,659	336,122,189	247,676,042	51,453,230	99%	60%
Administration, Planning and Support Services.	Monitoring Budget Implementation and Reporting	27,687,985	8,379,644	36,067,629	26,469,128	8,311,300	96%	99%
Public Finance Management	Budget Formulation co-odination and management	8,900,000	110,039,333	118,939,333	8,872,980	73,390,912	100%	67%
Audit Services	County Audit	4,975,639	3,000,000	7,975,639	4,759,450	3,019,700	96%	
		292,450,154	**206,654,636**	**499,104,790**	**287,777,600**	**136,175,142**	**98%**	**66%**

DEPARTMENT: AGRICULTURE, LIVESTOCK AND FISHERIES

Policy, Strategy and Management of Agriculture	Development of Agricultural Policy, Legal & Regulatory framework.	53,864,336	-	53,864,336	51,954,662	-	96%	
Crop Development and Management	Agriculture Extension Services	40,801,620	412,209,418	453,011,038	39,287,679	280,246,932	96%	68%
Livestock Resource Management and Development	Livestock Disease Management and Control.	2,024,041	27,459,205	29,483,246	1,293,742	18,005,056	64%	66%
Livestock Resource Management and Development	Livestock Production and Extension Services	51,654,981	71,618,400	123,273,381	51,117,722	-	99%	0%
Fisheries development	Management and Development of Capture Fisheries	6,905,001	500,000	7,405,001	5,277,608	499,995	76%	100%
		155,249,979	**511,787,023**	**667,037,002**	**148,931,413**	**298,751,983**	**96%**	**58%**

DEPARTMENT: WATER, ENERGY, NATURAL RESOURCES AND ENVIRONMENT

Environment policy development and coordination	Planning Coordination Policy and Administrative Services	163,396,051	315,159,105	478,555,156	147,521,420	46,518,724	90%	15%
Water supply services	Rural Water Supply	10,865,228	257,410,945	268,276,173	10,360,172	155,539,872	95%	60%
		174,261,279	**572,570,050**	**746,831,329**	**157,881,593**	**202,058,596**	**91%**	**35%**

DEPARTMENT:EDUCATION, LIBRARIES, CULTURE AND SOCIAL SERVICES

General Administration & planning services.	Policy Development and Administration	511,596,382	19,297,833	530,894,215	491,153,439	5,345,550	96%	28%
Basic Education	Early Childhood Development Education	215,882,852	83,637,532	299,520,384	206,726,982	73,808,326	96%	88%
Gender and Social Development	Social Welfare Services/Social Infrastructure Development	3,000,000	18,535,537	21,535,537	2,858,232	18,535,299	95%	100%
Youth development and empowerment services	Youth development (YP) Training	-	58,625,847	58,625,847	-	43,785,887		75%
		730,479,234	**180,096,749**	**910,575,983**	**700,738,653**	**141,475,061**	**96%**	**79%**

DEPARTMENT: HEALTH SERVICES

Curative Health	Administration and Planning	1,432,724,329	145,895,349	1,578,619,678	1,217,150,133	72,470,505	85%	50%
Curative Health	Hospital(curative)Services	-	-	-	-	-		
Preventive and Promotive Health	Preventive Medicine and Promotive Health	1,167,486,046	149,871,275	1,317,357,321	1,056,648,958	77,232,360	91%	52%
		2,600,210,375	**295,766,624**	**2,895,976,999**	**2,273,799,091**	**149,702,865**	**87%**	**51%**

DEPARTMENT: LANDS, HOUSING AND PHYSICAL PLANNING

Administration and support services	General Administration and Planning	46,151,923	39,738,681	85,890,604	44,300,597	30,857,597	96%	78%
Housing Development and Human Resource	Housing Development	9,243,184	-	9,243,184	9,006,639	-	97%	
Land policy and planning	Development Planning and Land Reforms	34,395,730	20,022,942	54,418,672	33,479,944	14,156,332	97%	71%
Land policy and planning	Land Use Planning	6,152,443	-	6,152,443	4,901,011	-	80%	
		95,943,280	**59,761,623**	**155,704,903**	**91,688,191**	**45,013,929**	**96%**	**75%**

DEPARTMENT: PUBLIC WORKS, ROADS AND TRANSPORT

Transport Management and safety	General Administration Planning and Support Services	91,373,784	-	91,373,784	80,870,799	-	89%	
Infrastructure, Roads and Transport	Rehabilitation of Road	2,900,000	751,053,849	753,953,849	2,138,300	615,180,972	74%	82%
Infrastructure, Roads and Transport	Maintenance of Roads and Bridges/Periodic Maintanence	10,545,317	2,000,000	12,545,317	8,294,941	150,500	79%	8%
		104,819,101	**753,053,849**	**857,872,950**	**91,304,040**	**615,331,472**	**87%**	**82%**

DEPARTMENT: TRADE, INDUSTRIALISATION, TOURISM, WILDLIFE AND COOPERATIVE MANAGEMENT

Trade development and investment	Fair trade Practices and Consumer Protection (weight & measures)	20,350,890	22,195,418	42,546,308	19,595,646	21,687,399	96%	98%
Trade development and investment	Administrative and Support Services.	32,989,415	35,000,000	67,989,415	32,591,465	32,477,063	99%	93%
Cooperative development and management	Cooperative Advisory & Extension Services.	-	-	-	-	-		
Tourism development and marketing	Local Tourism Development.	5,882,961	-	5,882,961	5,825,632	-	99%	
		59,223,266	**57,195,418**	**116,418,684**	**58,012,743**	**54,164,462**	**98%**	**95%**

DEPARTMENT: ICT AND E-GOVERNMENT

Information & Communication Service	News and Information Services	58,786,604	-	58,786,604	40,505,751	-	69%	0%
Information & Communication Service	ICT and BPO development services	-	42,114,841	42,114,841	-	18,789,523	0%	45%
Youth development and empowerment services	Youth development (YP) Training	-	3,400,000	3,400,000	-	3,400,000	0%	100%
		58,786,604	**45,514,841**	**104,301,445**	**40,505,751**	**22,189,523**	**69%**	**49%**

DEPARTMENT: COUNTY PUBLIC SERVICE BOARD

Administration of Human Resources and Public Service	Establishment,Appointment,Discipline and Board Management.	69,612,544	-	69,612,544	65,516,464	-	94%	
		69,612,544	**-**	**69,612,544**	**65,516,464**	**-**	**94%**	

DEPARTMENT: PUBLIC SERVICE MANAGEMENT

Administration of Human Resources and Public Service	General Administration,	287,437,612	13,241,257	300,678,869	272,016,672	9,744,057	95%	74%

	Planning and Support Services							
Administration of Human Resources and Public Service	Human Resource Development	146,432,645	-	146,432,645	146,936,787	-	100%	
		433,870,257	**13,241,257**	**447,111,514**	**418,953,458**	**9,744,057**	**97%**	**74%**
County Executive Grand Total		**4,909,002,218**	**2,695,642,070**	**7,604,644,288**	**4,462,378,402**	**1,674,607,091**	**91%**	**62%**

3.0 IMPLEMENTATION OF FY 2024/25 BUDGET

3.1 Recent Economic Developments

Global growth is projected to be in line with the April 2024 World Economic Outlook (WEO) forecast, at 3.2 percent in 2024 and 3.3 percent in 2025. However, varied momentum in activity at the turn of the year has somewhat narrowed the output divergence across economies as cyclical factors wane and activity becomes better aligned with its potential. Services price inflation is holding up progress on disinflation, which is complicating monetary policy normalization. Upside risks to inflation have thus increased, raising the prospect of higher-for-even-longer interest rates, in the context of escalating trade tensions and increased policy uncertainty. To manage these risks and preserve growth, the policy mix should be sequenced carefully to achieve price stability and replenish diminished buffers.

Global activity and world trade firmed up at the turn of the year, with trade spurred by strong exports from Asia, particularly in the technology sector. Relative to the April 2024 WEO, first quarter growth surprised on the upside in many countries, although downside surprises in Japan and the United States were notable. In the United States, after a sustained period of strong outperformance, a sharper-than-expected slowdown in growth reflected moderating consumption and a negative contribution from net trade. In Japan, the negative growth surprise stemmed from temporary supply disruptions linked to the shutdown of a major automobile plant in the first quarter. In contrast, shoots of economic recovery materialized in Europe, led by an improvement in services activity. In China, resurgent domestic consumption propelled the positive upside in the first quarter, aided by what looked to be a temporary surge in exports belatedly reconnecting with last year's rise in global demand. These developments have narrowed the output divergences somewhat across economies, as cyclical factors wane and activity becomes better aligned with its potential.

Meanwhile, the momentum on global disinflation is slowing, signaling bumps along the path. This reflects different sectoral dynamics: the persistence of higher-than-average inflation in services prices, tempered to some extent by stronger disinflation in the prices of goods. Nominal wage growth remains brisk, above price inflation in some countries, partly reflecting the outcome of wage negotiations earlier this year and short-term inflation expectations that remain above target. The uptick in sequential inflation in the United States during the first quarter has delayed policy normalization. This has put other advanced economies, such as the euro area and Canada, where underlying inflation is cooling more in line with expectations, ahead of the United States in the easing cycle. At the same time, a number of central banks in emerging market economies remain cautious in regard to cutting rates owing to external risks triggered by changes in interest rate differentials and associated depreciation of those economies' currencies against the dollar.

Recent macroeconomic and financial developments

Kenya's economy grew 5.2% in 2023, up from 4.8% in 2022, as agriculture rebounded, and services grew moderately. On the supply side, services accounted for 69% of the growth and agriculture for 23%, while on the demand side, household consumption accounted for 70%. Inflation edged up to 7.7% in 2023 from 7.6% in 2022, driven by core inflation (32% of the change), fuel inflation (26%), and cost-push inflation (9% year on year increase in the producer price index).

The policy rate was hiked 375 basis-points, to 12.5%, and central bank operations sought to anchor inflation expectations. The fiscal deficit widened from 6.3% of GDP in 2022 to 7% in 2023, as revenues underperformed, and interest costs rose. Public debt expanded from 66.7% of GDP in 2022 to 70.2% in 2023, driven by increased loans to finance the primary deficit and by exchange rate depreciation. The current account deficit narrowed from 5.2% of GDP in 2022 to 4.9% in 2023, as trade deficits shrank, and secondary incomes increased. The deficit was financed by drawing down reserves, which declined from 4.3 months of import cover to 3.6 months. The shilling depreciated by 24% year on year in 2023. The capital adequacy ratio of 18.6% in 2023 was above the prudential minimum of 14.5%, and the liquidity ratio of 49.7% was above the 20% prudential minimum. Nonperforming loans increased from 13.6% of gross loans in 2022 to 14.5% in 2023 due to rate hikes and public sector debt arrears (or outstanding government payments to contractors). Credit-risk concentration was high in manufacturing, real estate, and personal and household sectors.

Poverty increased from an estimated 33.6% in 2019 to 36.1% in 2021, and unemployment rose slightly, from 13.3% in 2021 to 13.9% in 2022. Income inequality from a Gini coefficient of 0.36 in 2020 to 0.39 in 2021.

Outlook and risks

Kenya's GDP is projected to grow 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption. Inflation is expected to fall to 6.2% in 2024 and 5.5% in 2025, as food and global inflation both decline. Monetary policy is expected to be accommodative due to projected stable inflation and exchange rates. The fiscal deficit is projected to narrow to 5.9% of GDP in 2024 and 5.0% in 2025 in response to a revenue-led fiscal consolidation program. The current account deficit is projected to narrow to 4.6% of GDP in 2024 and 4.5% in 2025 as a recovery in global trade reduces the trade deficit. However, the outlook is subject to considerable risks, including tight global financing, drought, political instability in neighboring countries, and slow recovery of global growth. Risk mitigation measures in the medium to long term include building fiscal and external buffers (e.g., foreign exchange reserves), strengthening disaster preparedness, and accelerating structural transformation.

Reform of the global financial architecture

Kenya's GDP growth averaged 4.6% between 2019 and 2023, lower than its 10% target in Vision 2030. Growth has been non inclusive, attributable to the minimal contribution of structural transformation to growth. This has resulted in the low poverty-reduction and employment-creation capacity of growth. On average, structural transformation accounted for 28% of labour productivity growth between 2007 and 2022. A quarter of GDP growth came from sectors resilient to shocks. Output growth of 5.8% a year is needed to absorb the 680,000 people entering the Labour market. With accelerated structural transformation, GDP growth of 7.3% could create 1.36 million new jobs and cut unemployment to 7%. Achieving this requires improving governance, infrastructure, human capital development, access to finance, and macroeconomic stability.

The global financial architecture presents challenges to Kenya in meeting its financing gap. Kenya needs $12 billion annually by 2030 and $2 billion annually by 2063 to close its financing gap to fast-track structural transformation. Some of the funds could be raised through domestic resource mobilization; the current tax-to-GDP ratio of 13% is below its 27% potential. Other options include deepening the domestic financial market and mobilizing private capital and rents from natural resources. Kenya raised resources equivalent to 5% of GDP from external sources recently. Kenya is calling for changes to the global financial architecture, including the debt architecture, concessional finance, and voice and power in decision making.

3.2 Medium Term Fiscal Framework

The county government will continue to pursue fiscal responsibility to ensure prudency and transparency in the management of public resources as per the Public Finance Management Act section 107.

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

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

3.3 Risks to the Outlook

Various risks impact on the county economic performance. These may include adverse changes in macro- economic factors such as rise in inflation and interest rates and low growth in investments

At the county government level risks arise out of uncertainty both from internal and external factors. Managing such risks by recognizing and preparing for possible eventualities is an integral part of planning.

The county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits.

4.0 RESOURCE ALLOCATION FRAMEWORK FOR FY 2025/2026 FINANCIAL YEAR

4.1. 2025/2026 Budget framework

The FY 2025/26 and the Medium-Term Budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes in the Economic Recovery Strategy, The Third Generation County Integrated Development Plan and priority programmes outlined in the Fourth Medium Term Plan (MTP IV) of the Vision 2030. Additionally, the County Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth.

4.1.1 Medium Term Fiscal Projections

Going forward, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In the Meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy Paper.

The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors.

A tentative projection of estimates for 2025/2026, 2026/2027 -2027/2028 is shown in on tables below classified by department and entity. Annex I shows the detailed recurrent and development projections.

Table10: Income Projection under MTEF 2025-2026 – 2027-2028

FINANCIAL YEAR	2025/2026	2026/2027	2027/2028
SOURCES OF REVENUE			
Revenue Description			
1.CRA Equitable share	7,658,923,257	8,271,637,117	8,933,368,086
2.Local Collections	631,117,226	681,606,604	736,135,133
3.Facility Improvement Fund	710,990,500	767,869,740	829,299,319
4.CONDITIONAL GRANTS			
4A. Routine Maintenance Fuel Levy Fund	169,758,085	169,758,085	169,758,085
4B.County Aggregated Industrial Parks	250,000,000	250,000,000	250,000,000
4C. County health promoters	45,690,000	45,690,000	45,690,000
5. DONOR FUNDS	-	-	-
5A. DANIDA FUND	8,287,500	8,287,500	8,287,500
5B. Kenya Devolution Support Project 11 (world bank)	37,500,000	37,500,000	37,500,000
5C. Kenya Urban Support Program UDG (SIDA)	43,550,249	43,550,249	43,550,249
5D. Kenya Urban Support Program UIG (SIDA)	35,000,000	35,000,000	35,000,000
5E. FLOCCA Grants to support climate change CCIs	11,000,000	11,000,000	11,000,000
5F. FLOCCA Grants to support climate change CCIR	203,392,898	203,392,898	203,392,898
5G. FLLOCA Grants to Support Climate Change CCIR (UNSPENT DONOR)	68,750,000	68,750,000	68,750,000
5H.IDA National Agricultural Value Chain Devt Project (NAVCDP)	151,515,152	151,515,152	151,515,152
5I. SWEDEN Kenya Agricultural Business Devt Project (KABDP)	10,918,919	10,918,919	10,918,919
Gross Total	**10,036,393,786**	**10,756,476,265**	**11,534,165,341**

Table 11: Projected Estimates Per Department and Entity For FY 2025/26 - 2027/28 MTEF Budget

	Line Ministries/Departments				**% OF ALLOCATION**
		25-26	26-27	27-28	25-26
1	County Assembly Services	918,858,444	978,754,980	1,042,625,843	9%
2	Public Service & Administration	471,061,401	501,073,047	533,008,904	5%
3	Office of the Governor & Deputy governor	221,205,983	235,141,960	249,955,904	2%
4	County Public Service Board	97,380,885	103,515,881	110,037,382	1%
5	Finance & Economic Planning	551,043,366	589,620,466	631,014,060	5%
6	Health Services	3,244,184,895	3,463,155,832	3,697,380,666	32%
7	Agriculture, Cooperative Development, Livestock & Fisheries	941,989,374	1,020,107,803	1,105,025,004	9%
8	Education, Libraries, Culture & Social Services	1,329,493,958	1,425,984,360	1,529,826,886	13%
9	Public Works, Roads & Transport	515,497,220	542,593,521	592,854,909	5%
10	Trade, Innovation, Industrialization, Tourism, Wildlife & Cooperative Development	600,420,205	657,132,520	695,534,478	6%
11	Water, Energy, Natural Resources & Environment	680,135,334	735,759,322	801,403,398	7%
12	Land, Housing & Physical Planning	174,720,874	188,897,466	204,284,103	2%
13	Information, Communication & E-Government	141,228,302	152,023,627	163,688,852	1%
	Kericho Municipal Board	54,111,773	58,815,815	63,945,711	1%
	Litein municipal Board	45,061,773	48,899,665	53,079,243	0%
	STRATEGIC INTERVENTION	50,000,000	55,000,000	60,500,000	0%
	TOTAL EXPENDITURE	**10,036,393,786**	**10,756,476,264**	**11,534,165,341**	**100%**

Expenditure Forecasts

The expenditure comprises recurrent and development votes. The County Treasury will endeavor to maintain fiscal responsibility principle of 70:30 in 2025/2026 for recurrent and development expenditures as required by section 107 of the Public Finance Management Act, 2012.

5.0 CONCLUSION AND WAYFORWARD

The CBROP 2024 has being prepared against the backdrop of a Global economic outlook that has become more uncertain reflecting, the impact of the ongoing Russia-Ukraine conflict, Gaza-Israel War, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. To strengthen the economic recovery, the budget for FY 2025/26 and the medium term will focus on revenue mobilization and reduction on non-core expenditures.

Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds by the various departments will be crucial in ensuring the county delivers her functions. Plans and programme are strictly adhered to achieve the objectives of the County government.

	Line Ministries/Departments				
	RECURRENT EXTIMATES	**25-26**	**26-27**	**27-28**	**25-26**
1	County Assembly Services	864,575,901	919,044,183	976,943,966	12%
2	Public Service & Administration	462,013,369	491,120,212	522,060,785	7%
3	Office of the Governor & Deputy governor	221,205,983	235,141,960	249,955,904	3%
4	County Public Service Board	97,380,885	103,515,881	110,037,382	1%
5	Finance & Economic Planning	446,682,070	474,823,041	504,736,892	6%
6	Health Services	2,849,933,857	3,029,479,690	3,220,336,910	41%
7	Agriculture, Cooperative Development, Livestock & Fisheries	434,608,320	461,988,644	491,093,929	6%
8	Education, Libraries, Culture & Social Services	985,378,196	1,047,457,022	1,113,446,814	14%
9	Public Works, Roads & Transport	101,649,179	108,053,078	114,860,421	1%
10	Trade, Innovation, Industrialization, Tourism, Wildlife & Cooperative Development	89,992,041	95,661,539	101,688,216	1%
11	Water, Energy, Natural Resources & Environment	201,669,346	214,374,515	227,880,109	3%
12	Land, Housing & Physical Planning	89,067,418	94,678,665	100,643,421	1%
13	Information, Communication & E-Government	89,932,575	95,598,327	101,621,022	1%
	Kericho Municipal Board	19,111,773	20,315,815	21,595,711	0%
	Litein municipal Board	18,061,773	19,199,665	20,409,243	0%
	TOTAL EXPENDITURE	**6,971,262,686**	**7,410,452,235**	**7,877,310,726**	

	Line Ministries/Departments				
	DEVELOPMENT ESTIMATES	**25-26**	**26-27**	**27-28**	**25-26**
1	County Assembly Services	54,282,543	59,710,797	65,681,877	2%
2	Public Service & Administration	9,048,032	9,952,835	10,948,118	0%
3	Office of the Governor & Deputy governor	-	-	-	0%
4	County Public Service Board	-	-	-	0%
5	Finance & Economic Planning	104,361,296	114,797,425	126,277,168	3%
6	Health Services	394,251,038	433,676,142	477,043,756	13%
7	Agriculture, Cooperative Development, Livestock & Fisheries	507,381,054	558,119,159	613,931,075	17%
8	Education, Libraries, Culture & Social Services	344,115,762	378,527,338	416,380,072	11%
9	Public Works, Roads & Transport	413,848,041	434,540,443	477,994,487	14%
10	Trade, Innovation, Industrialization, Tourism, Wildlife & Cooperative Development	510,428,164	561,470,980	593,846,261	17%
11	Water, Energy, Natural Resources & Environment	478,465,988	521,384,808	573,523,289	16%
12	Land, Housing & Physical Planning	85,653,456	94,218,802	103,640,682	3%
13	Information, Communication & E-Government	51,295,727	56,425,300	62,067,830	2%
	Kericho Municipal Board	35,000,000	38,500,000	42,350,000	1%
	Litein municipal Board	27,000,000	29,700,000	32,670,000	1%
	STRATEGIC INTERVENTION	50,000,000	55,000,000	60,500,000	2%
	TOTAL EXPENDITURE	**3,065,131,100**	**3,346,024,029**	**3,656,854,615**	